中国神华
CHINA SHENHUA

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

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

(Stock Code: 01088)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

FINANCIAL HIGHLIGHTS

- Revenue of the Group in 2014 were RMB248,360 million, representing a decrease of RMB35,437 million or 12.5% over 2013.
- Profit for the year attributable to equity holders of the Company in 2014 was RMB38,689 million, representing an decrease of RMB6,390 million or 14.2% over 2013.
- Basic earnings per share was RMB1.945.
- The Board proposed a final dividend of RMB0.74 per share or RMB14,718 million for the year of 2014.

The Board of China Shenhua Energy Company Limited (the "Company") is pleased to present the annual results of the Company and its subsidiaries (the "Group" or "China Shenhua") for the year ended 31 December 2014 and to report our performance for the year.

FINANCIAL INFORMATION

Financial information extracted from the audited consolidated financial statements for the year ended 31 December 2014 prepared in accordance with International Financial Reporting Standards ("IFRSs"):

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

		Year ended 31 December	
		2014	2013
	NOTES	***RMB million***	*RMB million*
Revenue	*2*	**248,360**	283,797
Cost of sales	*3*	**(174,843)**	(202,431)
Gross profit		**73,517**	81,366
Selling, general and administrative expenses		**(9,459)**	(10,118)
Other gains and losses		**(749)**	(889)
Other income		**933**	533
Other expenses		**(417)**	(364)
Interest income		**804**	754
Finance costs	*5*	**(4,094)**	(2,942)
Share of results of associates		**410**	588
Profit before income tax		**60,945**	68,928
Income tax expense	*6*	**(12,562)**	(13,704)
Profit for the year	*4*	**48,383**	55,224
Other comprehensive expense for the year, net of income tax, that may be reclassified subsequently to profit or loss:			
Exchange differences		**(301)**	(802)
Total comprehensive income for the year		**48,082**	54,422
Profit for the year attributable to:			
Equity holders of the Company		**38,689**	45,079
Non-controlling interests		**9,694**	10,145
		48,383	55,224
Total comprehensive income for the year attributable to:			
Equity holders of the Company		**38,388**	44,293
Non-controlling interests		**9,694**	10,129
		48,082	54,422
Earnings per share (RMB)			
– Basic	*8*	**1.945**	2.266

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2014

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

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

	Equity attributable to equity holders of the Company									
	Share capital *RMB million*	Share premium *RMB million*	Capital reserve *RMB million*	Exchange reserve *RMB million*	Statutory reserves *RMB million*	Other reserves *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 1 January 2013	19,890	85,001	3,612	734	16,554	(1,835)	139,227	263,183	49,968	313,151
Profit for the year	–	–	–	–	–	–	45,079	45,079	10,145	55,224
Other comprehensive expense for the year	–	–	–	(786)	–	–	–	(786)	(16)	(802)
Total comprehensive income for the year	–	–	–	(786)	–	–	45,079	44,293	10,129	54,422
Dividend declared (*Note 7*)	–	–	–	–	–	–	(19,094)	(19,094)	–	(19,094)
Appropriation of maintenance and production funds	–	–	–	–	4,656	–	(4,656)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	(6,308)	–	6,308	–	–	–
Appropriation of general reserve	–	–	–	–	127	–	(127)	–	–	–
Acquisition of subsidiaries in 2013	–	–	–	–	–	(9,323)	–	(9,323)	–	(9,323)
Distributions to then shareholders in relation to the 2013 Acquisitions	–	–	–	–	–	–	(2,026)	(2,026)	–	(2,026)
Contributions from non-controlling shareholders	–	–	–	–	–	17	–	17	2,843	2,860
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(5,172)	(5,172)
Acquisition of non-controlling interests	–	–	–	–	2	1	–	3	(18)	(15)
Others	–	–	–	–	–	(150)	–	(150)	(11)	(161)
At 31 December 2013	19,890	85,001	3,612	(52)	15,031	(11,290)	164,711	276,903	57,739	334,642

	Equity attributable to equity holders of the Company									
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2014	19,890	85,001	3,612	(52)	15,031	(11,290)	164,711	276,903	57,739	334,642
Profit for the year	-	-	-	-	-	-	38,689	38,689	9,694	48,383
Other comprehensive expense for the year	-	-	-	(301)	-	-	-	(301)	-	(301)
Total comprehensive income for the year	-	-	-	(301)	-	-	38,689	38,388	9,694	48,082
Dividend declared (*Note 7*)	-	-	-	-	-	-	(18,100)	(18,100)	-	(18,100)
Appropriation of maintenance and production funds	-	-	-	-	5,996	-	(5,996)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	(5,028)	-	5,028	-	-	-
Appropriation of general reserve	-	-	-	-	72	-	(72)	-	-	-
Contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	971	971
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	(4,030)	(4,030)
Others	-	-	-	-	-	53	-	53	(19)	34
At 31 December 2014	19,890	85,001	3,612	(353)	16,071	(11,237)	184,260	297,244	64,355	361,599

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

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
OPERATING ACTIVITIES		
Profit before income tax	**60,945**	68,928
Adjustments for:		
Depreciation and amortisation *(Note 4)*	**20,749**	19,187
Other gains and losses *(Note 4)*	**749**	889
Interest income	**(804)**	(754)
Share of results of associates	**(410)**	(588)
Interest expense	**4,417**	3,685
Fair value loss on derivative financial instruments and trading debt securities	**5**	156
Exchange gain, net	**(328)**	(899)
Other income	**(76)**	(4)
Operating cash flows before movements in working capital	**85,247**	90,600
Decrease (increase) in inventories	**1,644**	(1,992)
Increase in accounts and bills receivable	**(2,701)**	(7,218)
Increase in prepaid expenses and other receivables	**(3,068)**	(15,554)
Increase in accounts and bills payable	**486**	6,169
(Decrease)increase in accrued expenses and other payables	**(1,477)**	36
Cash generated from operations	**80,131**	72,041
Income tax paid	**(12,620)**	(17,753)
NET CASH GENERATED FROM OPERATING ACTIVITIES	**67,511**	54,288

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to the construction in progress and other non-current assets	**(44,268)**	(51,148)
Increase in lease prepayments	**(271)**	(517)
Proceeds from disposal of property, plant and equipment, and lease prepayments	**686**	167
Proceeds from disposal of an associate	**40**	229
Proceeds from available-for-sale investments	**–**	4
Proceeds from disposal of a subsidiary	**19**	–
Investments in associates	**(197)**	(196)
Purchase of available-for-sale investments	**(913)**	–
Dividend received from associates	**357**	720
Interest received	**851**	766
Investment income from debt securities	**146**	–
Decrease (increase) in restricted bank deposits	**377**	(518)
Increase in time deposits with original maturity over three months	**(1,547)**	(1,109)
Maturity of time deposits with original maturity over three months	**1,564**	3,789
Entrusted loan to a third party	**(37)**	–
Entrusted loan to an associate	**–**	(40)
Repayment of entrusted loans	**30**	80
NET CASH USED IN INVESTING ACTIVITIES	**(43,163)**	(47,773)

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

1. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

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

2. REVENUE

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

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Coal revenue	**132,592**	167,399
Power revenue	**71,812**	77,423
Transportation revenue	**4,323**	6,078
Coal chemical revenue	**5,368**	5,463
	214,095	256,363
Other revenue	**34,265**	27,434
	248,360	283,797

3. COST OF SALES

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Coal purchased	**43,545**	73,876
Materials, fuel and power	**20,640**	21,857
Personnel expenses	**10,980**	11,347
Depreciation and amortisation	**18,700**	16,955
Repairs and maintenance	**9,270**	9,041
Transportation charges	**14,526**	18,948
Taxes and surcharges	**4,051**	4,845
Other operating costs	**53,131**	45,562
	174,843	202,431

4. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Personnel expenses, including contributions to retirement plans of RMB 2,567 million (2013: RMB 2,539 million)	**19,480**	19,038
Depreciation of property, plant and equipment	**18,842**	18,184
Amortisation of intangible assets, included in cost of sales	**219**	179
Amortisation of lease prepayments, included in cost of sales	**370**	360
Amortisation of other non-current assets	**1,318**	464
Depreciation and amortisation	**20,749**	19,187
Other gains and losses, represent		
– losses on disposal of property, plant and equipment	**206**	553
– gains on disposal of an associate	**–**	(152)
– gains on disposal of available-for-sale investments	**(54)**	–
– gains on disposal of a subsidiary	**(19)**	–
– impairment in respect of properties and equipment	**202**	187
– impairment in respect of construction in progress	**–**	147
– impairment of loans receivable	**124**	153
– allowance(reversal of allowance) for receivables	**58**	(72)
– write down of inventories	**232**	73
	749	889
Carrying amount of inventories sold	**132,644**	156,567
Operating lease in respect of properties and equipment	**355**	451
Auditors' remuneration		
– audit services	**21**	23

5. FINANCE COSTS

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Interest on:		
– borrowings, wholly repayable within five years	**3,116**	2,841
– borrowings, wholly repayable after five years	**1,511**	1,336
– short-term debentures	**773**	133
– medium-term notes	**330**	38
Total borrowing costs	**5,730**	4,348
Less: amount capitalised	**1,474**	859
	4,256	3,489
Unwinding of discount	**161**	196
Exchange gain, net	**(328)**	(899)
Fair value changes on financial instruments	**5**	156
	4,094	2,942

Borrowing cost capitalised during the year arose on the general borrowing pool and was calculated by applying a capitalisation rate from 3.57% to 6.40% and LIBOR+0.7%, (2013: from 3.60% to 6.30% and LIBOR+2.8%) per annum to expenditure on qualifying assets.

6. INCOME TAX EXPENSE

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Current tax		
In respect of the current year	**12,427**	13,676
In respect of prior years	**589**	530
Deferred tax	**(454)**	(502)
	12,562	13,704

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% (2013: 25%) except for Group's branches and subsidiaries operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020.

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

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Profit before income tax	**60,945**	68,928
Tax at PRC income tax rate of 25% (2013: 25%)	**15,235**	17,232
Tax effects of:		
– different tax rates of branches and subsidiaries	**(3,372)**	(4,401)
– non-deductible expenses	**241**	776
– income not taxable	**(248)**	(114)
– share of results of associate	**(102)**	(147)
– utilisation of tax losses previously not recognised	**(60)**	(273)
– tax losses not recognised	**384**	189
– additional tax in respect of prior years	**589**	530
Others	**(105)**	(88)
Income tax expense	**12,562**	13,704

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

	Year ended 31 December	
	2014	2013
	%	%
Australia	**30.0**	30.0
Indonesia	**25.0**	25.0
Russia	**20.0**	20.0
Hong Kong	**16.5**	16.5

No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during both years.

7. DIVIDENDS

	Year ended 31 December	
	2014	2013
	RMB million	*RMB million*
Dividend approved and paid during the year:		
2013 final – RMB0.91 (2012: RMB0.96) per ordinary share	**18,100**	19,094

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2014 of RMB 0.74 (final dividend in respect of the year ended 31 December 2013: RMB0.91) per ordinary share has been proposed by the Directors and is subject to approval by the shareholders in the following general meeting.

8. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB38,689 million (2013: RMB45,079 million) and the number of shares in issue during the year of 19,890 million shares (2013: 19,890 million shares).

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

9. ACCOUNTS AND BILLS RECEIVABLE

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

	The Group	
	31 December 2014	31 December 2013
	RMB million	*RMB million*
Less than one year	**29,591**	26,988
One to two years	**267**	159
Two to three years	**55**	67
More than three years	**1**	7
	29,914	27,221

10. ACCOUNTS AND BILLS PAYABLE

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

	The Group	
	31 December 2014	31 December 2013
	RMB million	*RMB million*
Less than one year	**29,613**	33,126
One to two years	**7,171**	2,613
Two to three years	**932**	1,436
More than three years	**570**	625
	38,286	37,800

11. SEGMENT AND OTHER INFORMATION

Segment results

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2014 and 2013 is set out below.

	Coal		Power		Railway		Port		Shipping		Coal chemical		Segment total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Revenue from external customers	**163,505**	192,176	**72,967**	78,436	**3,222**	3,278	**299**	159	**1,300**	3,045	**5,878**	5,990	**247,171**	283,084
Inter-segment revenue	**28,765**	37,166	**356**	472	**27,404**	26,691	**3,877**	3,579	**1,734**	2,042	**2**	–	**62,138**	69,950
Reportable segment revenue	**192,270**	229,342	**73,323**	78,908	**30,626**	29,969	**4,176**	3,738	**3,034**	5,087	**5,880**	5,990	**309,309**	353,034
Reportable segment profit	**25,484**	35,994	**18,583**	17,002	**14,663**	13,875	**1,344**	1,479	**341**	369	**1,142**	1,258	**61,557**	69,977
Including:														
Interest expenses	**1,025**	471	**1,459**	2,025	**240**	244	**432**	265	**57**	9	**275**	268	**3,488**	3,282
Depreciation and amortisation	**8,085**	7,242	**7,398**	7,782	**3,260**	2,561	**800**	620	**242**	101	**825**	792	**20,610**	19,098
Share of results of associates	**59**	187	**307**	438	**–**	–	**11**	11	**–**	–	**–**	–	**377**	636

Reconciliations of reportable segment revenue, profit before income tax and other items of profit or loss for the years ended 31 December 2014 and 2013.

	Share of results of associates		Depreciation and amortisation		Interest expenses		Report segment profit		Revenue	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Reportable segment amounts	**377**	636	**20,610**	19,098	**3,488**	3,282	**61,557**	69,977	**309,309**	353,034
Elimination of inter-segment amounts	**–**	–	**–**	–	**(1,982)**	(1,135)	**(969)**	(824)	**(62,138)**	(69,950)
Unallocated head office and corporate items	**33**	(48)	**139**	89	**2,911**	1,538	**357**	(225)	**1,189**	713
Consolidated	**410**	588	**20,749**	19,187	**4,417**	3,685	**60,945**	68,928	**248,360**	283,797

Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, exploration and evaluation assets, intangible assets, interest in associates, other non-current assets and lease prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, construction in progress and lease prepayments, and the location of operations, in the case of exploration and evaluation assets, intangible assets, other non-current assets and interest in associates.

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December 2014	Year ended 31 December 2013	**31 December 2014**	31 December 2013
	RMB million	*RMB million*	***RMB million***	*RMB million*
Domestic markets	**243,127**	277,717	**403,186**	379,490
Overseas markets	**5,233**	6,080	**5,298**	5,565
	248,360	283,797	**408,484**	385,055

Other information

Certain other information of the Group's segments for the years ended 31 December 2014 and 2013 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2014	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013	**2014**	2013
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
Coal purchased	**43,545**	73,876	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**43,545**	73,876
Cost of coal production	**42,163**	45,675	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(10,109)**	(14,899)	**32,054**	30,776
Cost of coal transportation	**43,580**	42,510	**-**	-	**12,844**	13,330	**1,833**	1,683	**1,294**	1,881	**-**	-	**-**	-	**(41,702)**	(42,622)	**17,849**	16,782
Power cost	**-**	-	**50,514**	56,921	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**(9,586)**	(11,721)	**40,928**	45,200
Cost of coal chemical production	**-**	-	**-**	-	**-**	-	**-**	-	**-**	-	**3,745**	3,783	**-**	-	**(367)**	(413)	**3,378**	3,370
Others	**32,386**	26,215	**657**	860	**1,898**	1,772	**162**	87	**1,276**	2,805	**500**	524	**210**	164	**-**	-	**37,089**	32,427
Total cost of sales	**161,674**	188,276	**51,171**	57,781	**14,742**	15,102	**1,995**	1,770	**2,570**	4,686	**4,245**	4,307	**210**	164	**(61,764)**	(69,655)	**174,843**	202,431
Profit (loss) from operations	**26,068**	35,919	**19,629**	18,459	**14,298**	13,590	**1,729**	1,649	**361**	317	**1,410**	1,510	**1,198**	262	**(1,251)**	(946)	**63,442**	70,760
Additions to non-current assets (*note (i)*)	**8,653**	8,564	**17,542**	11,078	**14,869**	19,271	**1,533**	5,680	**1,097**	2,352	**794**	449	**337**	606	**-**	-	**44,825**	48,000
Total assets (*note (ii)*)	**245,545**	224,803	**199,611**	178,457	**122,033**	104,061	**21,974**	20,709	**8,247**	8,114	**13,529**	13,340	**343,018**	320,241	**(415,060)**	(356,427)	**538,897**	513,298
Total liabilities (*note (ii)*)	**(115,876)**	(115,964)	**(110,324)**	(106,656)	**(59,965)**	(54,601)	**(9,917)**	(10,877)	**(2,449)**	(2,643)	**(7,007)**	(7,780)	**(175,390)**	(137,031)	**303,630**	256,896	**(177,298)**	(178,656)

Notes:

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

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

12. EVENTS AFTER THE REPORTING PERIOD

On 20 March 2015, the Board of Directors proposed a final dividend of RMB 0.74 per ordinary share totaling RMB 14,718 million to the equity holders of the Company. Further details are disclosed in Note 7.

BOARD OF DIRECTORS' STATEMENT

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

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

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

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

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

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

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

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

Strengthening production arrangements to ensure stable and sound operation

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

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

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

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

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

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

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

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

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

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

Strengthening development potential

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Zhang Yuzhuo
Chairman

20 March 2015

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Company's Operating Results

Business Data Master Table

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

Breakdown of Commercial Coal Production

	2014 *million tonnes*	2013 *million tonnes*	Change %
Shendong Coal Group	**168.9**	178.4	(5.3)
Bulianta	**28.2**	27.1	4.1
Daliuta-Huojitu	**35.8**	34.7	3.2
Yujialiang	**17.2**	17.1	0.6
Shangwan	**15.0**	14.7	2.0
Halagou	**14.9**	14.8	0.7
Baode (Kangjiatan)	**4.5**	9.0	(50.0)
Shigetai	**10.5**	11.0	(4.5)
Wulanmulun	**7.4**	7.5	(1.3)
Bu'ertai	**17.9**	16.4	9.1
Wanli No.1 mine (Changhangou)	**3.1**	10.9	(71.6)
Liuta mine	**3.8**	3.9	(2.6)
Cuncaota No. 1 mine	**3.3**	4.5	(26.7)
Cuncaota No. 2 mine	**5.9**	4.4	34.1
Others	**1.4**	2.4	(41.7)
Zhunge'er Energy Company	**30.4**	30.8	(1.3)
Heidaigou	**30.4**	30.8	(1.3)
Ha'erwusu Branch	**31.4**	30.5	3.0
Beidian Shengli Energy	**17.0**	17.9	(5.0)
Jinjie Energy	**18.9**	18.8	0.5
Shenbao Energy Company	**28.7**	31.4	(8.6)
Baotou Energy Company	**7.6**	8.3	(8.4)
Shuiquan Open-cut Mine	**0.8**	2.5	(68.0)
Adaohai Mine	**0.9**	0.9	0.0
Lijiahao Mine	**5.9**	4.9	20.4
Shendong Power Company	**1.6**	–	N/A
Huangyuchuan Mine	**1.6**	–	N/A
EMM Indonesia	**2.1**	2.0	5.0
Total production	**306.6**	318.1	(3.6)
By Regions			
Inner Mongolia	**202.2**	209.6	(3.5)
Shaanxi	**97.8**	97.5	0.3
Shanxi	**4.5**	9.0	(50.0)
Overseas	**2.1**	2.0	5.0

Breakdown of Coal Sales

		2014 *million tonnes*	Proportion of domestic sales %	2013 *million tonnes*	Change %
(I) Domestic sales		**439.6**	100.0	503.8	(12.7)
By coal source	Self-produced coal and purchased coal	**406.2**	92.4	417.4	(2.7)
	Coal purchased through domestic trade	**26.5**	6.0	71.2	(62.8)
	Imported coal	**6.9**	1.6	15.2	(54.6)
By customers	External customers	**361.1**	82.1	413.2	(12.6)
	Power segment of the Group	**74.7**	17.0	86.4	(13.5)
	Coal chemical segment of the Group	**3.8**	0.9	4.2	(9.4)
By region	Northern China	**244.7**	55.6	209.3	16.9
	Eastern China	**121.6**	27.7	140.6	(13.5)
	Central China and Southern China	**48.9**	11.1	49.8	(1.9)
	Northeast China	**23.6**	5.4	42.2	(44.1)
	Others	**0.8**	0.2	61.9	(98.7)
By usage	Thermal coal	**285.5**	64.9	300.3	(4.9)
	Metallurgy	**7.5**	1.8	11.7	(35.8)
	Chemical (including coal slurry)	**34.4**	7.8	38.2	(9.9)
	Others	**112.2**	25.5	153.6	(27.0)

		2014 *million tonnes*	Proportion of export sales %	2013 *million tonnes*	Change %
(II) Export Sales		**1.6**	100.0	2.7	(40.7)
	South Korea	**1.0**	62.5	1.3	(23.1)
	China Taiwan	**–**	–	0.4	(100.0)
	Japan	**0.6**	37.5	0.7	(14.3)
	Others	**–**	–	0.3	(100.0)
(III) Foreign sales		**9.9**		8.3	19.3
Total sales		**451.1**		514.8	(12.4)

Breakdown of Railway Turnover

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

Breakdown of Seaborne Coal in Ports

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

Breakdown of Power Generation Business

Power plants	Regional grid	Location	Gross power generation	Total power output dispatch	Average utilisation hours	Standard coal consumption rate for power output dispatch	Power tariff	Total installed capacity as at 31 December 2013	Increase/ (decrease) in installed capacity for 2014	Total installed capacity as at 31 December 2014	Equity installed capacity as at 31 December 2014
			100 million kwh	*100 million kwh*	*hours*	*g/kwh*	*RMB/mwh*	*MW*	*MW*	*MW*	*MW*
Cangdong Power	North China Power Grid	Hebei	149.6	142.2	5,937	309	349	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	71.8	66.5	5,525	309	360	1,300	–	1,300	501
Dingzhou Power	North China Power Grid	Hebei	134.9	124.6	5,354	323	355	2,520	–	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	62.6	58.7	6,074	316	373	1,030	30	1,060	482
Zhunge'er Power	North China Power Grid	Inner Mongolia	43.3	39.0	4,510	366	251	960	–	960	554
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	212.2	193.3	5,094	357	253	4,167	–	4,167	3,657
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	76.6	69.4	5,803	316	256	1,320	–	1,320	639
Guohua Hulunbei'er Power	Northeast Power Grid	Inner Mongolia	47.6	42.8	3,964	330	266	1,200	–	1,200	960
Beijing Thermal	North China Power Grid	Beijing	21.8	19.1	5,458	281	424	400	–	400	280
Suizhong Power	Northeast Power Grid	Liaoning	144.5	135.6	4,015	312	348	3,600	–	3,600	1,800
Zheneng Power	East China Power Grid	Zhejiang	239.4	227.0	5,440	302	400	4,400	–	4,400	2,640
Taicang Power	East China Power Grid	Jiangsu	73.6	70.1	5,839	304	341	1,260	–	1,260	630
Jinjie Energy	North China Power Grid	Shaanxi	171.1	157.5	7,128	327	308	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	12.4	11.0	5,623	378	322	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	232.9	218.9	4,657	312	429	5,000	–	5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	35.2	32.1	5,340	324	435	660	–	660	660
Mengjin Power	Central China Power Grid	Henan	61.6	57.9	5,135	310	373	1,200	–	1,200	612
Chenjiagang Power	East China Power Grid	Jiangsu	74.4	70.6	5,633	292	347	1,320	–	1,320	726
Shenwan Energy	East China Power Grid	Anhui	136.9	129.3	5,266	325	362	2,600	–	2,600	1,326
Shenhua Sichuan Energy	Central China Power Grid	Sichuan	40.8	36.9	3,240	338	408	1,260	–	1,260	604
Fujian Energy	East China Power Grid	Fujian	51.6	48.4	4,160	348	376	1,240	–	1,240	481
EMM Indonesia	PLN (Perusahaan Listrik Negara)	Indonesia	20.3	18.1	6,778	372	410	300	–	300	210
Total for coal-fired power plants/Weighted average			2,115.1	1,969.0	5,174	321	351	40,877	30	40,907	24,860
Other power plants											
Zhuhai Wind	South China Power Grid	Guangdong	0.2	0.2	1,415	–	598	16	–	16	12
Yuyao Power	East China Power Grid	Zhejiang	19.3	18.7	2,471	232	773	780	–	780	624
Shenhua Sichuan Energy	Sichuan Provincial Local Power Grid	Sichuan	6.7	6.5	5,321	–	234	125	–	125	48

Breakdown of Coal Resources/Reserve

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

Other Assets

Name

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

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

Breakdown of Shipping Volume

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

Summary of Operations in 2014

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

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

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

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

		2014	2013	**Change (%)**
Return on total assets as at the end of the period	%	**9.0**	10.8	Decreased by 1.8 percentage points
Return on net assets as at the end of the period	%	**13.0**	16.3	Decreased by 3.3 percentage points

		As at 31 December 2014	As at 31 December 2013	Change (%)
Equity attributable to equity holders per share	RMB/share	**14.94**	13.92	7.3
Liability to asset ratio	%	**32.9**	34.8	Decreased by 1.9 percentage points
Total debt to total debt + total equity ratio	%	**20.9**	21.6	Decreased by 0.7 percentage point

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

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

Analysis on principal business

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

Unit: RMB million

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

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

2. *Revenue*

(1) *Analysis on the factors affecting the revenue*

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

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

(2) *Major customers*

Top five customers

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

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

The statistics of major customers include major customers other than Shenhua Group. For details of amounts of the transactions between the Group and Shenhua Group in relation to products, services and financial services during the reporting period, please refer to the section headed "Significant Events" of 2014 annual report.

3. *Cost of sales*

(1) *Cost analysis table*

Unit: RMB million

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

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

(2) Major suppliers

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

The statistics of major suppliers include major suppliers other than Shenhua Group. For details of amounts of the transactions between the Group and Shenhua Group in relation to products, services and financial services during the reporting period, please refer to the section headed "Significant Events" of 2014 annual report.

4. Expenses

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

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

5. *Others*

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

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

6. *Research and development expenditure*

(1) Table of research and development expenditure

Unit: RMB million

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

(2) Explanation

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

7. *Cash flow*

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

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

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

8. *Changes in the composition of profit*

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

Analysis on Operating Results by Business Segment

(I) Coal Segment

1. Overview of production and operations

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

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

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

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

2. *Coal sales*

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

A. By sales types

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

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

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

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

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

B. By internal and external customers

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

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

3. *Production safety*

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

4. *Environmental protection*

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

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

5. *Progress of projects*

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

6. *Coal resources*

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

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

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

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

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

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

7. Construction of Digital Mines

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

8. Analysis of operating results

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

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

9. Unit production cost of self-produced coal

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

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

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

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

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

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

10. Analysis of cost of coal purchased from third parties

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

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

2. *Power segment*

(1) *Overview of production and operations*

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

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

(2) *Environmental protection*

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

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

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

(3) Progress of projects

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

(4) Analysis of operating results

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

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

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

3. ***Railway segment***

(1) *Overview of production and operations*

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

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

(2) *Progress of projects*

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

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

(3) Analysis of operating results

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

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

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

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

4. Port Segment

(1) Overview of production and operations

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

(2) Progress of projects

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

(3) Analysis of operating results

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

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

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

5. *Shipping Segment*

(1) *Overview of production and operations*

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

(2) *Analysis of operating results*

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

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

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

6. *Coal Chemical Segment*

(1) Overview of production and operations

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

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

(2) Analysis of operating results

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

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

(3) Unit production cost of main products

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

Regional operation analysis

Unit: RMB million

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

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

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

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

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

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

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

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

The exploration of Zashulanskoye project in Russia was proceeding smoothly.

Assets and Liabilities

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

Unit: RMB million

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

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

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

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

Analysis on Core Competitiveness

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

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

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

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

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

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

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

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

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

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

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

II. MANAGEMENT DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT[1]

Competition Landscape and Development Trend in the Industry

1. Macroeconomic Conditions

Review for 2014

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

Prospect for 2015

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

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2. *Market environment of the coal industry*

(I) Thermal coal market in China

Review for 2014

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

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

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

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

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

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

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

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

Prospect for 2015

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

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

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

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

(II) Thermal coal market in the Asia Pacific region

Review for 2014

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

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

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

Prospect for 2015

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

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

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

3. Market environment of the power industry

Review for 2014

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

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

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

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

Prospect for 2015

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

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

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

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

Development Strategy of the Company

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

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

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

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

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

II. China Shenhua's future main challenges:

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

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

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

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

III. Development Strategy of China Shenhua

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

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

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

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

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

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

Business Targets for 2015

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

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

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

□Applicable ✓Not Applicable

Capital expenditures plans for 2015

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

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

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

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

PROFIT DISTRIBUTION PLAN

Formulation, implementation or adjustment of cash dividend policy

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

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

Unit: RMB million

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

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

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

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

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

2. Dividends distributed by the Company is denominated and announced in RMB. Dividends to holders of domestic shares, including holders of the Company's A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect (hereinafter referred to as the "Northbound Shareholders") and holders of the Company's H shares through the Southbound Trading Link (hereinafter referred to as the "Southbound Shareholders") are paid in RMB. Dividends to holders of foreign shares, except the Southbound Shareholders, are paid in HKD. The dividend paid in HKD is calculated according to the exchange rate based on the average benchmark rate of RMB against HKD as published by the Bank of China five business days preceding the date of declaration of such dividend.

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

(1) After the Shanghai Stock Exchange is closed in the afternoon on Wednesday, 29 April 2015, the shareholders of A shares of the Company (including the Northbound Shareholders) and the proxies of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2014 annual general meeting of the Company;

(2) Under relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and according to the market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement in respect of final dividend distribution to holders of A shares (including the Northbound Shareholders) for the year 2014 after the annual general meeting of 2014 to determine the record date and ex-rights date for final dividend distribution to holders of A shares for the year 2014.

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

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

(2) The register of members will be closed from Monday, 8 June 2015 to Friday, 12 June 2015 (both days inclusive) to determine the identity of the shareholders of H shares who are entitled to the proposed final dividend for the year 2014. In order to be eligible for receiving the 2014 final dividend, shareholders of H shares shall lodge the share certificates and the instruments of transfer with Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30 pm on Friday, 5 June 2015 to effect the transfer of shares.

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

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

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

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

The Company shall take the registered address (hereinafter referred to as "registered address") as recorded in the register of members of H shares on 12 June 2015 as the criterion in determining the residence of the individual shareholders of H shares, and withhold and pay individual income tax accordingly. Should the residence of the individual shareholders of H shares be inconsistent with the registered address, they should notify the Company's share registrar for H shares at or before 4:30 pm on 5 June 2015 with relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong. For individual shareholders of H shares who failed to provide relevant evidence to the Company's share registrar for H shares before the above deadline, the Company shall determine their residence according to the registered address as recorded in the register of members on 12 June 2015.

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

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

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

CORPORATE GOVERNANCE

The Company has adopted the corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules, and established its own system of corporate governance. As of 31 December 2014, the Company has been in full compliance with the principles and code provisions and most of the recommended best practices as specified therein.

Operation of Board Committees of the Company

Performance of duties by the Strategy Committee

As at 31 December 2014, the Strategy Committee of the third session of the Board is comprised of Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo, with Dr. Zhang Yuzhuo as the chairman. During the reporting period, there is no change of the chairman and members of the Strategy Committee of the third session of the Board.

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

Performance of duties by the Audit Committee

As at 31 December 2014, the Audit Committee of the third 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, Mr. Chen Hongsheng and Ms. Fan Hsu Lai Tai, with Mr. Gong Huazhang as the chairman. During the reporting period, there is no change of the chairman and members of the Audit Committee of the third session of the Board.

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

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

(2) to guide the internal audit work, which includes, to supervise the appointment and dismissal of the head of internal audit function and make relevant recommendations; to supervise the internal audit system of the Company and its implementation; to review the annual internal audit plan of the Company; to supervise the implementation of the internal audit plan; to review the internal audit reports, evaluate the results of internal audit and supervise the rectification of material matters; to guide the effective operation of internal audit department, and to review and monitor the effectiveness of the internal audit function; to ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; and to review various audit reports, rectification plans and rectification progress related to audit matters submitted by the internal audit department of the Company to the management.

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

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

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

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

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

No.	Meeting	Date	Method	Attendee	Subject matter
1	The 36th meeting of the Audit Committee of the second session of the Board	5 March 2014	Written resolution	All members	1. To consider the "Resolution on the 2013 Assessment Report on the Internal Control of China Shenhua (Draft)" 2. To consider the "Resolution on Financial Report of China Shenhua for the Year 2013 (Draft)"

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

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

No.	Meeting	Date	Method	Attendee	Subject matter
9	The third meeting of the Audit Committee of the third session of the Board	25 December 2014	Written resolution	All members	1. To consider the "Resolution on the Operating Plan of China Shenhua for the Year 2015" 2. To consider the "Resolution on the Proposal for Debt Financing of China Shenhua for the Year 2015" 3. To consider the "Resolution on the Formulation of the Administrative Method for Financial Revenue and Expenditure Auditing for China Shenhua" 4. To consider the "Resolution on the Overseas Issuance of USD Denominated Bonds of China Shenhua" 5. To consider the "Resolution on the Establishment of Financial Leasing Company"

Note: All resolutions of the meetings were passed.

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

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

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

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

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

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

Performance of duties by the Remuneration Committee

As at 31 December 2014, the Remuneration Committee of the third session of the Board is comprised of Ms. Fan Hsu Lai Tai and Mr. Gong Huazhang, with Ms. Fan Hsu Lai Tai as the chairman. During the reporting period, the appointment of Mr. Wu Ruosi, a former member of the Remuneration Committee of the third session of the Board, as a member of the Remuneration Committee terminated. Apart from that, there is no change of the chairman and members of the Remuneration Committee of the third session of the Board.

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

Performance of duties by the Nomination Committee

As at 31 December 2014, the Nomination Committee of the third session of the Board is comprised of Mr. Guo Peizhang, Dr. Zhang Yuzhuo and Ms. Fan Hsu Lai Tai, with Mr. Guo Peizhang as the chairman. During the reporting period, there is no change of the chairman and members of the Nomination Committee of the third session of the Board.

The main duties of the Nomination Committee are to formulate the Board Diversity Policy, regularly review the structure, size and diversity of the Board (including but not limited to gender, age, cultural and educational background, race, skills, knowledge and professional experience), and to make recommendations to the Board with regard to any proposed changes; assess and verify the independence of independent non-executive directors; draft procedures and criteria for election and appointment of directors, the president and other senior management and make recommendations to the Board according to the corporate strategy and skills, knowledge, experience and diversity that may be needed in the future of the Company; take into account the strengths of relevant candidates and fully consider the benefits of Board diversity in an objective manner to extensively seek for qualified candidates of directors, the president and other senior management; examine candidates of directors, the president and other senior management and make recommendations; nominate candidates for members of the Board Committees (other than members of the Nomination Committee and the chairman of any Board Committee); draft development plans for the president, other senior management and key reserve talents according to the corporate strategy and skills, knowledge, experience and diversity that may be needed in the future of the Company; review the Board Diversity Policy where appropriate, and review the quantitative objectives set up by the Board to implement the Board Diversity Policy and their progress of achievement, as well as disclose the results of review in the Corporate Governance Report annually; and carry out any other matters as authorised by the Board.

Performance of duties by the Safety, Health and Environment Committee

As at 31 December 2014, the Safety, Health and Environment Committee of the third session of the Board is comprised of Mr. Guo Peizhang, Dr. Ling Wen, Mr. Han Jianguo and Mr. Wang Xiaolin, with Mr. Guo Peizhang as the chairman. During the reporting period, there is no change of the chairman and members of the Safety, Health and Environment Committee of the third session of the Board.

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

Others

For the year ended 31 December 2014, neither the Company nor any of its subsidiaries has repurchased, sold or redeemed any securities of the Company as defined in the Hong Kong Listing Rules.

ANNUAL REPORT

The 2014 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2014 annual report, which contains consolidated financial statements for the year ended 31 December 2014, with an unqualified auditors' report, will be despatched to shareholders as well as made available on the Company's website at http://www.csec.com.

DEFINITIONS

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

Abbreviation	Full name
Shenhua Group	Shenhua Group Corporation Limited and its controlling subsidiaries
China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its controlling subsidiaries
Subsidiaries and Branches	Controlling subsidiaries and branches of the Company

Shendong Coal Group	Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
Shendong Power Company	Shenhua Shendong Power Co., Ltd.
Zhunge'er Energy Company	Shenhua Zhunge'er Energy Co., Ltd.
Ha'erwusu Branch	Ha'erwusu Coal Branch of the Company
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy Company
Zhunchi Railway	Shenhua Zhunchi Railway Company Limited
Shuohuang Railway Company	Shuohuang Railway Development Co., Ltd.
Shenhua Trading Group	Shenhua Trading Group Limited
Shenshuo Railway Branch	Shenshuo Railway Branch of the Company
Baotou Energy Company	Shenhua Baotou Energy Co., Ltd.
Baotou Coal Chemical Company	Shenhua Baotou Coal Chemical Co., Ltd.
Shenbao Energy Company	Shenhua Baorixile Energy Co., Ltd.
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.
Shipping Company	Shenhua Zhonghai Shipping Co., Ltd.
Shenwan Energy Company	Shenwan Energy Company Limited
Fujian Energy Company	Shenhua Fujian Energy Co., Ltd.
Shenhua Sichuan Energy Company	Shenhua Sichuan Energy Company Limited, formerly known as Shenhua Bashu Power Co., Ltd.
Shenhua Finance Company	Shenhua Finance Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Beijing Thermal	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.

Sanhe Power	Sanhe Power Co., Ltd.
Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.
Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Guohua Hulunbeier Power	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.
Taicang Power	Guohua Taicang Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of the Company
A Share(s)	Ordinary shares that are issued to domestic investors in China with the approval of CSRC and listed on the domestic stock exchanges, and denominated, subscribed and transacted in Renminbi
H Share(s)	Ordinary shares that are issued to foreign investors outside of China with the approval of CSRC and listed on the Hong Kong Stock Exchange, and denominated in Renminbi and subscribed and transacted in Hong Kong dollar

JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves sets out the standards, recommendation and guidelines for public reporting in Australasia of exploration results, mineral resources and ore reserves, a widely accepted code for reserve reporting purpose
Company Law	Company Law of the People's Republic of China
NDRC	National Development and Reform Commission of the People's Republic of China
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Accounting Standards for Business Enterprises	the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Committee
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
RMB	Renminbi, unless otherwise specified
Basic earnings per share	Profit for the year attributable to equity holders of the Company/Weighted average number of shares for the year
Return on total assets	Profit for the year/total assets at the end of the year
Return on net assets	Profit for the year attributable to equity holders of the Company/equity attributable to equity holders of the Company at the end of the year

EBITDA	Profit for the year + net finance cost + income tax expense + depreciation and amortisation – share of results of associates. EBITDA is not yet an item acknowledged by the International Financial Reporting Standards. However, EBITDA is popularly used by securities analysts, investors and other parties as an important indicator for the evaluation of the performance of listed companies. It should not be taken as an alternative indicator of profit for the relevant accounting period to evaluate achievements or performances, nor shall it be taken as an alternative indicator for cash flows generated from operating activities to evaluate liquidity. The calculation of EBITDA by the Company may be different from that of other companies; therefore comparability may be limited. In addition, EBITDA is not intended to be the basis for free cash flows that may be used by the management at their discretion, because it does not reflect requirements for cash such as interest expenses, tax payment and repayment of debts, etc.
Total debt to total debt + total equity	[Long-term interest bearing debts + short-term interest bearing debts (including bills payable)]/[Long-term interest bearing debts + short-term interest bearing debts (including bills payable) + total equity]
Liability to asset ratio	Total liabilities/Total assets
Shanghai-Hong Kong Stock Connect	A mutual access mechanism between Shanghai and Hong Kong stock markets under which Shanghai Stock Exchange and Hong Kong Stock Exchange allow investors from Shanghai and Hong Kong to trade eligible shares listed on the other's market through local securities firms (or brokers)
Shanghai Stock Connect	Investors place orders through Hong Kong brokers and a securities trading service company established by Hong Kong Stock Exchange to trade eligible shares listed on Shanghai Stock Exchange by routing orders to Shanghai Stock Exchange

Hong Kong Stock Connect	Investors place orders through Mainland securities firms and a securities trading service company established by Shanghai Stock Exchange to trade eligible shares listed on Hong Kong Stock Exchange by routing orders to Hong Kong Stock Exchange

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

Beijing, 20 March 2015

As at the date of this announcement, the Board comprises Dr. Zhang Yuzhuo, Dr. Ling Wen, Mr. Han Jianguo and Mr. Wang Xiaolin as executive Directors, Mr. Chen Hongsheng as non-executive Director and Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. Guo Peizhang as independent non-executive Directors.