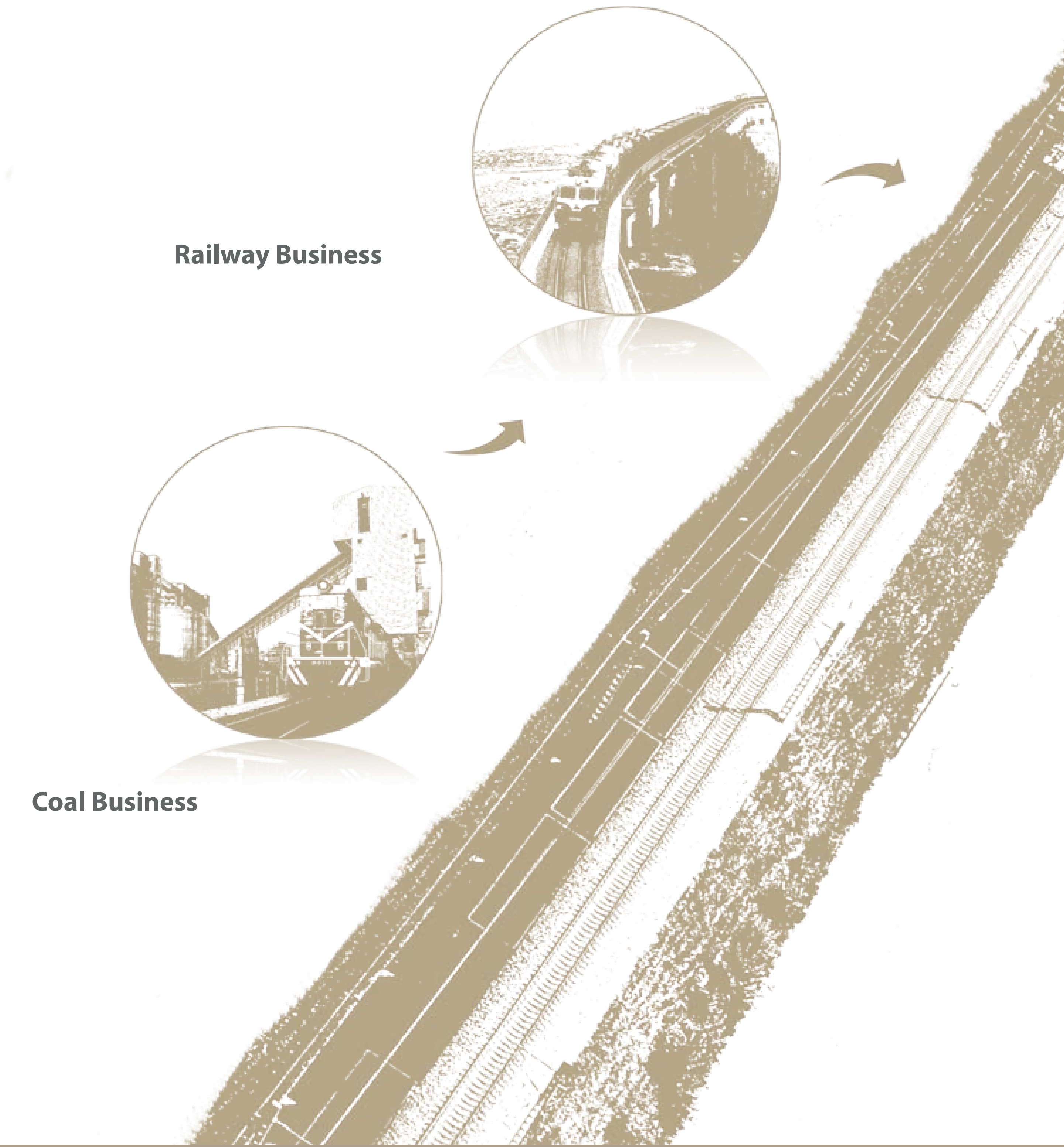
中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
Stock Code: 01088

2009
Annual Report



Cover Story

Climate change is one of the greatest challenges that we face nowadays. The Copenhagen UNFCCC in 2009 has sent an important message to us that we, as a country, an enterprise or an individual, should endeavor to adopt measures to minimize the disastrous impacts of climate change on the human being. As a world's leading coal-based integrated energy enterprise, China Shenhua holds strong faith that developing low carbon technology is the direction of global energy in future and will unfold a revolution upon us. We endeavor to provide more clean, green and low carbon energy to our society by means of our wisdom and power, and make continuous contribution to reduce greenhouse gas emission, slow down the pace of global warming and protect our natural environment.

Power Business

Port Business

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Important Notice

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

All directors of the Company have attended the meeting of the board of directors.

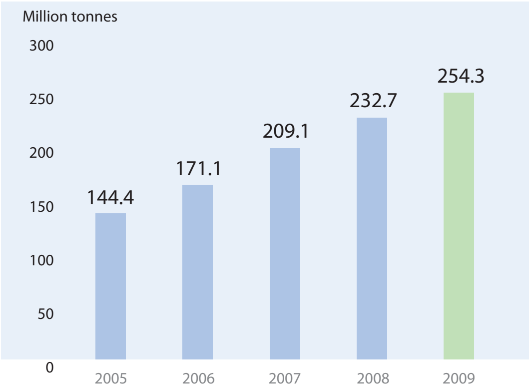
KPMG Huazhen and KPMG have issued standard unqualified auditor's report to the Company in accordance with the China's Auditing Standards and Hong Kong Standards on Auditing, respectively.

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

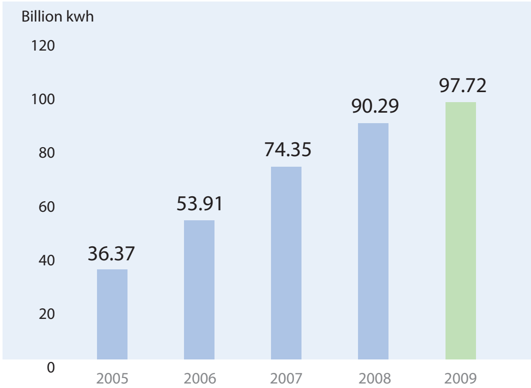
There are certain forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policy and economy, which are subject to risks, uncertainties and assumptions. Actual outcome may differ materially from the above-mentioned forward-looking statements. Investors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

Results Highlights

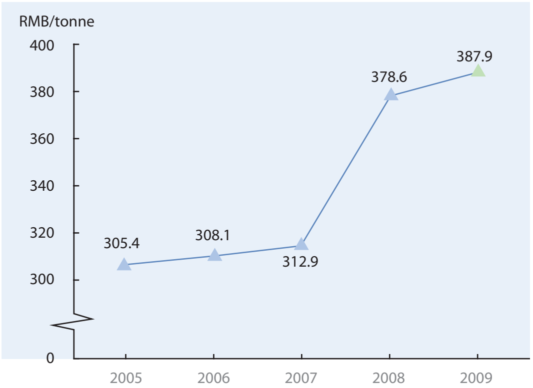
Coal Sales



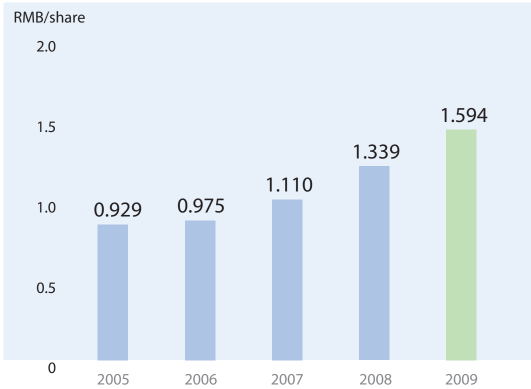
Total Power Output Dispatch



Average Coal Sales Price



Earnings Per Share



Operational

		2009	2008	Percentage change %
Commercial coal production	(Million tonnes)	**210.3**	185.7	13.2
Coal sales	(Million tonnes)	**254.3**	232.7	9.3
Of which: Export	(Million tonnes)	**13.6**	21.2	(35.8)
Turnover of self-owned railway transportation	(Billion tonne km)	**138.2**	123.3	12.1
Seaborne coal	(Million tonnes)	**159.2**	139.4	14.2
Of which: Huanghua Port	(Million tonnes)	**77.8**	78.2	(0.5)
Shenhua Tianjin Coal Dock	(Million tonnes)	**21.7**	22.9	(5.2)
Gross power generation	(Billion kwh)	**105.09**	97.80	7.5
Total power output dispatch	(Billion kwh)	**97.72**	90.29	8.2

		As at 31 December 2009	As at 31 December 2008	Percentage change %
Recoverable coal reserve (under PRC standard)	(100 million tonnes)	**113.06**	114.57	(1.3)
Marketable coal reserve (under JORC standard)	(100 million tonnes)	**69.27**	71.39	(3.0)

Financial

		2009	2008	Percentage change %
Revenues	(RMB million)	**121,312**	107,133	13.2
Profit for the year	(RMB million)	**36,186**	29,899	21.0
Profit attributable to equity shareholders of the Company for the year	(RMB million)	**31,706**	26,641	19.0
Earnings per share	(RMB per share)	**1.594**	1.339	19.0
Final dividend for the year (inclusive of tax)	(RMB per share)	**0.53**	0.46	15.2

		As at 31 December 2009	As at 31 December 2008	Percentage change %
Total assets	(RMB million)	**311,677**	275,540	13.1
Total liabilities	(RMB million)	**114,259**	103,797	10.1
Total equity	(RMB million)	**197,418**	171,743	14.9
Of which: Equity attributable to equity shareholders of the Company	(RMB million)	**170,661**	147,432	15.8
Equity attributable to equity shareholders of the Company per share	(RMB per share)	**8.58**	7.41	15.8

In this report:

- The "Group", "Company", "China Shenhua", "we", "us" or "our" each refers to China Shenhua Energy Company Limited, a joint stock limited company established in the PRC on 8 November 2004, and unless otherwise specified in the context, includes all of its subsidiaries;
- Coal production figures are quoted in tonnes of commercial coal, unless otherwise specified;
- All prices are quoted exclusive of value-added tax, unless otherwise specified;
- All financial indicators are denominated in RMB, unless otherwise specified;
- All relevant terms used in this report and their definitions are contained in the section of "Definitions" in this report; and
- This report is prepared in Chinese and English respectively. In case of any discrepancies, the Chinese version shall prevail.

Company Profile

1. Statutory Chinese Name: 中國神華能源股份有限公司
   Abbreviation: 中國神華
   English Name: China Shenhua Energy Company Limited
   Abbreviation: CSEC/China Shenhua

2. Legal Representative: Zhang Xiwu

3. The Secretary to the Board of Directors: Huang Qing
   Tel: (8610) 5813 3399
   Fax: (8610) 5813 1804/1814
   E-mail: 1088@csec.com
   Contact Address: Block B, Shenhua Tower, 22 Andingmen Xibinhe Road, Dongcheng District, Beijing, China

   Representative of Securities Affairs: Chen Guangshui
   Tel: (8610) 5813 3355
   Fax: (8610) 5813 1804/1814
   E-mail: 1088@csec.com
   Contact Address: Block B, Shenhua Tower, 22 Andingmen Xibinhe Road, Dongcheng District, Beijing, China

4. Registered Address and Office Address: 22 Andingmen Xibinhe Road, Dongcheng District, Beijing, China
   Post Code: 100011
   Internet Website: http://www.csec.com or http://www.shenhuachina.com
   E-mail: 1088@csec.com

5. Newspapers for Information Disclosure: China Securities Journal, Shanghai Securities News and Securities Times
   Internet website designated by China Securities Regulatory Commission for publishing A shares annual report: http://www.sse.com.cn
   Internet website designated by The Stock Exchange of Hong Kong Limited for publishing H shares annual report: http://www.hkex.com.hk
   The above reports available at: Block B, Shenhua Tower, 22 Andingmen Xibinhe Road, Dongcheng District, Beijing, China

6. A shares listed in: The Shanghai Stock Exchange
   Stock Short Name for A shares: 中國神華
   Stock Code for A shares: 601088
   Listing Date: 9 October 2007

   H shares listed in: The Stock Exchange of Hong Kong Limited
   Stock Short Name for H shares: China Shenhua
   Stock Code for H shares: 01088
   Listing Date: 15 June 2005

7. Date of first business registration: 8 November 2004
   Location of first business registration: Beijing
   Date of change in business registration: 17 June 2009
   Location of change in business registration: Beijing
   Registration Number of Corporate Business License: 100000000039286
   Tax Registration Number: Jing Shui Zheng Zi No. 110101710933024
   Organization Code: 71093302-4

8. PRC Auditor: KPMG Huazhen
   Office address of the PRC Auditor: 8th Floor, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing
   International Auditor: KPMG
   Office address of the International Auditor: 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

9. Joint Company Secretaries
   Huang Qing, Ng Chai Ngee (Hong Kong practising solicitor)

10. Authorised Representatives
    Ling Wen, Huang Qing

11. Investor Contacts
    Investor Relations Department, China Shenhua Energy Company Limited
    Contact address: Block B, Shenhua Tower, 22 Andingmen Xibinhe Road, Dongcheng District, Beijing, China
    Postal Code: 100011
    Tel: (8610) 5813 3399/3355/1088
    Fax: (8610) 5813 1804/1814
    E-mail: ir@csec.com or 1088@csec.com

12. PRC Legal Advisor
    King & Wood
    Contact address: 40th Floor, Office Tower A, Beijing Fortune Plaza, 7 Dongsanhuan Zhonglu, Chaoyang District, Beijing

    Hong Kong Legal Advisor
    Herbert Smith
    Contact address: 23rd Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong

13. Hong Kong Representative Office
    Contact address: Room B, 60th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong

14. Domestic Share Registrar and Transfer Office
    China Securities Depository and Clearing Corporation Limited Shanghai Branch
    Address: 36th Floor, China Insurance Building, 166 Lu Jia Zui Dong Lu, Pudong New Area, Shanghai

    Hong Kong Share Registrar and Transfer Office
    Computershare Hong Kong Investor Services Limited
    Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

15. Principal Bankers
    Industrial and Commercial Bank of China Limited
    China Construction Bank Limited
    Bank of China Limited
    Bank of Communications Co., Ltd.

Chairman's Statement

ZHANG Xiwu Chairman

Dear Shareholders,

Looking back at the extraordinary year of 2009, facing fluctuating economic landscape and great challenges brought about by the global financial turmoil, our employees proceeded with confidence to handle macro-economic conditions and market trends, overcame difficulties together and strived for excellence under the leadership of the board of directors of China Shenhua. The Company therefore maintained a relatively fast growth momentum in its results and kept its leading position among its peers worldwide. Over the past year, given all employees were committed to implementing our growth strategies of "pursuing scientific development, reshaping Shenhua and doubling economic aggregate output within five years" through active market expansion, balanced production, operation planning and industrial layout arrangements, cost control and efficiency enhancement, self-innovation reinforcement and active performance of social responsibilities, the Company has achieved the best record in its operational history despite negative market environment. As at 31 December 2009, the total market capitalization of China Shenhua reached US$100.765 billion, representing an increase of 103.6% as compared to its market capitalization at the end of 2008 and ranking the first among the listed coal companies worldwide and the third among the listed integrated mining companies worldwide. On behalf of the board of directors, I am delighted to present the 2009 annual report of China Shenhua and report to all shareholders on the Company's performance for the period.

Sailing Through Adversity and Achieving Thriving Production and Operational Results

In 2009, the four major segments of China Shenhua, namely coal, railway, port and power business, have once again achieved satisfactory results both in production and operation:

- the production volume of commercial coal reached 210.3 million tonnes and the coal sales volume was 254.3 million tonnes, representing a year-on-year growth of 13.2% and 9.3% respectively.
- the turnover of self-owned railway transportation was 138.2 billion tonne km, representing a year-on-year increase of 12.1%, and the seaborne coal sales volume reached 159.2 million tonnes, representing a year-on-year increase of 14.2%.
- the gross power generation reached 105.09 billion kwh, representing a year-on-year increase of 7.5%; the total installed capacity was 23,520 MW, representing a year-on-year growth of 25.1%.

Despite the negative impacts of the global financial crisis on the coal and power industries, the Company continued its momentum and achieved growth in its 2009 results by leveraging on the joint efforts of all of its employees:

- Revenues were RMB121.312 billion, representing a year-on-year increase of RMB14.179 billion or 13.2%.
- Profit attributable to equity shareholders of the Company for the year was RMB31.706 billion, representing a year-on-year increase of RMB5.065 billion or 19.0%.
- Net cash generated from operating activities was RMB53.345 billion, representing a year-on-year increase of RMB12.727 billion or 31.3%.
- Basic earnings per share was RMB1.594, representing a year-on-year increase of RMB0.255 or 19.0%.
- The board of directors has recommended the distribution of a final dividend for the year of RMB0.53 per share (inclusive of tax). The percentage of cash dividend accounted for 33.2% of basic earnings per share.

Ongoing Business Expansion and Successful Expansion of Market

In 2009, the coal segment continued to expand its production capacity through the construction of new mines and technological upgrade of existing mines. At the same time, it increased the number of working faces in thin coal seam to enhance recovery rate of resources. Shendong Coal Group was established by the Company in 2009 through consolidation of Shendong Mines and Wanli Mines, which significantly improved the efficiency of every aspect of mine production, resource allocation, geological exploration, selection and processing, equipment maintenance and application of information technology in mines. Such move created the fundamental conditions for developing Shendong Mines into a world-leading mine region with a coal production capacity exceeding 200 million tonnes. The production volume of Zhunge'er Mines continued to increase through reinforcing successive management on stripping and mining and enhancing efficiency on large-sized facilities such as dragline excavators.

The aggregate commercial coal output of Bu'ertai mine, Jinjie mine and Ha'erwusu open-cut mine operated by Shendong Mines and Zhunge'er Mines increased by 16.6 million tonnes as compared with the same period of last year, hence being the major contributors to the increase in commercial coal production of the Company in 2009. Coal produced from Shengli Mines has penetrated into regional coal market and its annual production volume reached 10.5 million tonnes. In addition, the Company continued to enhance advancement in processing technology to improve coal quality, which increases value of its coal products.

As at 31 December 2009, in accordance with the PRC mining standard, China Shenhua had recoverable coal reserve of 11.306 billion tonnes; and the internationally recognized JORC standard, the Company had marketable coal reserve of 6.927 billion tonnes. In 2009, the fatality rate per million tonnes of raw coal production of the Company was 0.017, reaching the world's leading level.

The railway segment achieved remarkable performance through accelerating capacity expansion, strengthening dispatch control and optimizing transportation organization. As the revamp project of Shenmu North Station has been completed and trains with 10,000 tonnes loading capacity have been put into use, the transportation capacity of Shenshuo Railway was enhanced significantly. Upon the commissioning of reverse trains transportation with Shuohuang Railway, the reverse transportation volume throughout the year amounted to 1.40 million tonnes, constituting a new profit growth point in the transportation segment. For the port segment, the Company continued to improve its management and strived to maximize economic benefits.

To cope with changes in the operating environment in 2009, through reasonable adjustment of marketing strategies, the Company actively entered into long-term strategic cooperation with key customers, explored new markets such as metallurgy, and at the same time developed new types of coal products in an effort to diversify its markets. The annual coal sales volume of the Company reached 254.3 million tonnes, representing a year-on-year growth of 9.3%. Domestic seaborne coal long-term contract price was RMB441.4 per tonne, representing a year-on-year increase of 8.0%.

To cope with the gradual rebound of power demand in the PRC in 2009 after its initial substantial decline, rapid growth of installed capacity of power generation units throughout the year and keen competition with other power generation enterprises, the power segment stuck to the marketing principle of "Every kilowatt-hour counts" and has established the regional marketing and sales centers for the purpose of boosting the sales of substituted power and direct power dispatch. Through stringent costs control and refined management, the Company achieved historical high both in power generation and profits for the segment. As at 31 December 2009, the Company's total installed capacity increased by 4,723 MW to 23,520 MW, representing a year-on-year growth of 25.1%.

In addition, the Company has steadily been working on preparatory work of the exploration project in Watermark of Australia and the construction of integrated coal and power project in the South Sumatra Province in Indonesia.

In 2009, the Company pushed ahead the implementation of its "double increases and double reductions" campaign and has refined management across the Company to reduce controllable costs and monitor investment size in a reasonable manner.

Committed to Social Responsibility and Developing Low-carbon Clean Energy

In 2009, the Company took an active role in performing its social responsibility. On one hand, the Company kept up its efforts on environmental protection and energy-saving projects, ecological mine management, emission management and integrated utilization as well as R&D and promotion of energy-saving and emission reduction technologies, thereby enhancing recovery rate of coal resources and protecting water resources with the objective of facilitating harmonious development between enterprise and ecological environment. The Company commenced its "Felicity Project" and strived to make our staff as the "Corporate Staff with the Highest Level of Felicity". In establishing a sound corporate governance structure, strengthening internal control, adhering to operation in good faith and committing to public welfare, the Company achieved a win-win result with its shareholders, customers, suppliers, creditors and the community. For details, please refer to the 2009 CSR Report of the Company.

2010: Strong Confidence and Moving Forward

Looking ahead to 2010, the global economy is expected to continue its recovery and growth. With China's reviving economy and greater market confidence, the policies on boosting domestic demand and improving livelihood will continue to come into effect.

In 2010, the operation of China Shenhua will face numerous challenges, including:

- The financial crisis has a lingering impact on the global economy. More fluctuations and uncertainties are expected to arise in the recovery of economy, thereby accelerating changes in the market;

- The Company will encounter more challenges in the coal industry, mainly including continuous capacity released from mines which are newly-constructed, or have undergone reform and expansion, technological upgrade and resources consolidation; the steep rise in the net import volume of coal in China; the PRC government's implementation of the resource tax policy and the reform of the levy scheme on environmental protection will drive the Company's costs higher. Meanwhile, the power, railway and port segment of the Company will also face pressure from intensified competition.

Facing changes and challenges in operating environment, the Company remains confident that it will maintain growth momentum in results mainly because:

- The direction of China's macroeconomic recovery will remain unchanged. The State policy will change the path of economic development and accelerate structural adjustment of the economy. As demand for stable supply on high-quality coal increases, the advantages of the brand "Shenhua Coal" will become increasingly significant.

- Strong foundation of the Company and the integrated, large-scale, professional and intensive business model adopted by the Company has created its core competitiveness with low-cost operation and will continue to distinguish the Company from its competitors in the market.

- The Company has formulated its development strategy to "pursue scientific development, reshape Shenhua and double economic aggregate output within five years". These will gradually be turned into key strategic projects, which will be put into production and form foreseeable growth in results.

- Through adjustment of internal organization structure and enhancement of production and operation management, the Company will continue to expand its capacity on production, transportation and sales; meanwhile, the Company will focus on the large-scale development of its shipping capacity and extend its operations to a more diversified market with a view to enhancing its one-on-one and door-to-door customer service capabilities.

In 2010, our major operating objectives are to accelerate the implementation of mega sales strategies and expand the sales volume of commercial coal to increase market share in the coal market; meanwhile accelerate the construction of new mines and progress of technological upgrade of those mines which have been put into production, and increase additional coal capacity with an aim to achieve steady growth of coal production; optimize transportation organization, reinforce railway and port transportation capacity and accelerate the development of the shipping segment; and finally push ahead the marketing efforts to further expand the power market.

Future Development: Focusing on Strategic Transition and Promoting Company's Reform

To implement the development strategy to "pursue scientific development, reshape Shenhua and double economic aggregate output within five years", future development of the Company will focus on strategic transition and promotion of reform. The Company will implement its strategic reform in the following aspects:

- To promote the strategic transition on model of operation. The Company will change its development strategy from reliance on self-investment to a combination of investment, merger and acquisition and etc. The Company will also transform from an enterprise specializing in production to a production-based and marketing-oriented enterprise.

- To promote the implementation of the mega sales strategy and continue to improve the Company's integrated mine, power, railway, port and shipping business model. The Company will optimize its sales management models, strengthen sales force in key areas, speed up construction of coal reserve terminal, coal ports and the fleet of vessels, reasonably position its markets, perfect sales channels and extend sales and build Shenhua mega coal sales network to enhance its control over market.

- To promote the strategy of low cost. In future, the Company will continue to promote large-scale, professional and intensive model of operation in each business area and optimize its governance as well as production and operation structures so as to enhance efficiency and lower costs.

- To promote the safe development strategy. On one hand, the Company will continue to focus on the safety and risk management of production and operation. On the other hand, the Company will effectively control major management risks such as decision-making risk, operational risk and financial risk through the establishment of a sound corporate governance system.

- To promote the development of low-carbon clean energy and technology innovation strategy. Looking ahead, the Company will gradually realize a strategic transition to an enterprise focusing on development of low-carbon clean energy with an attempt to become the world's leading promoter of low-carbon clean energy, pioneer of low-carbon clean technology, supplier of low-carbon clean energy, manufacturer of low-carbon clean products and provider of low-carbon clean services. At the same time, in order to enhance its core competitiveness and its ability to achieve sustainable development, the Company will also emphasize on its own and users' requirements and conduct specific R&D and innovation work, in particular accelerating its pace in technological innovation in production to maintain its leading position in the industry.

In the new year, the board of directors of China Shenhua and I will, with full confidence, lead all staff to strive for excellence and actively implement the strategies for the future development of the Company with a view to creating new value for shareholders.

Zhang Xiwu
Chairman

Beijing, PRC
12 March 2010

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Overview of the Company's Operating Results for 2009

Business Data Master Table

		2009	2008	Percentage change %
Commercial coal production	(million tonnes)	**210.3**	185.7	13.2
Coal sales	(million tonnes)	**254.3**	232.7	9.3
Of which: Export	(million tonnes)	**13.6**	21.2	(35.8)
Turnover of self-owned railway transportation	(billion tonne km)	**138.2**	123.3	12.1
Seaborne coal	(million tonnes)	**159.2**	139.4	14.2
Of which: Huanghua Port	(million tonnes)	**77.8**	78.2	(0.5)
Shenhua Tianji Coal Dock	(million tonnes)	**21.7**	22.9	(5.2)
Gross power generation[2]	(billion kwh)	**105.09**	97.80	7.5
Total power output dispatch[2]	(billion kwh)	**97.72**	90.29	8.2

Coal Reserve Table

		As at 31 December 2009	As at 31 December 2008	Percentage change %
Recoverable coal reserve (under PRC standard)	(100 million tonnes)	**113.06**	114.57	(1.3)
Of which: Shendong Mines[1]		**75.37**	76.43	(1.4)
Zhunge'er Mines		**26.15**	26.51	(1.4)
Shengli Mines		**11.54**	11.63	(0.8)
Marketable coal reserve (under JORC standard)	(100 million tonnes)	**69.27**	71.39	(3.0)
Of which: Shendong Mines		**41.73**	43.38	(3.8)
Zhunge'er Mines		**19.12**	19.49	(1.9)
Shengli Mines		**8.42**	8.52	(1.2)
Coal resource	(100 million tonnes)	**177.65**	179.96	(1.3)
Of which: Shendong Mines		**128.60**	130.51	(1.5)
Zhunge'er Mines		**28.00**	28.29	(1.0)
Shengli Mines		**21.05**	21.16	(0.5)

Breakdown of Coal Sales

	2009 million tonnes	Proportion of domestic sales %	2008 million tonnes	Percentage change %
Domestic sales	**240.7**	100.0	211.5	13.8
By contract type				
Long-term contract	**171.6**	71.3	163.9	4.7
Spot market sales	**69.1**	28.7	47.6	45.2
By transportation mode				
Direct arrival (along railway line and mine mouth)	**95.1**	39.5	93.3	1.9
Seaborne (port FOB)	**145.6**	60.5	118.2	23.2
By customers				
External customers	**199.3**	82.8	170.4	17.0
The Group's power segment	**41.4**	17.2	41.1	0.7
By region				
Northern China	**106.6**	44.2	86.2	23.7
Eastern China	**90.7**	37.7	85.3	6.3
Central China and Southern China	**37.7**	15.7	30.9	22.0
Northeast China	**2.1**	0.9	7.3	(71.2)
Others	**3.6**	1.5	1.8	100.0
By usage				
Thermal coal	**192.2**	79.9	174.5	10.1
Metallurgy	**7.3**	3.0	5.0	46.0
Chemical (including coal slurry)	**7.5**	3.1	4.5	66.7
Others	**33.7**	14.0	27.5	22.5

	2009 million tonnes	Proportion of export sales %	2008 million tonnes	Percentage change %
Export sales	**13.6**	100.0	21.2	(35.8)
South Korea	**5.8**	42.7	8.5	(31.8)
China Taiwan	**3.5**	25.7	5.5	(36.4)
Japan	**3.5**	25.7	5.1	(31.4)
Others	**0.8**	5.9	2.1	(61.9)
Total sales	**254.3**		232.7	9.3

Breakdown of Coal Production

	2009 million tonnes	2008 million tonnes	Percentage change %
Shendong Coal Group	**149.9**	137.8	8.8
Bulianta	**22.5**	20.4	10.3
Daliuta-Huojitu	**19.8**	20.0	(1.0)
Yujialiang	**16.9**	16.9	-
Shangwan	**13.0**	12.5	4.0
Halagou	**12.5**	11.5	8.7
Baode (Kangjiatan)	**11.9**	12.0	(0.8)
Shigetai	**9.9**	9.4	5.3
Wulanmulun	**6.4**	5.0	28.0
Buer'tai	**9.4**	5.3	77.4
Wanli No.1 mine	**9.8**	9.2	6.5
Liuta mine	**5.5**	4.7	17.0
Cuncaota No. 1 mine	**2.9**	2.1	38.1
Cuncaota No. 2 mine	**3.0**	3.2	(6.3)
Tanggonggou mine	**4.7**	3.1	51.6
Others	**1.7**	2.5	(32.0)
Zhunge'er Energy	**23.1**	22.7	1.8
Heidaigou	**23.1**	22.7	1.8
Haer'wusu Branch	**14.1**	6.6	113.6
Beidian Shengli Energy	**10.5**	10.9	(3.7)
Jinjie Energy	**12.7**	7.7	64.9
Total	**210.3**	185.7	13.2

Breakdown of Railway Business

	2009 billion tonne km	2008 billion tonne km	Percentage change %
Turnover indicators			
Self-owned railways	**138.2**	123.3	12.1
Shenshuo Railway	**35.5**	31.4	13.1
Shuohuang-Huangwan Railway	**81.3**	74.4	9.3
Dazhun Railway	**15.1**	11.6	30.2
Baoshen Railway	**6.3**	5.9	6.8
State-owned railways	**40.8**	28.1	45.2
Total turnover	**179.0**	151.4	18.2

Breakdown of Port Business

	2009 million tonnes	2008 million tonnes	Percentage change %
Self-owned ports	**99.5**	101.1	(1.6)
Huanghua Port	**77.8**	78.2	(0.5)
Shenhua Tianjin Coal Dock	**21.7**	22.9	(5.2)
Third-party ports	**59.7**	38.3	55.9
Qinhuangdao Port	**41.2**	23.4	76.1
Tianjin Port	**14.2**	14.2	-
Others	**4.3**	0.7	514.3
Total	**159.2**	139.4	14.2

Breakdown of Coal-fired Power Generation Business

Power plants	Regional grid	Location	Gross power generation billion kwh	Total power output dispatch billion kwh	Average utilization hours hours	Standard coal consumption rate for power output dispatch g/kwh	Power tariff RMB/MWh	Total installed capacity as at 31 December 2009 MW
Huanghua Power	North China Power Grid	Hebei	9.41	8.95	5,327	315	304	2,520
Panshan Power	North China Power Grid	Tianjin	6.05	5.64	6,054	329	360	1,000
Sanhe Power	North China Power Grid	Hebei	6.92	6.47	5,323	327	349	1,300
Zhunge'er Power	North China Power Grid	Inner Mongolia	2.15	1.91	4,300	397	209	500
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	5.92	5.40	4,484	326	232	1,320
Beijing Thermal	North China Power Grid	Beijing	2.33	2.06	5,816	264	385	400
Dingzhou Power	North China Power Grid	Hebei	8.11	7.60	5,658	319	286	2,520
Suizhong Power	Northeast Power Grid	Liaoning	9.41	8.83	5,880	334	323	1,600
Ninghai Power	East China Power Grid	Zhejiang	16.75	15.82	5,791	313	396	4,400
Jinjie Energy	North China Power Grid	Shaanxi	10.90	9.98	4,543	336	279	2,400
Shenmu Power	Northwest Power Grid	Shaanxi	1.43	1.28	6,627	378	275	220
Taishan Power	South China Power Grid	Guangdong	18.26	17.14	6,086	315	424	3,000
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	7.12	6.33	5,293	419	242	1,544
Total/Weighted average			104.76	97.41	5,465	331	336	22,724

Notes: (1) Shendong Mines is formed through the consolidation of original Shendong Mines and Wanli Mines.
(2) The figures include the operating results of coal-fired power generation business and other power generation businesses.

Overview of Consolidated Operating Results for 2009

Consolidated income statement

	2009 RMB million	2008 RMB million	Percentage change %
Revenues	121,312	107,133	13.2
Less: Cost of revenues	65,492	59,378	10.3
Selling, general and administrative expenses	8,055	6,961	15.7
Other operating expenses, net	657	1,119	(41.3)
Profit from operations	47,108	39,675	18.7
Less: Net finance costs	2,038	3,393	(39.9)
Plus: Investment income	11	39	(71.8)
Share of profits less losses of associates	731	654	11.8
Profit before income tax	45,812	36,975	23.9
Less: Income tax	9,626	7,076	36.0
Profit for the year	36,186	29,899	21.0
Equity shareholders of the Company	31,706	26,641	19.0
Minority interests	4,480	3,258	37.5
Basic earnings per share (RMB/share)	1.594	1.339	19.0

Breakdown of revenues

	2009 RMB million	2008 RMB million	Percentage change %
Revenues			
Coal revenue	84,618	74,572	13.5
Power revenue	33,157	29,393	12.8
Transportation revenue	2,010	1,901	5.7
Sub-total	119,785	105,866	13.1
Other revenues	1,527	1,267	20.5
Total operating revenues	121,312	107,133	13.2

Breakdown of cost of revenues

	2009 RMB million	2008 RMB million	Percentage change %
Coal purchased from third parties	14,187	15,585	(9.0)
Materials, fuel and power	9,513	8,433	12.8
Personnel expenses	5,727	5,343	7.2
Depreciation and amortisation	10,624	9,396	13.1
Repairs and maintenance	5,035	4,717	6.7
Transportation charges	9,273	7,227	28.3
Others	11,133	8,677	28.3
Total cost of revenues	65,492	59,378	10.3

Statement of cash flows from operating activities

	2009 RMB million	2008 RMB million	Percentage change %
Profit before income tax	45,812	36,975	23.9
Adjustments for:			
Depreciation and amortisation	11,422	9,893	15.5
Impairment losses on property, plant and equipment	396	447	(11.4)
Impairment losses on other investments	1	204	(99.5)
Net loss on disposal of property, plant and equipment	287	434	(33.9)
Investment income	(11)	(39)	(71.8)
Interest income	(1,117)	(816)	36.9
Share of profits less losses of associates	(731)	(654)	11.8
Net interest expense	3,146	3,786	(16.9)
Loss/(gain) on remeasurement of derivative financial instruments to fair value	178	(472)	(137.7)
Unrealised foreign exchange (gain)/loss	(190)	843	(122.5)
Increase in accounts and bills receivable	(545)	(1,561)	(65.1)
Decrease/(increase) in inventories	115	(871)	(113.2)
(Increase)/decrease in prepaid expenses and other current assets	(208)	730	(128.5)
Increase in accounts and bills payable	1,470	304	383.6
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	4,532	1,960	131.2
Interest received	1,117	816	36.9
Interest paid	(3,874)	(4,521)	(14.3)
Income tax paid	(8,455)	(6,840)	23.6
Net cash generated from operating activities	53,345	40,618	31.3

Breakdown of coal sales price

	2009 Sales volume million tonnes	2009 Sales price RMB/tonne	2008 Sales volume million tonnes	2008 Sales price RMB/tonne	Percentage change in sales price %
Domestic sales	240.7	378.7	211.5	358.8	5.5
Long-term contract sales	171.6	361.8	163.9	335.7	7.8
Direct arrival (along railway line and mine mouth)	69.3	244.1	68.3	233.9	4.4
Seaborne (port FOB)	102.3	441.4	95.6	408.6	8.0
Spot market sales	69.1	420.7	47.6	438.1	(4.0)
Direct arrival (along railway line and mine mouth)	25.8	333.9	25.0	277.9	20.2
Seaborne (port FOB)	43.3	472.7	22.6	614.2	(23.0)
Export sales	13.6	551.5	21.2	577.2	(4.5)
Total	254.3	387.9	232.7	378.6	2.5
Including: Coal sales to internal power segment	41.4	339.4	41.1	329.1	3.1
Coal sales to external customers	212.9	397.4	191.6	389.2	2.1

Breakdown of cost of revenues – others

	2009 RMB million	2008 RMB million	Percentage change %
Coal selection and minery fees	3,606	2,930	23.1
Coal extraction service costs	263	332	(20.8)
Taxes and surcharges	1,197	1,053	13.7
Dredging expenses	233	208	12.0
Relocation compensation expenses	997	468	113.0
Operating lease charges	203	167	21.6
Resources compensation fees	392	551	(28.9)
Pollutants discharge expenses	1,064	298	257.0
Cost of sale of ancillary materials and other goods, and provision of other services	1,379	1,211	13.9
Others	1,799	1,459	23.3
Total cost of revenues-others	11,133	8,677	28.3

Overview of Operating Conditions by Segment for 2009

Segment results

	Coal		Railway		Port		Power		Unallocated items		Eliminations		Total	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million
Revenue from external customers	**85,754**	75,215	**2,003**	1,950	**148**	82	**33,407**	29,886	**-**	-	**-**	-	**121,312**	107,133
Inter-segment revenue	**14,142**	13,619	**17,555**	15,576	**1,859**	1,856	**387**	108	**-**	-	**(33,943)**	(31,159)	**-**	-
Reportable segment revenue	**99,896**	88,834	**19,558**	17,526	**2,007**	1,938	**33,794**	29,994	**-**	-	**(33,943)**	(31,159)	**121,312**	107,133
Reportable segment cost of revenues	**(63,400)**	(57,140)	**(9,962)**	(9,075)	**(1,434)**	(1,323)	**(24,727)**	(22,828)	**-**	-	**34,031**	30,988	**(65,492)**	(59,378)
Reportable segment profit/(loss) from operations	**31,133**	26,818	**8,801**	7,758	**348**	348	**7,106**	5,088	**(16)**	(182)	**(264)**	(155)	**47,108**	39,675
Reportable segment total assets	**111,993**	96,522	**41,668**	38,782	**10,129**	10,266	**112,540**	94,232	**155,827**	151,203	**(120,480)**	(115,465)	**311,677**	275,540
Reportable segment total liabilities	**(74,413)**	(61,782)	**(20,263)**	(20,091)	**(5,235)**	(5,547)	**(79,986)**	(71,231)	**(54,333)**	(60,158)	**119,971**	115,012	**(114,259)**	(103,797)

Cost of revenues of coal segment

	2009			2008			
	Cost RMB million	**Volume million tonnes**	**Unit cost RMB/tonne**	Cost RMB million	Volume million tonnes	Unit cost RMB/tonne	Percentage change in unit cost %
Cost of coal purchased from third parties	**14,187**	**44.8**	**316.7**	15,585	46.2	337.2	(6.1)
Cost of self-produced coal	**21,168**	**209.5**	**101.0**	17,702	186.5	94.9	6.4
Materials, fuel and power	**4,536**	**209.5**	**21.7**	4,281	186.5	23.0	(5.7)
Personnel expenses	**2,374**	**209.5**	**11.3**	2,223	186.5	11.9	(5.0)
Depreciation and amortisation	**4,242**	**209.5**	**20.2**	3,334	186.5	17.9	12.8
Repairs and maintenance	**1,788**	**209.5**	**8.5**	1,660	186.5	8.9	(4.5)
Others	**8,228**	**209.5**	**39.3**	6,204	186.5	33.3	18.0
Cost of coal transportation	**27,017**	**254.3**	**106.2**	23,253	232.7	99.9	6.3
Other costs	**1,028**			600			
Total cost of revenues of coal segment	**63,400**			57,140			

Cost of revenues of railway segment

	2009	2008	
	Cost RMB million	Cost RMB million	Percentage change %
Cost of internal transportation	**8,711**	7,804	11.6
Materials, fuel and power	**1,980**	1,808	9.5
Personnel expenses	**1,547**	1,423	8.7
Depreciation and amortisation	**1,608**	1,569	2.5
Repairs and maintenance	**1,949**	1,730	12.7
External transportation costs	**282**	224	25.9
Others	**1,345**	1,050	28.1
Cost of external transportation	**1,122**	1,127	(0.4)
Sub-total	**9,833**	8,931	10.1
Other costs	**129**	144	(10.4)
Total cost of revenues of railway segment	**9,962**	9,075	9.8

Cost of revenues of power segment

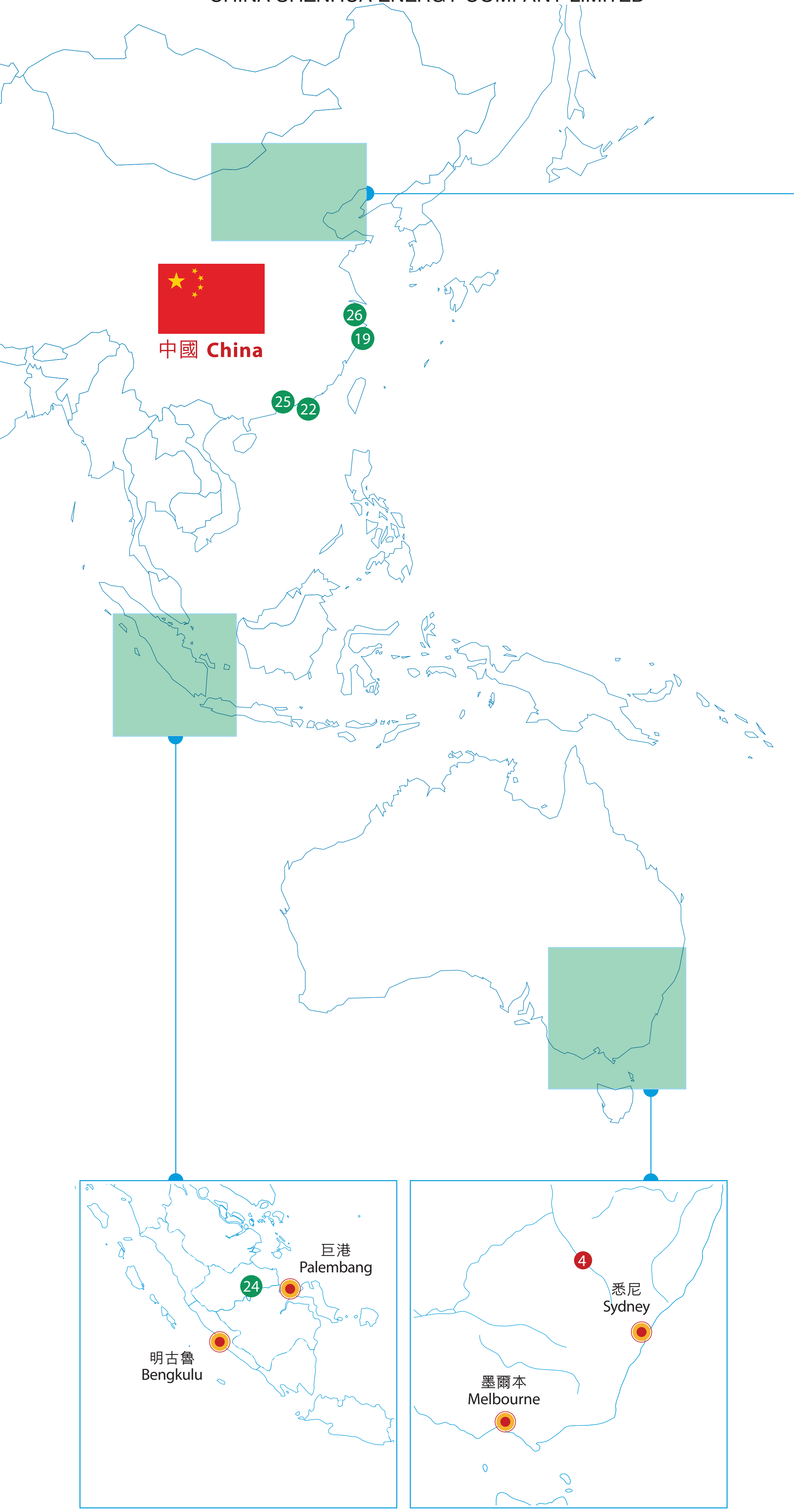
	2009			2008			
	Cost RMB million	**Power output dispatch billion kwh**	**Unit cost RMB/mwh**	Cost RMB million	Power output dispatch billion kwh	Unit cost RMB/mwh	Percentage change in unit cost %
Power cost	**24,143**	**97.72**	**247.1**	22,310	90.29	247.1	-
Materials, fuel and power	**16,834**	**97.72**	**172.3**	15,372	90.29	170.3	1.2
Personnel expenses	**1,406**	**97.72**	**14.4**	1,339	90.29	14.8	(2.7)
Depreciation and amortisation	**3,984**	**97.72**	**40.8**	3,771	90.29	41.8	(2.4)
Repairs and maintenance	**1,076**	**97.72**	**11.0**	1,054	90.29	11.7	(6.0)
Others	**843**	**97.72**	**8.6**	774	90.29	8.6	-
Other costs	**584**			518			
Total cost of revenues of power segment	**24,727**			22,828			

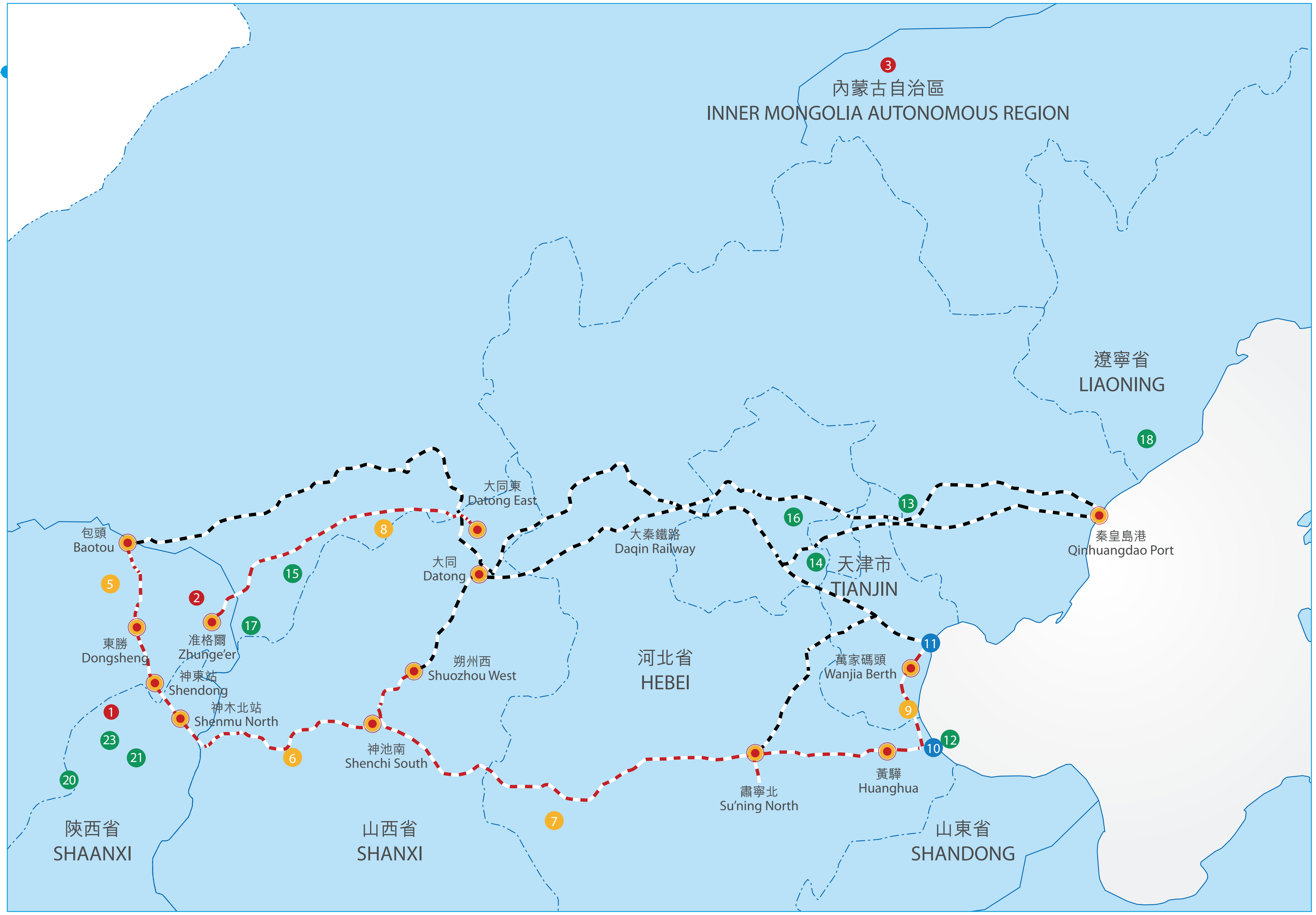
Cost of revenues of port segment

	2009	2008	
	Cost RMB million	Cost RMB million	Percentage change %
Cost of internal transportation	**1,321**	1,259	4.9
Materials, fuel and power	**189**	197	(4.1)
Personnel expenses	**102**	85	20.0
Depreciation and amortisation	**605**	547	10.6
Repairs and maintenance	**80**	90	(11.1)
Others	**345**	340	1.5
Cost of external transportation	**103**	56	83.9
Sub-total	**1,424**	1,315	8.3
Other costs	**10**	8	25.0
Total cost of revenues of port segment	**1,434**	1,323	8.4

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

Asset Distribution **Diagram**/資產分佈





註：於2009年12月31日之分佈圖，僅做示意。
Note: This map as at 31 December 2009 is for illustrative purpose only.

國有鐵路 State-owned Railway

自有鐵路 Self-owned Railway

地名 Place

煤礦 Coal Mine

1. 神東礦區 Shendong Mines
2. 准格爾礦區 Zhunge'er Mines
3. 勝利礦區 Shengli Mines
4. 沃特馬克煤礦 Watermark Coal Project

鐵路 Railway

5. 包神鐵路 Baoshen Railway
6. 神朔鐵路 Shenshuo Railway
7. 朔黃鐵路 Shuohuang Railway
8. 大准鐵路 Dazhun Railway
9. 黃萬鐵路 Huangwan Railway

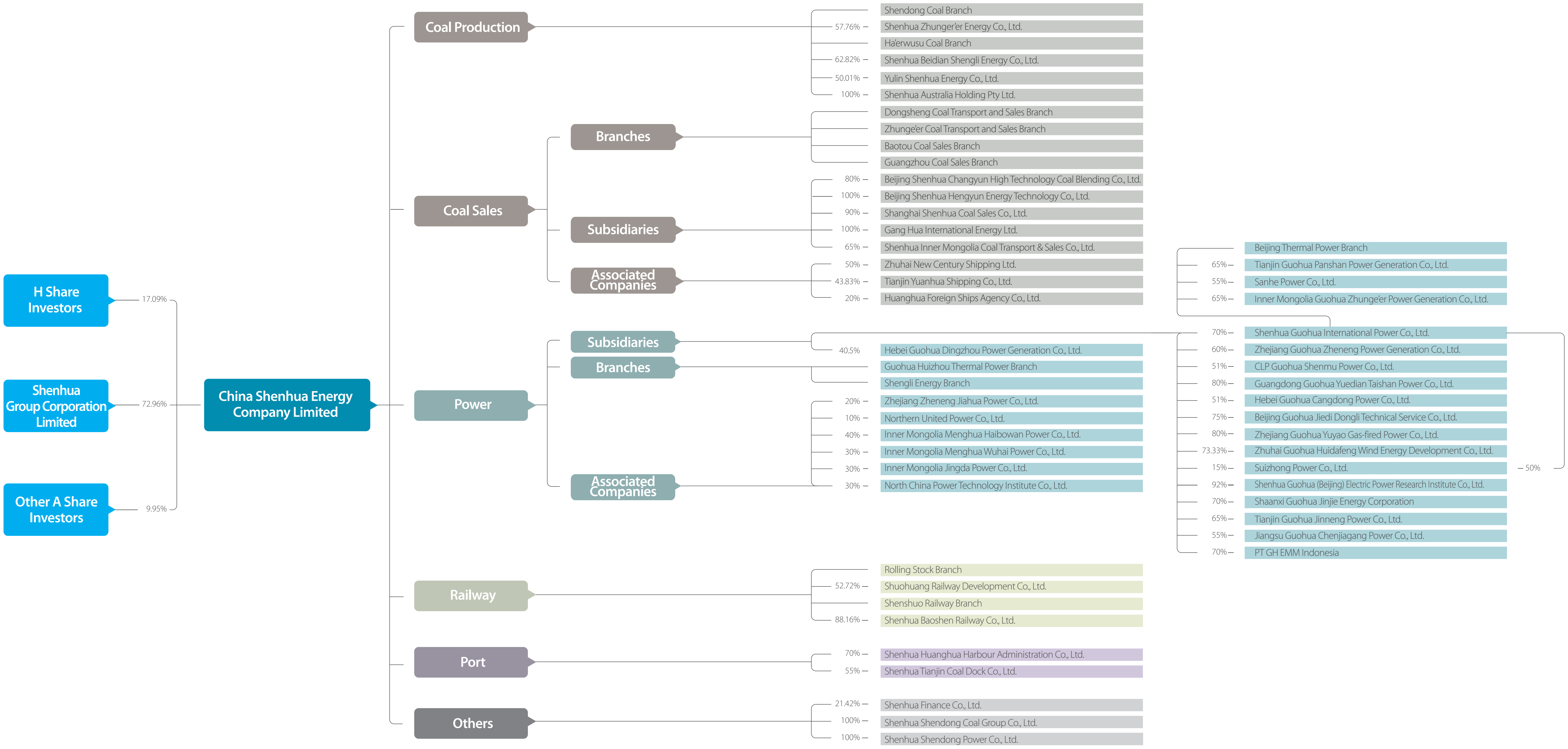
港口 Port

10. 黃驊港 Huanghua Port
11. 神華天津煤碼頭 Shenhua Tianjin Coal Dock

電廠 Power

12. 黃驊電力 Huanghua Power
13. 盤山電力 Panshan Power
14. 三河電力 Sanhe Power
15. 國華准格爾 Guohua Zhunge'er
16. 北京熱電 Beijing Thermal
17. 准能電力 Zhunge'er Power
18. 綏中電力 Suizhong Power
19. 寧海電力 Ninghai Power
20. 錦界能源 Jinjie Energy
21. 神木電力 Shenmu Power
22. 台山電力 Taishan Power
23. 神東電力 Shendong Power
24. 南蘇煤電項目 PT.GH EMM Indonesia
25. 珠海風能項目 Zhuhai Wind Energy Project
26. 余姚電力 Yuyao Power

Group Structure



Note: The Group structure of China Shenhua (including major branches and subsidiaries) as at 31 December 2009 is for illustrative purpose only.

Management discussion and analysis

Overview of operating conditions in 2009 and business plans for 2010

In 2009, despite severe fluctuations in the economic environment and energy market, the senior management team of the Company concentrated on the annual operation targets; put into effect the growth strategies of "pursing scientific development, reshaping Shenhua and doubling economic aggregate output within five years"; made active progress in development into a "five-model enterprise" *(featuring intrinsic safety, quality and efficiency, technological innovation, resource reservation and harmonious development)*, and led all employees to forge ahead with indomitable will, thus creating a glorious new record in China Shenhua's history. Performance results for 2009 were mainly realized in the following areas:

Complete fulfillment of operation targets

In 2009, commercial coal production volume of the Company amounted to 210.3 million tonnes representing a year-on-year increase of 13.2%; sales volume of coal reached 254.3 million tonnes, representing a year-on-year increase of 9.3%; turnover of self-owned railway transportation reached 138.2 billion tonne km, representing a year-on-year increase of 12.1%; seaborne coal sales volume reached 159.2 million tonnes, representing a year-on-year increase of 14.2%; gross power generation and total power output dispatch reached 105.09 billion kwh and 97.72 billion kwh respectively, representing a year-on-year increase of 7.5% and 8.2% respectively.

Strong results despite adversity

Profitability of the Company was further enhanced and corporate value was further improved. In 2009, the Company maximized economic benefits significantly through effective measures such as enhanced efficiency and increased coal price, production increase and cost reduction, strengthening of internal management and improvement of operational quality. Pursuant to International Financial Reporting Standards, the revenues of the Group for 2009 was RMB121.312 billion (2008: RMB107.133 billion), representing a year-on-year increase of 13.2%; profit attributable to equity shareholders of the Company for the year was RMB31.706 billion (2008: RMB26.641 billion), representing a year-on-year increase of 19.0%. Basic earnings per share[1] of the Group was RMB1.594 (2008: RMB1.339), representing a year-on-year increase of 19.0%.

As at 31 December 2009, equity attributable to equity shareholders of the Company per share was RMB8.58 (31 December 2008: RMB7.41), representing a year-on-year increase of 15.8%. As at 31 December 2009, the Group's return on total assets[2] was 11.6%. Return on net assets[3] in 2009 was 18.6% (2008: 18.1%), representing a year-on-year increase of 0.5 percentage point; EBITDA[4] was RMB58.530 billion (2008: RMB49.568 billion), representing a year-on-year increase of 18.1%. As at 31 December 2009, the Group's total debt to equity ratio[5] was 28.0%, representing a decrease of 2.2 percentage points as compared to 30.2% as at 31 December 2008.

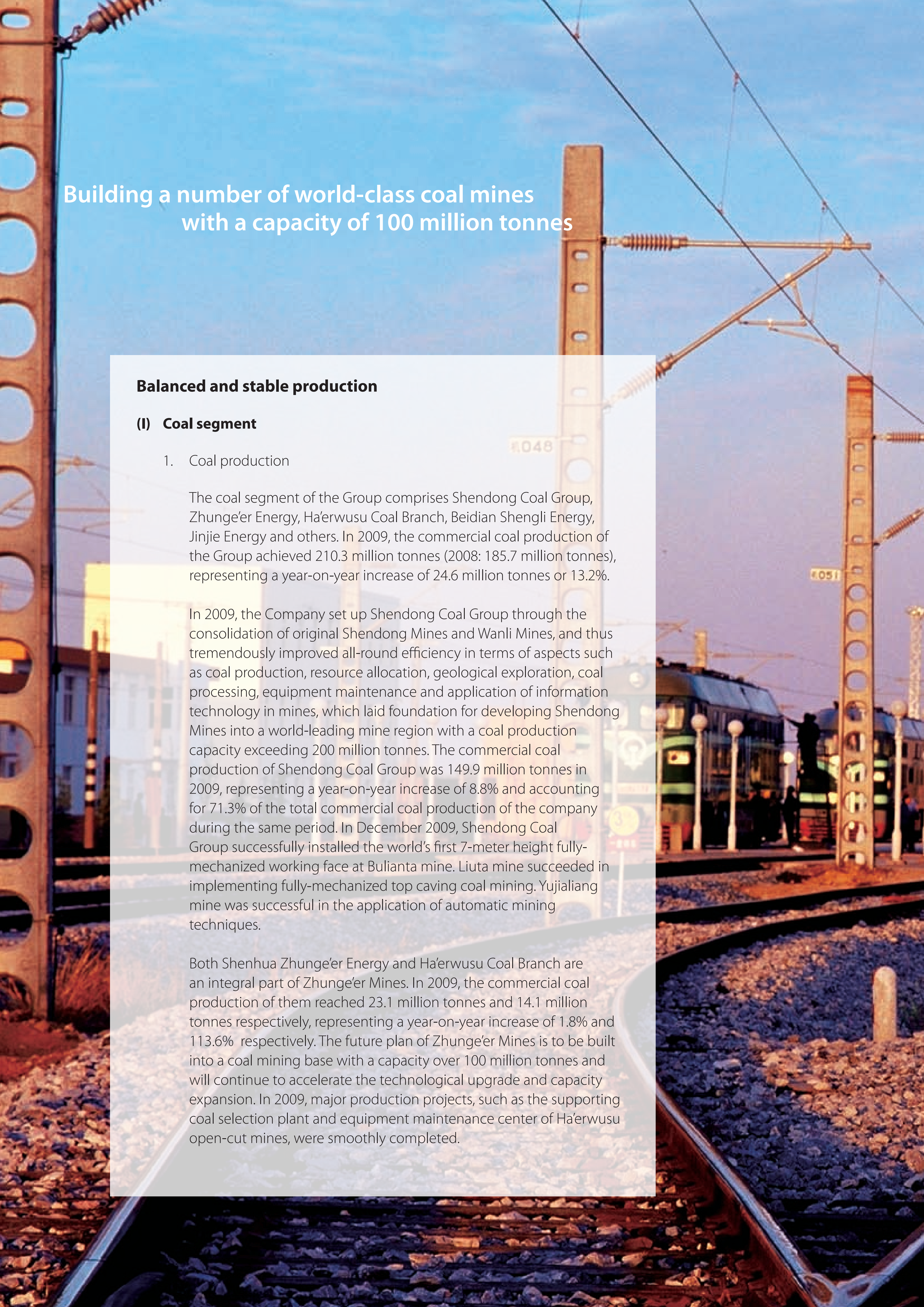
1 **Basic earnings per share is calculated on the basis of profit attributable to equity shareholders of the Company for the year and the weighted average number of shares for the relevant year.**

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

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

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

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



Building a number of world-class coal mines with a capacity of 100 million tonnes

Balanced and stable production

(I) Coal segment

1. Coal production

The coal segment of the Group comprises Shendong Coal Group, Zhunge'er Energy, Ha'erwusu Coal Branch, Beidian Shengli Energy, Jinjie Energy and others. In 2009, the commercial coal production of the Group achieved 210.3 million tonnes (2008: 185.7 million tonnes), representing a year-on-year increase of 24.6 million tonnes or 13.2%.

In 2009, the Company set up Shendong Coal Group through the consolidation of original Shendong Mines and Wanli Mines, and thus tremendously improved all-round efficiency in terms of aspects such as coal production, resource allocation, geological exploration, coal processing, equipment maintenance and application of information technology in mines, which laid foundation for developing Shendong Mines into a world-leading mine region with a coal production capacity exceeding 200 million tonnes. The commercial coal production of Shendong Coal Group was 149.9 million tonnes in 2009, representing a year-on-year increase of 8.8% and accounting for 71.3% of the total commercial coal production of the company during the same period. In December 2009, Shendong Coal Group successfully installed the world's first 7-meter height fully-mechanized working face at Bulianta mine. Liuta mine succeeded in implementing fully-mechanized top caving coal mining. Yujialiang mine was successful in the application of automatic mining techniques.

Both Shenhua Zhunge'er Energy and Ha'erwusu Coal Branch are an integral part of Zhunge'er Mines. In 2009, the commercial coal production of them reached 23.1 million tonnes and 14.1 million tonnes respectively, representing a year-on-year increase of 1.8% and 113.6% respectively. The future plan of Zhunge'er Mines is to be built into a coal mining base with a capacity over 100 million tonnes and will continue to accelerate the technological upgrade and capacity expansion. In 2009, major production projects, such as the supporting coal selection plant and equipment maintenance center of Ha'erwusu open-cut mines, were smoothly completed.

Beidian Shengli Energy is an integral part of Shengli Mines. Commercial coal production of Shengli Mines reached 10.5 million tonnes. Shengli Mines surpassed 10 million tonnes once again in terms of production and sales volume and succeeded in building the "Shengli Blending Coal" brand, hence opening up the external market.

Jinjie Energy is an integral part of Shendong Mines. Commercial coal production of Jinjie Energy reached 12.7 million tonnes, representing a year-on-year increase of 64.9%. In 2009, Jinjie Energy broke the railway transport bottleneck, resulting in a marked increase in production capacity.

2. Coal production technology and equipment

   In 2009, the Company and Shenhua Group jointly formulated and implemented the "Shenhua Group coal production technology and equipment policy directions", the "Shenhua Group mining equipment overhaul specifications", the "Shenhua Group equipment technical manual" and the "Shenhua Group mining equipment disposal standards", with an aim to maximize the role of equipment, drive up the scale and modernization of coal production equipment of the Company, unify coal mine equipment standards and enhance the safety of coal mine production.

3. Coal mine production safety

   While keeping rapid growth of coal production, the Group made unremitting efforts to enhance the safety production level of the coal mines. Our coal safety production record continued to be in the leading position nationwide and even in the international coal industry. The fatality rate per million tonnes of raw coal production of China Shenhua was 0.017 in 2009.

4. Coal resources

   As at 31 December 2009, the Group had recoverable coal reserve of 11.306 billion tonnes under the PRC Standard, with resource reserve of 17.765 billion tonnes; whereas the Group's marketable coal reserve was 6.927 billion tonnes under the JORC Standard with resource reserve of 17.765 billion tonnes.

Accelerating the development of integrated transportation network including railway, port and shipping,

(II) Railway segment

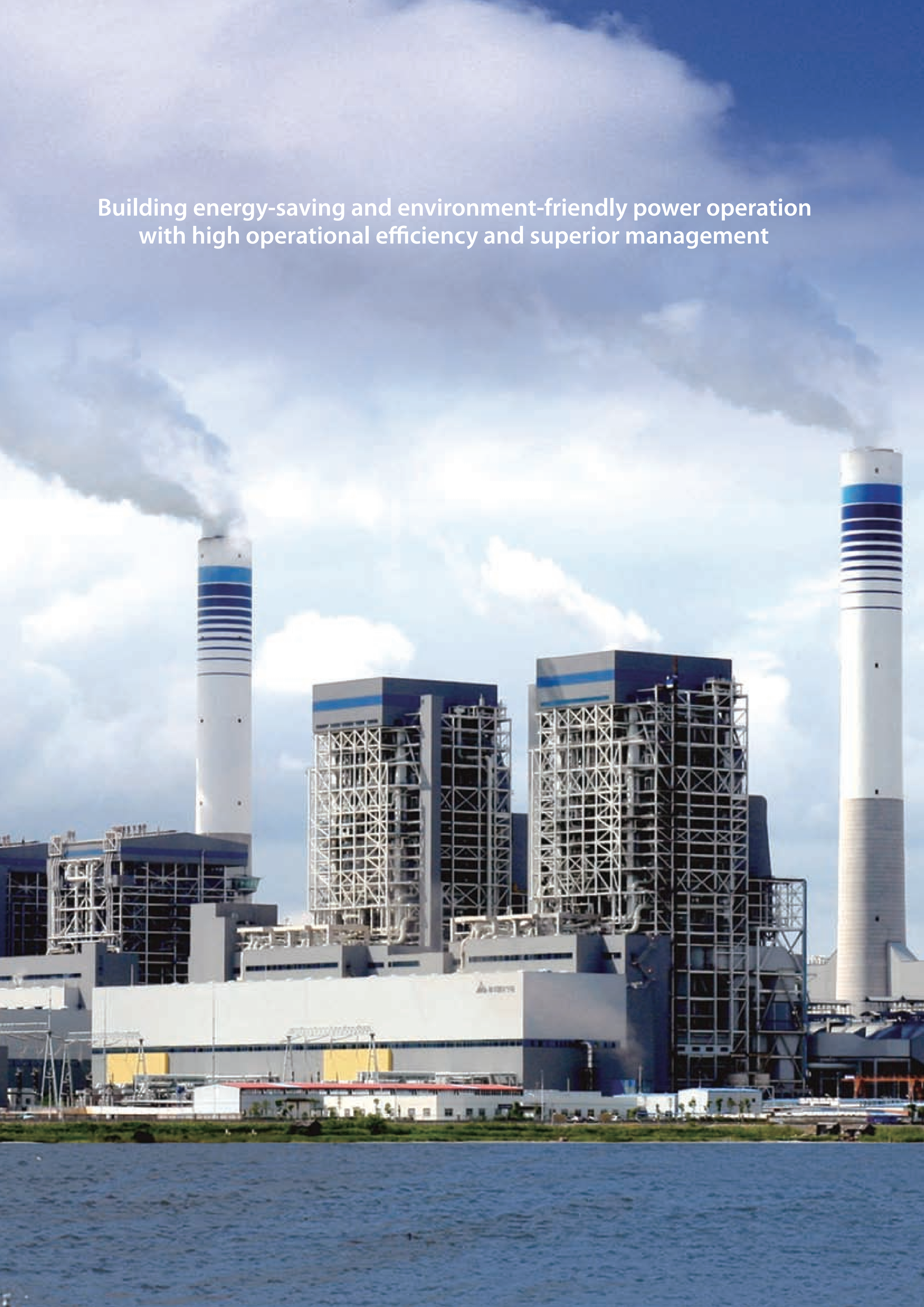
By making full use of the integrated transportation system consisting of self-owned railways and ports, the Group solved the universal problem of transportation bottleneck that other domestic coal producers may face, which let the Group enjoy a unique competitiveness in the coal industry. Based on the 5 interconnected self-owned railways, not only can the Group continuously transport coal to ports and sell to markets all over China and other countries and regions but also have sufficient room to adjust the sales volume of coal so as to get more market share within coastal regions and provide customers with steady and sufficient coal products. In 2009, the turnover of self-owned railway transportation of the Company was 138.2 billion tonne km (2008: 123.3 billion tonne km), representing a year-on-year increase of 12.1%. The turnover of self-owned railway transportation accounted for 77.2% of the total turnover, which was lower than 81.4% recorded in 2008.

In 2009, through careful organization and scientific management, the Company achieved positive results in both railway business and capacity expansion projects and the Company successfully commissioned trains with 10,000 tonnes loading capacity, which further highlighted the "lifeline" of China Shenhua. Shenshuo Railway completed the revamp of Shenmu North Railway Station. Shuohuang Railway broke new record in daily transition of full trains and monthly transportation volume since commencement of operation. Baoshen Railway increased the volume of Shenhua coal at its northern outward line by 44.7% year-on-year. Dazhun Railway launched train operations detouring Huzhun line and promoted the building of additional rail line and technological upgrade, setting the country's new transportation volume record for single-line electrified railways. The Company also succeeded in developing reverse trains transportation which completed transportation volume of 1.4 million tonnes and gained RMB70 million in revenues, thus creating a new profit generator.

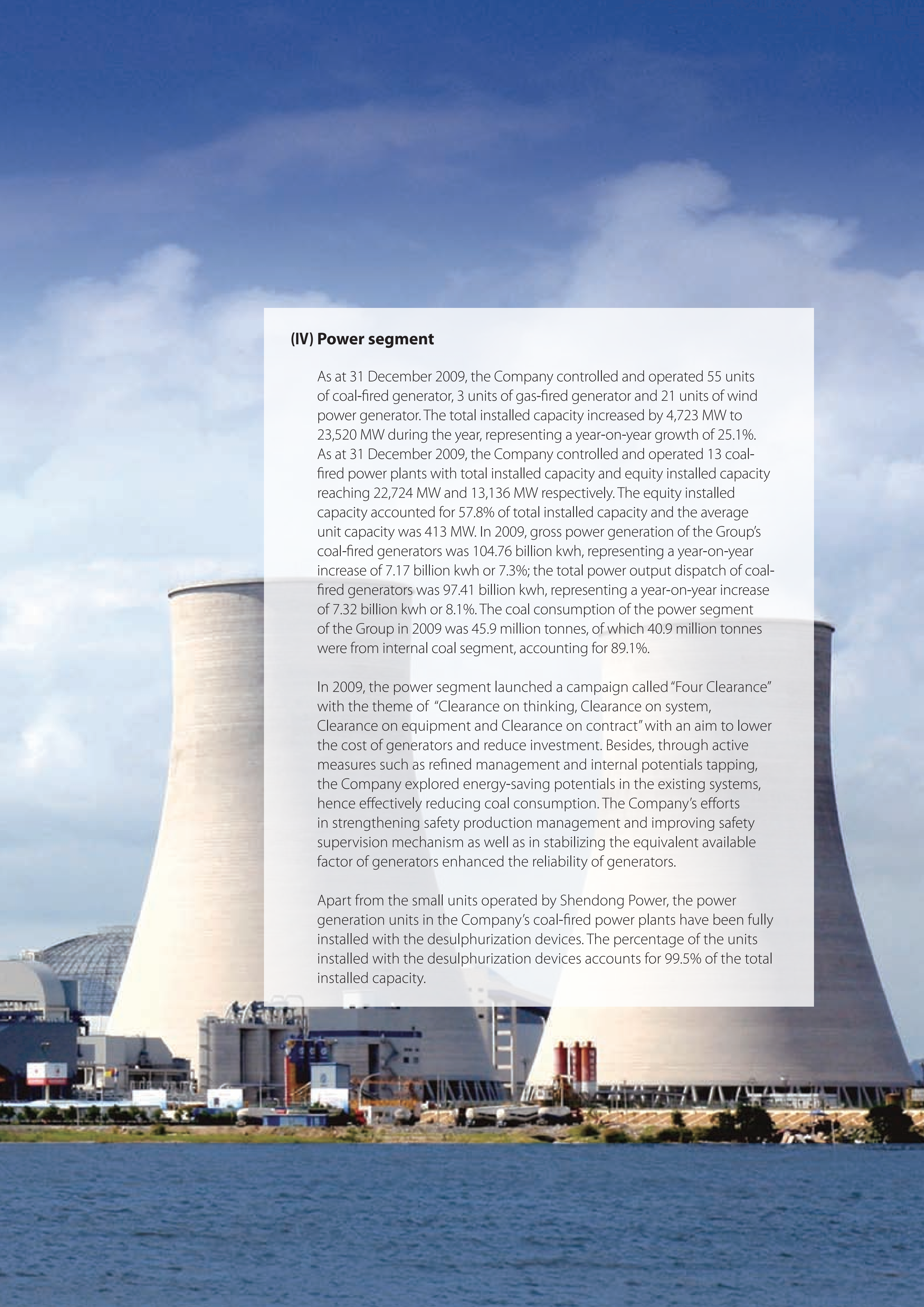
and enhancing the synergies generated from the Company's business segments

(III) Port segment

The Company owns and operates Huanghua Port and Shenhua Tianjin Coal Dock which are the major transhipment hubs for the Group's coal sales to domestic coastal market and overseas market. Huanghua Port is the second largest port for seaborne coal in China. The Company also transports coal through third party ports such as Qinhuangdao port and Tianjin port. In 2009, the volume of seaborne coal sales of the Company was 159.2 million tonnes, accounting for 62.6% of total commercial coal sales. Of which, the self-owned ports of the Company, namely Huanghua Port and Shenhua Tianjin Coal Dock, completed seaborne coal sales of 99.5 million tonnes, accounting for 62.5% of the total seaborne coal sales of the Company. While running well the daily operations of the ports, the Phase II capacity expansion project of Shenhua Tianjin Coal Dock, the construction of Huanghua cargo dock and the preliminary work of the Phase III capacity expansion project of Huanghua Port are going orderly.



Building energy-saving and environment-friendly power operation with high operational efficiency and superior management



(IV) Power segment

As at 31 December 2009, the Company controlled and operated 55 units of coal-fired generator, 3 units of gas-fired generator and 21 units of wind power generator. The total installed capacity increased by 4,723 MW to 23,520 MW during the year, representing a year-on-year growth of 25.1%. As at 31 December 2009, the Company controlled and operated 13 coal-fired power plants with total installed capacity and equity installed capacity reaching 22,724 MW and 13,136 MW respectively. The equity installed capacity accounted for 57.8% of total installed capacity and the average unit capacity was 413 MW. In 2009, gross power generation of the Group's coal-fired generators was 104.76 billion kwh, representing a year-on-year increase of 7.17 billion kwh or 7.3%; the total power output dispatch of coal-fired generators was 97.41 billion kwh, representing a year-on-year increase of 7.32 billion kwh or 8.1%. The coal consumption of the power segment of the Group in 2009 was 45.9 million tonnes, of which 40.9 million tonnes were from internal coal segment, accounting for 89.1%.

In 2009, the power segment launched a campaign called "Four Clearance" with the theme of "Clearance on thinking, Clearance on system, Clearance on equipment and Clearance on contract" with an aim to lower the cost of generators and reduce investment. Besides, through active measures such as refined management and internal potentials tapping, the Company explored energy-saving potentials in the existing systems, hence effectively reducing coal consumption. The Company's efforts in strengthening safety production management and improving safety supervision mechanism as well as in stabilizing the equivalent available factor of generators enhanced the reliability of generators.

Apart from the small units operated by Shendong Power, the power generation units in the Company's coal-fired power plants have been fully installed with the desulphurization devices. The percentage of the units installed with the desulphurization devices accounts for 99.5% of the total installed capacity.

Effective marketing

(I) Coal sales

In 2009, it emerged in the domestic coal market a momentum for continuous uprise upon bottoming out. Since the fourth quarter, with effects of the central government's stimulus policy appearing, domestic coal demand showed a rebound. Besides, given factors such as the peak season of coal consumption for heating in winter, the capping of coal supply as consolidation of small coal mines in Shanxi Province and effects of extreme weather upon coal transportation, domestic coal supply became slightly tight and spot price of the thermal coal rose rapidly. As at the end of 2009, Qinhuangdao 5,500 kcal thermal coal FOB spot price was RMB770-790/tonne, an increase of 30% as compared to that as at the beginning of the year.

1. Long-term contract sales

In 2009, the Company's coal sales volume under long-term contract was 185.2 million tonnes (2008: 185.0 million tonnes), representing a year-on-year increase of 0.1%. The ratio of sales volume under long-term contract to total sales volume dropped to 72.8% from 79.5% in 2008. The average coal sales price under long-term contract was RMB375.7/tonne (2008: RMB363.3/tonne), representing a year-on-year increase of 3.4%.

Long-term contract sales	**2009**			2008			
	Volume	**Proportion to total sales**	**Price**	Volume	Proportion to total sales	Price	Change in price
	Million tonnes	**%**	**RMB/ tonne**	Million tonnes	%	RMB/ tonne	%
Domestic sales	**171.6**	**67.5**	**361.8**	163.9	70.4	335.7	7.8
Direct arrival (along railway line and mine mouth)	**69.3**	**27.3**	**244.1**	68.3	29.3	233.9	4.4
Seaborne coal sales	**102.3**	**40.2**	**441.4**	95.6	41.1	408.6	8.0
Export sales	**13.6**	**5.3**	**551.5**	21.1	9.1	578.0	(4.6)
Total long-term contract sales / weighted average sales price	**185.2**	**72.8**	**375.7**	185.0	79.5	363.3	3.4

2. Spot sales

In 2009, the Company increased the proportion of spot sales. The volume of spot coal sales in 2009 was 69.1 million tonnes (2008: 47.7 million tonnes), representing a year-on-year increase of 44.9%. The ratio of spot sales to total sales volume increased to 27.2% from 20.5% in 2008. The average spot price of coal sales was RMB420.7/tonne (2008: RMB438.1/tonne), declining by 4.0% year-on-year.

Spot sales	**2009**			2008			
	Volume	**Proportion to total sales**	**Price**	Volume	Proportion to total sales	Price	Change in price
	Million tonnes	**%**	**RMB/ tonne**	Million tonnes	%	RMB/ tonne	%
Domestic sales	**69.1**	**27.2**	**420.7**	47.6	20.5	438.1	(4.0)
Direct arrival (along railway line and mine mouth)	**25.8**	**10.2**	**333.9**	25.0	10.8	277.9	20.2
Seaborne coal sales	**43.3**	**17.0**	**472.7**	22.6	9.7	614.2	(23.0)
Export sales	**-**	**-**	**-**	0.1	0.04	438.5	N/A
Total spot sales/weighted average sales price	**69.1**	**27.2**	**420.7**	47.7	20.5	438.1	(4.0)

3. Domestic and export sales

Domestic and export sales	2009			2008			
	Volume	Proportion to total sales	Price	Volume	Proportion to total sales	Price	Change in price
	Million tonnes	%	RMB/ tonne	Million tonnes	%	RMB/ tonne	%
Domestic sales	240.7	94.7	378.7	211.5	90.9	358.8	5.5
Export sales	13.6	5.3	551.5	21.2	9.1	577.2	(4.5)
Total sales/weighted average sales price	254.3	100.0	387.9	232.7	100.0	378.6	2.5

Domestic sales volume of the Company was 240.7 million tonnes in 2009 (2008: 211.5 million tonnes), representing a year-on-year increase of 13.8% and accounting for 94.7% to the total coal sales volume. The Company's domestic seaborne coal sales volume was 145.6 million tonnes. In 2009, the national coal transhipment volume for domestic sales through domestic ports was 430 million tonnes, from which it was estimated that the market share of China Shenhua in coastal seaborne coal markets was approximately 33.8%. The weighted average domestic coal sales price of the Company was RMB378.7/ tonne (2008: RMB358.8/tonne), representing a year-on-year increase of 5.5%.

In 2009, the sales volume of the Company to the top five domestic coal customers was 27.6 million tonnes, which accounted for 11.5% of the total domestic sales volume. Of which, the sales volume to the largest customer was 10.6 million tonnes, which accounted for 4.4% of total domestic sales volume. The top five domestic customers were either power generation companies or fuel companies.

In 2009, the coal export volume of the Company was 13.6 million tonnes (2008: 21.2 million tonnes), decreasing by 35.8% year-on-year. During the same period, the proportion of export sales to total sales of coal decreased from 9.1% to 5.3% as compared to last year. In 2009, the coal export sales price was RMB551.5/tonne (2008: RMB577.2/tonne), decreasing by 4.5% year-on-year. Major factors affecting the export coal price were: (1) given the impact of the global financial crisis, the coal market in Asia Pacific was sluggish in the first half of 2009 and the long-term contract price for coal export in 2009 was lower than that in 2008; (2) in 2009, RMB appreciated over USD and the applicable weighted average exchange rate of USD for settlement of export sales was 6.8182 (2008: 6.8910), with RMB appreciating by 1.1%.

In 2009, the sales volume of the Group to the top five coal export customers was 9.3 million tonnes, which accounted for 68.4% of the total export sales. Of which, the sales volume to the largest customer was 3.0 million tonnes, which accounted for 22.1% of total export sales volume. The top five coal export customers were either power generation companies or fuel companies.

4. Sales to external customers and internal power segment

Sales to external customers and internal power segment	2009			2008			
	Volume	Proportion to total sales	Price	Volume	Proportion to total sales	Price	Change in price
	Million tonnes	%	RMB/ tonne	Million tonnes	%	RMB/ tonne	%
Sales to external customers	212.9	83.7	397.4	191.6	82.3	389.2	2.1
Sales to internal power segment	41.4	16.3	339.4	41.1	17.7	329.1	3.1
Total sales/weighted average sales price	254.3	100.0	387.9	232.7	100.0	378.6	2.5

In 2009, coal sales of the Company to external customers was 212.9 million tonnes (2008: 191.6 million tonnes), representing a year-on-year increase of 11.1%. Coal sales price to external customers increased from RMB389.2/tonne to RMB397.4/tonne, representing a year-on-year increase of 2.1%. In 2009, the sales volume of the Group to the top five external coal customers was 27.2 million tonnes, which accounted for 10.7% of the total sales volume.

Selling coal to internal power segment was a unique model of integrated operation of the Group. In 2009, the volume of coal sales to the power segment of the Group was 41.4 million tonnes (2008: 41.1 million tonnes). During the same period, the proportion of sales volume to the power segment of the Group to total coal sales volume declined from 17.7% to 16.3%. Price of sales to power segment of the Group increased from RMB329.1/tonne to RMB339.4/tonne, representing a year-on year increase of 3.1%. Coal sales to internal power segment were conducted mainly under long-term contracts. The Company adopts the same pricing policy for the sales to internal power segment and external customers.

5. Sales of coal purchased from third parties

In 2009, the sales of coal purchased from third parties of the coal segment was 44.8 million tonnes (2008: 46.2 million tonnes), decreasing by 3.0% year-on-year.

(II) Power sales

Following the guidelines of "staying close to the market, customers and production" and upholding the marketing principle of "every kilowatt-hour counts", the power segment established five marketing centers in Hebei, Guangdong, Northeastern China, Jiangsu and Inner Mongolia. Efforts for grid coordination and power marketing on substitute power and direct power supply were strengthened. In 2009, the average utilization hours of coal-fired generators of the power segment amounted to 5,465 hours, which was 626 hours higher than the national average utilization hours of 4,839 hours of coal-fired power generation. The power tariff of the Company in 2009 was RMB336/mwh, representing a year-on-year increase of RMB16/mwh or 5.0%.

Business plans for 2010

In 2010, the management team of the Company will proactively transform the mode of development; push forward implementations of strategies; stick to transformation and innovation; and roll out the enhancement of management level in accordance to the targets set by the Board. The targets for the principal businesses set by the Company for 2010 are as follows:

Item	Unit	Accomplished in 2009	Plan in 2010	Increase in plan in 2010 against to accomplished in 2009
Coal sales	(million tonnes)	254.3	272.0	7.0%
Commercial coal production	(million tonnes)	210.3	229.0	8.9%
Gross power generation	(billion kwh)	105.09	126.00	19.9%
Total power output dispatch	(billion kwh)	97.72	116.70	19.4%

In 2010, the increase in commercial coal production of the Company will mainly be derived from the increase in production of coal mines such as Jinjie mine, Ha'erwusu mine and Bu'ertai mine. At the same time, Shendong Coal Group will make efforts in thin coal seam mining and Zhunge'er Energy and Beidian Shengli Energy will slightly increase production or maintain the existing production capacity.

The demand for coal in China is expected to grow continuously in 2010. In 2010, the policies adopted by the Company regarding the sales of coal will vary by industry. The Company will implement grading assessment for its thermal coal customers. While some annual pricing agreements will be signed with customers, a certain proportion of its coal will be sold at a price set on a monthly basis. In 2010, the Company's seaborne coal price of 5,500 kcal under long-term contract was RMB570/tonne (including value-added tax), an increase of RMB30/tonne as compared to 2009. Coal sold to metallurgical, chemical and construction material industries by the Company will all be set on a monthly basis.

In 2010, the power demand in China will recover continuously and the growth rate in power consumption is expected to further increase in all regions of the country. The Company will optimize the role of power marketing centers in every regional market and will actively promote direct power transactions and substitute power sales with an aim to compete for a bigger regional market share and to strive for steady utilization hours throughout the year to increase the return.

Review on the Company's consolidated operating results

A. Consolidated results of operations

The operating results from each business segment of the Company before elimination on consolidation in 2009 are as follows:

Sector	Revenues	Cost of revenues	Gross profit margin	Increase/ (decrease) in revenues over last year	Increase/ (decrease) in cost of revenues over last year	Increase/ (decrease) in gross profit margin over last year
	RMB million	RMB million	%	%	%	Percentage point
Coal segment	99,896	63,400	36.5	12.5	11.0	Increased by 0.8
Railway segment	19,558	9,962	49.1	11.6	9.8	Increased by 0.9
Port segment	2,007	1,434	28.6	3.6	8.4	Decreased by 3.1
Power segment	33,794	24,727	26.8	12.7	8.3	Increased by 2.9

Region	Revenues in 2009	Revenues in 2008	Increase/(decrease) in revenues over last year
	RMB million	RMB million	%
Domestic market	**113,795**	94,924	19.9
Other Asia Pacific markets	**7,475**	11,987	(37.6)
Other markets	**42**	222	(81.1)
Total	**121,312**	107,133	13.2

(I) Revenues

In 2009, revenues of the Group were RMB121.312 billion (2008: RMB107.133 billion), representing an increase of 13.2% year-on-year. The increase was mainly attributable to the increase in the sales price and sales volume of coal as well as power output dispatch. During the same period, the proportion of coal revenue to total operating revenues increased from 69.6% to 69.8%, while the proportion of power revenue to total operating revenues decreased from 27.4% to 27.3%.

In 2009, the total revenues from the top five customers of the Group was RMB27.737 billion, accounting for 22.9% of the total operating revenues of the Group.

(II) Cost of revenues

In 2009, cost of revenues of the Group was RMB65.492 billion (2008: RMB59.378 billion), representing a year-on-year increase of 10.3%. The main reasons are the increase in the sales volume of coal; the increase in unit production cost of self-produced coal and the increase in total cost of revenues arising from increasing power generation. In 2009, the amount of purchases from the top five suppliers of the Group was RMB12.391 billion, accounting for 18.4% of the total purchases for the year.

(III) Selling, general and administrative expenses

In 2009, selling, general and administrative expenses of the Group were RMB8.055 billion (2008: RMB6.961 billion), representing a year-on-year increase of 15.7% . The increase was mainly due to the increase in selling expenses, expenses for management personnel, pre-operating expenses, related tax expenses, etc, in line with the increase in coal sales volume.

(IV) Profit from operations

In 2009, profit from operations of the Group were RMB47.108 billion (2008: RMB39.675 billion), representing a year-on-year increase of 18.7%. The quarter-on-quarter decrease in profit from operations in the fourth quarter was mainly attributable to the quarter-on-quarter decrease in the total profits in coal segment as a result of faster growth in cost of revenues for coal segment and greater quarter-on-quarter decrease in profit margin for coal segment, which lowered the level of overall return in that quarter.

In addition, the Group recorded a change in the structure of segment profit in the fourth quarter where the proportion of total profits in power segment with lower profit margin increased and the proportion of total profits in coal segment with higher profit margin decreased.

(V) Income tax

In 2009, income tax of the Group was RMB9.626 billion (2008: RMB7.076 billion), representing a year-on-year increase of 36.0%. The increase was mainly attributable to the increase in total profit and the maturity of certain preferential tax rates.

The effective income tax rate increased from 19.1% in 2008 to 21.0% in 2009 upon adjustment of consolidated tax filing as required by the taxation authority.

B. Consolidated assets and liabilities

(I) Property, plant and equipment, net

As at 31 December 2009, property, plant and equipment, net of the Group was RMB163.645 billion (31 December 2008: RMB145.253 billion), representing an increase of 12.7% over last year. The increase was mainly due to the new additions of generators for the power segment and the increase in large-scale equipment for the coal segment. As at 31 December 2009, the proportion of property, plant and equipment, net of the Group to total assets was 52.5% (31 December 2008: 52.7%), which was basically the same as that of last year.

(II) Construction in progress

As at 31 December 2009, construction in progress of the Group was RMB33.045 billion (31 December 2008: RMB33.017 billion), which was flat to last year.

(III) Inventories

As at 31 December 2009, inventories of the Group was RMB7.727 billion (31 December 2008: RMB7.842 billion), representing a year-on-year decrease of 1.5%.

(IV) Accounts and bills receivable, net

As at 31 December 2009, accounts and bills receivable, net of the Group were RMB8.781 billion (31 December 2008: RMB8.236 billion), representing a year-on-year increase of 6.6%. The increase was mainly attributable to the increase in the balance of accounts receivable in line with the increase in coal and power sales.

(V) Borrowings

As at 31 December 2009, the Group had borrowings of RMB70.283 billion denominated in Renminbi, borrowings denominated in Japanese Yen equivalent to RMB5.265 billion and borrowings denominated in US Dollars equivalent to RMB0.635 billion.

(VI) Capital structure

As at 31 December 2009, the gearing ratio (total liabilities/total assets) of the Group was 36.7% (31 December 2008: 37.7%), representing a decrease of 1.0 percentage point. The interest cover ratio (profit before interest and tax/interest expense) was 11.7 times (2008: 8.4 times).

C. Consolidated cash flows

As at 31 December 2009, cash and cash equivalents of the Group was RMB65.944 billion (31 December 2008: RMB59.054 billion), representing a year-on-year increase of 11.7%. Net cash generated from operating activities increased from RMB40.618 billion for the year ended 31 December 2008 to RMB53.345 billion for the year ended 31 December 2009, representing a year-on-year increase of 31.3%.

Review on operating results by business segment

A. Coal segment

The operating results of the coal segment of the Company before elimination on consolidation in 2009 are as follows:

Revenue	Cost of revenues	Profit from operations	Profit from operations/ average total assets during the reporting period
RMB million	RMB million	RMB million	%
99,896	63,400	31,133	29.9

Increase/(decrease) in revenues over last year	Increase/(decrease) in cost of revenues over last year	Margin of profit from operations	Increase/(decrease) in margin of profit from operations over last year
%	%	%	Percentage point
12.5	11.0	31.2	Increased by 1.0

(I) Revenues in coal segment

Benefiting from the increase in the sales volume and coal price, revenues in coal segment of the Group before elimination on consolidation in 2009 were RMB99.896 billion (2008: RMB88.834 billion), representing a year-on-year increase of 12.5% .

(II) Cost of revenues in coal segment

In 2009, cost of revenues in coal segment of the Group before elimination on consolidation was RMB63.400 billion (2008: RMB57.140 billion), representing a year-on-year increase of 11.0%. Cost of revenues mainly comprises cost of coal purchased from third parties, production cost of self-produced coal, cost of coal transportation and other costs.

In 2009, cost of coal purchased from third parties was RMB14.187 billion (2008: RMB15.585 billion), representing a year-on-year decrease of 9.0%. The decrease was mainly due to the decline in cost of coal purchased from third parties to RMB316.7/tonne (2008: RMB337.2/tonne), representing a decrease of RMB20.5/tonne or 6.1% in 2009. Meanwhile, sales of coal purchased from third parties also decreased.

Production cost of self-produced coal was RMB21.168 billion (2008: RMB17.702 billion), representing a year-on-year growth of 19.6%. The increase was mainly due to the increase in coal production volume; the increase in depreciation and amortisation as a result of technological upgrade, renovation, expansion and construction projects and purchase of fixed assets of coal segment in 2009; and the increase in others as a result of the increase in payment for local relocation compensation expenses, relevant environmental protection expenses and mining engineering expenses.

Cost of coal transportation was RMB27.017 billion (2008: RMB23.253 billion), representing a year-on-year increase of 16.2%. The change in cost of coal transportation is related to the transportation flow and the different distribution of transportation volume between self-owned railways and other third party railways.

Other costs were RMB1.028 billion (2008: RMB0.600 billion), representing a year-on-year growth of 71.3%. The growth was mainly attributable to the growth in the Company's provision of coal mining related project design and service to third parties; and equipment repairs and maintenance services.

In 2009, unit production cost of self-produced coal for the coal segment was RMB101.0/tonne (2008: RMB94.9/tonne), representing an increase of 6.4% year-on-year. The increase in unit production cost was mainly a result of the following factors:

1. Depreciation and amortisation was RMB20.2/tonne (2008: RMB17.9/tonne), representing a year-on-year increase of 12.8%. The increase was mainly attributable to increase in fixed assets resulting from increase of mining facilities and implementation of technological upgrade arising from the changes in geological conditions in certain mines;

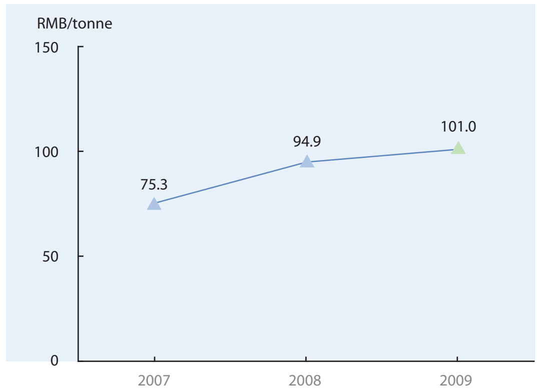
2. The unit cost of others was RMB39.3/tonne (2008: RMB33.3/tonne), representing a year-on-year increase of 18.0%. The increase of RMB6.0 was mainly attributable to the following factors:

   (1) As requirements for environment protection became more stringent, the Company increased its investments in environmental protection and the costs associated with the environment protection increased by RMB3.9/tonne;
   (2) Payment of local relocation compensation expenses increased by RMB2.3/tonne;
   (3) In order to enhance coal quality, the Company changed its coal selection methods and increased its coal selection ratio and hence the coal selection and processing expenses increased by RMB1.2/tonne year-on-year; and
   (4) Along with the extension of tunnels and the increase in the workload of mine projects, mining engineering expenses increased by RMB0.3/tonne.

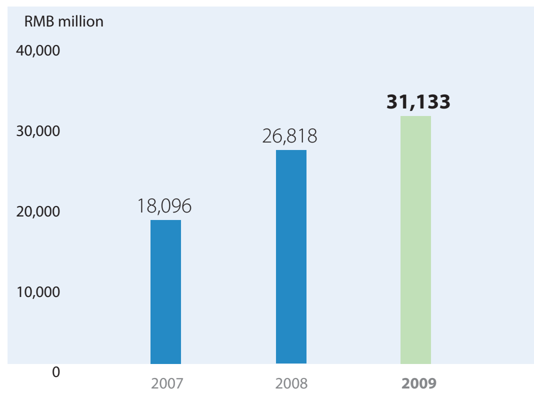
(III) Profit from operations in coal segment

In 2009, profit from operations of the Group's coal segment before elimination on consolidation was RMB31.133 billion (2008: RMB26.818 billion), representing a year-on-year increase of 16.1%. During the same period, margin of profit from operations in coal segment increased from 30.2% to 31.2%.

Unit cost of self-produced coal



Profit from operations in coal segment



B. Railway segment

The operating results of the railway segment of the Company before elimination on consolidation in 2009 are as follows:

Revenues	Cost of revenues	Profit from operations	Profit from operations/ average total assets during the reporting period
RMB million	RMB million	RMB million	%
19,558	9,962	8,801	21.9

Increase/(decrease) in revenues over last year	Increase/(decrease) in cost of revenues over last year	Margin of profit from operations	Increase/(decrease) in margin of profit from operations over last year
%	%	%	Percentage point
11.6	9.8	45.0	Increased by 0.7

(I) Revenues in railway segment

In 2009, revenues of the Group's railway segment before elimination on consolidation were RMB19.558 billion (2008: RMB17.526 billion), representing an increase of 11.6% year-on-year. Of which, revenues from internal coal transportation in the railway segment was RMB17.555 billion (2008: RMB15.576 billion), representing a year-on-year increase of 12.7% and accounting for 89.8% of the revenues in railway segment. Meanwhile, certain railways of the Group utilized their excessive transportation capacity to provide transportation service to third parties to generate transportation revenue.

(II) Cost of revenues in railway segment

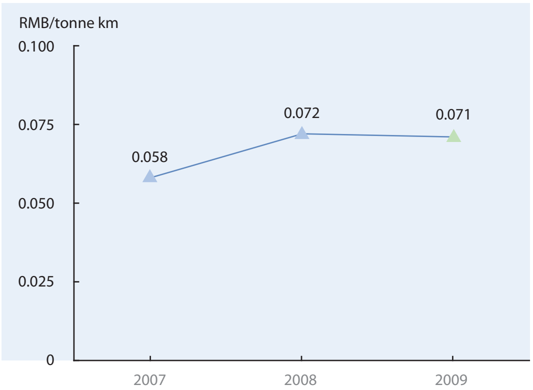
In 2009, cost of revenues of the Group's railway segment was RMB9.962 billion (2008: RMB9.075 billion), representing a year-on-year increase of 9.8% . The increase was mainly attributable to the increase in transportation volume.

Unit cost of transportation in railway segment was RMB0.071/tonne km (2008: RMB0.072/tonne km), representing a year-on-year decrease of 1.4%. The decrease was mainly a result of the dilution of unit transportation cost by increased railway turnover and enhanced transportation efficiency.

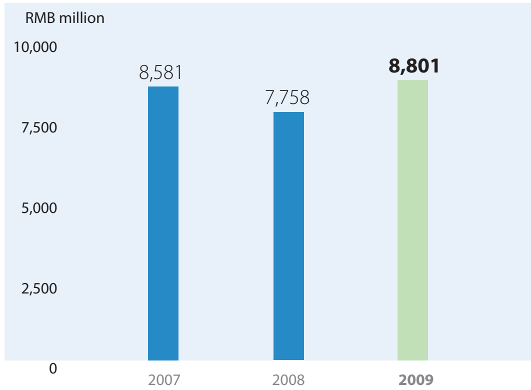
(III) Profit from operations in railway segment

In 2009, profit from operations of the Group's railway segment before elimination on consolidation was RMB8.801 billion (2008: RMB7.758 billion), representing a year-on-year increase of 13.4%. During the same period, margin of profit from operations in railway segment increased from 44.3% to 45.0%.

Unit cost of transportation in railway segment



Profit form operations in railway segment



C. Port segment

The operating results of the port segment of the Company before elimination on consolidation in 2009 are as follows:

Revenues	Cost of revenues	Profit from operations	Profit from operations/ average total assets during the reporting period
RMB million	RMB million	RMB million	%
2,007	1,434	348	3.4

Increase/(decrease) in revenues over last year	Increase/(decrease) in cost of revenues over last year	Margin of profit from operations	Increase/(decrease) in margin of profit from operations over last year
%	%	%	Percentage point
3.6	8.4	17.3	Decreased by 0.7

(I) Revenues in port segment

In 2009, revenues of the Group's port segment before elimination on consolidation were RMB2.007 billion (2008: RMB1.938 billion), representing a year-on-year increase of 3.6%. Of which, revenues from internal coal transportation in the port segment were RMB1.859 billion (2008: RMB1.856 billion), representing a year-on-year increase of 0.2% and accounting for 92.6% of the revenues in port segment.

(II) Cost of revenues in port segment

In 2009, cost of revenues of the Group's port segment was RMB1.434 billion (2008: RMB1.323 billion), representing an increase of 8.4% year-on-year. Unit cost of internal transportation in port segment was RMB13.3/tonne (2008: RMB12.5/tonne), representing a year-on-year increase of 6.4%. The increase was mainly a result of the following factors: decrease in loading volume in self-owned ports led to the increase in unit cost; year-on-year increase in the depreciation in 2009 as the operation of coal dumper of Huanghua Port and the fourth coal transportation line of Shenhua Tianjin Coal Dock commenced operations in the second half of 2008; and the increase in personnel expenses.

(III) Profit from operations in port segment

In 2009, profit from operations of the Group's port segment was RMB0.348 billion (2008: RMB0.348 billion) which was flat to that of 2008. During the same period, margin of profit from operations in port segment decreased from 18.0% to 17.3%.

D. Power segment

The operating results of the power segment of the Company before elimination on consolidation in 2009 are as follows:

Revenues	Cost of revenues	Profit from operations	Profit from operations/ average total assets during the reporting period
RMB million	RMB million	RMB million	%
33,794	24,727	7,106	6.9

Increase/(decrease) in revenues over last year	Increase/(decrease) in cost of revenues over last year	Margin of profit from operations	Increase/(decrease) in margin of profit from operations over last year
%	%	%	Percentage point
12.7	8.3	21.0	Increased by 4.0

(I) Revenues in power segment

In 2009, revenues of the Group's power segment before elimination on consolidation were RMB33.794 billion (2008: RMB29.994 billion), representing an increase of 12.7% year-on-year. The increase was mainly attributable to an increase in the power output dispatch and increase of the power tariff implemented by the State in the third quarter of 2008, resulting in a year-on-year increase in average power tariffs.

Installed capacity of coal-fired power plants in 2009

Power plants	Regional grid	Location	Total installed capacity as at 31 December 2008	Increase in installed capacity in 2009	Total installed capacity as at 31 December 2009	Equity installed capacity as at 31 December 2009
			MW	MW	MW	MW
Huanghua Power	North China Power Grid	Hebei	1,200	1,320	2,520	1,285
Panshan Power	North China Power Grid	Tianjin	1,000	-	1,000	455
Sanhe Power	North China Power Grid	Hebei	1,300	-	1,300	500
Zhunge'er Power	North China Power Grid	Inner Mongolia	500	-	500	289
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	1,320	-	1,320	639
Beijing Thermal	North China Power Grid	Beijing	400	-	400	280
Dingzhou Power	North China Power Grid	Hebei	1,200	1,320	2,520	1,021
Suizhong Power	Northeast Power Grid	Liaoning	1,600	-	1,600	800
Ninghai Power	East China Power Grid	Zhejiang	2,400	2,000	4,400	2,640
Jinjie Energy	North China Power Grid	Shaanxi	2,400	-	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	210	10	220	112
Taishan Power	South China Power Grid	Guangdong	3,000	-	3,000	2,400
Shendong Coal	Northwest/North China Power Grid	Inner Mongolia	324	(324)*	-	-
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	1,147	397*	1,544	1,035
Total installed capacity			18,001	4,723	22,724	13,136

* Note: In the first half of 2009, the Company restructured the management of Shendong Coal and transferred three of its power plants to Shendong Power for control and operations.

Power tariff is the final average sales price of power output dispatch realized in a particular reporting period by the Company, including but not limited to on-grid power tariffs, power generation right exchange tariffs and direct power supply tariffs.

(II) Cost of revenues in power segment

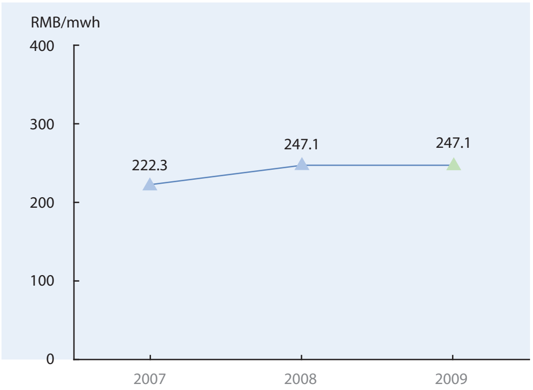
In 2009, cost of revenues of the Group's power segment before elimination on consolidation was RMB24.727 billion (2008: RMB22.828 billion), representing a year-on-year increase of 8.3%.

The unit cost of power output dispatch was RMB247.1/mwh (2008: RMB247.1/mwh) which was flat to that of last year.

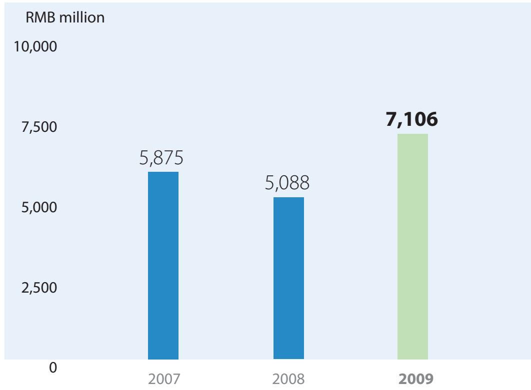
(III) Profit from operations in power segment

Profit from operations of the Group's power segment in 2009 was RMB7.106 billion (2008: RMB5.088 billion), representing an increase of 39.7% year-on-year. During the same period, margin of profit from operations in power segment increased from 17.0% to 21.0%.

Unit cost of power output dispatch



Profit from operations in power segment



Review on the status of the Company's investments

A. Capital expenditure plan

(I) Principles of the capital expenditure plan

The capital expenditure plan of the Company for 2010 is drawn up on the basis of the Company's five-year plan, with an aim to strengthen risk control in a prudent manner; the investment should tend to key development regions and major strategic projects, and strict monitor should be launched on the projects off plan.

(II) Capital expenditure plan

		Plan in 2010	Accomplished in 2009	Increase/(decrease) in plan in 2010 as compared to accomplished in 2009	Percentage of each segment to total plan in 2010
		RMB billion	RMB billion	%	%
Capital expenditure plan	Coal segment	17.940	7.983	124.7	43.6
	Railway segment	12.660	3.842	229.5	30.8
	Port segment	1.940	0.400	385.0	4.7
	Power segment	8.590	18.502	(53.6)	20.9
	Others	-	0.313	(100.0)	-
Total		41.130	31.040	32.5	100.0

(III) Progress of certain capital expenditure projects

No.	Project name	Production capacity upon completion	Construction period	Total estimated investment	Investment accomplished in 2009	Planned investment in 2010	Location
Coal segment				RMB billion	RMB billion	RMB billion	
1	Haer'wusu open-cut mine	20 million tonnes/year	2006-2009	7.73	0.47	0.97	Inner Mongolia Autonomous Region
2	Australia Watermark project	10 million tonnes/year	2008-2013	Unknown	0.28	0.83	Australia
3	Shendong Daliuta underground (5-2 coal) mining project	10 million tonnes/year	2008-2011	1.40	0.12	0.80	Shaanxi province
4	Huangyuchuan mine	10 million tonnes/year	2007-2010	2.50	0.50	0.60	Inner Mongolia Autonomous Region
5	Technological upgrade project of Huojitu mine at Daliuta Mines	15 million tonnes/year	2009-2011	1.09	-	0.58	Shaanxi province
6	Preparatory work expenses of Xinjie mine	20 million tonnes/year	2010-2013	8.00	-	0.50	Inner Mongolia Autonomous Region
7	Yulin Shenhua Guojiawan mine and coal selection plant	8 million tonnes/year	2009-2012	4.29	0.10	0.50	Shaanxi province
Power segment							
1	Liaoning Guohua Suizhong Power Plant Phase II Project	2x1,000MW	2007-2010	7.71	3.78	1.26	Liaoning province
2	Indonesia South Sumatra Coal and Power Phase I Project	2x150MW	2009-2011	2.42	0.21	1.19	South Sumatra, Indonesia
3	Zhunge'er Coal Gangue Power Phase II	2x330MW	2008-2010	2.80	1.39	1.10	Inner Mongolia Autonomous Region
4	Guojiawan Power Plant	2x300MW	2008-2010	2.97	1.11	0.46	Shaanxi province
5	Hebei Guohua Dingzhou Power Plant Phase II Project	2x660MW	2007-2010	4.29	1.44	0.32	Hebei province
Railway segment							
1	Purchase of C80 aluminum alloy wagon		From 2010	2.02	-	2.02	Shaanxi province
2	Ganquan Railway		From 2009	4.68	0.14	1.60	Inner Mongolia Autonomous Region
3	Shenshuo Railway 10,000-tonne Capacity Expansion Project		2007-2011	3.48	0.42	1.50	Shaanxi province, Shanxi province
4	Shuohuang Railway Capacity Expansion and Reform Project		2009-2013	9.18	0.26	1.50	Shanxi province, Hebei province
5	Yushen Mine Designated Rail Route		2010-2013	2.70	0.02	1.00	Shaanxi province
6	Dazhun Railway's second extensional line (Dian Daigou to Er Daohe section)		2008-2010	1.79	0.40	0.75	Inner Mongolia Autonomous Region
Port segment							
1	Preparatory work expenses of Huanghua Port Phase III Project	50 million tonnes/year	2009-2013	5.53	0.01	0.80	Hebei province
2	Huanghua Port Capacity Expansion and Improvement Project	13 million tonnes/year	2009-2010	0.57	0.05	0.37	Hebei province

The current plans of the Company in relation to capital expenditures in the future are subject to the development of the business plans (including potential acquisition), the progress of the capital projects, market conditions, the future prospect of the business development, and acquisition of the requisite permission and regulatory approvals. Unless required by laws, the Company does not assume any responsibilities to update the data in the capital expenditure plan. The Company intends to meet its demand of working capital by cash generated from operating activities, short-term and long-term borrowings, part of the proceeds from the initial public offering and other debt and equity facilities.

B. Use of funds raised

In September 2007, the Company issued 1.8 billion A shares to the public for the first time. The issue price for a share was RMB36.99. Net proceeds amounted to RMB65.988 billion which were in place on 28 September 2007. The Company used RMB1.303 billion of the proceeds in 2009, of which, RMB1.303 billion were used in investments. The accumulated funds raised totaled to RMB32.906 billion, of which an accumulative amount of RMB16.906 billion were used in investments.

At the 37th meeting of the first session of Board of Directors of the Company, it was reviewed and approved that RMB6.500 billion of the proceeds would be temporarily used as additional cash flows in the six months starting from 21 December 2009. Excluding this amount, the remaining balance of the proceeds was RMB26.582 billion (the balance of the specified account was RMB28.290 billion, slightly higher than the remaining balance of the proceeds due to interest income). The remaining balance of the proceeds is saved in the specified account for future use in committed projects.

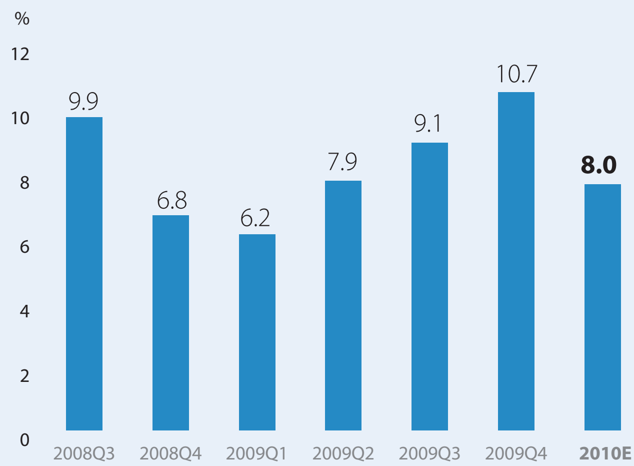
Name of project committed (including projects committed for proceeds in the prospectus etc. and subsequent amended projects)	Whether it is an amended project	Amount committed	Actual amount invested from the date of the proceeds received to the end of the reporting period	Of which: amount invested in 2009	Total return generated (calculated by the total profits generated from the beginning of the year to the end of the year)	The percentage of the return generated to the total combined profits of the Company of the same period	Whether progress is on schedule	Whether estimated return is achieved
		RMB10,000	RMB10,000	RMB10,000	RMB10,000	%		
1. Investments and renovation of coal, power and transportation system	No	1,668,875	1,500,819	92,775	N/A	N/A	Yes	
Of which:								
Halagou Mine project	No	169,300	169,300	-	106,535	2.43	Yes	Yes
Buertai mine construction project	No	344,815	344,815	742	N/A	N/A	Yes	
Haerwusu open-cut mine project	No	538,600	538,503	26,000	30,660	0.70	Yes	Yes
Baoshen Railway TDCS Dispatching Command System	No	2,028	-	-	N/A	N/A	Yes	
Extension of the 2nd line of Baoshen Railway (from Shigetai to Ciyaowan)	No	4,553	4,553	-	N/A	N/A	Yes	
Extension of the 2nd line of Baoshen Railway (from Dongsheng to Shigetai)	No	5,311	-	-	N/A	N/A	Yes	
Purchase locomotives	No	16,800	16,800	-	N/A	N/A	Yes	
Yijing substation, control of pollution by power station	No	3,649	3,649	-	N/A	N/A	Yes	
Truck management information system	No	547	547	-	N/A	N/A	Yes	
Shenshuo railway infrared detecting encryption works	No	300	300	-	N/A	N/A	Yes	
Purchase coal gondola car C70	No	160,000	159,200	-	N/A	N/A	Yes	
Huanghua Port car dumper improvement works	No	4,426	-	-	N/A	N/A	Yes	
Hebei Sanhe Power phase II	No	31,602	-	-	N/A	N/A	Yes	
Inner Mongolia Guohua Zhunge'er Power expansion project	No	35,400	33,394	-	N/A	N/A	Yes	
Zhejiang Ninghai Power phase II	No	105,822	88,085	18,432	N/A	N/A	Yes	
Phase II of Shaanxi Jinjie coal and power integration project	No	64,050	44,100	25,326	N/A	N/A	Yes	
Hebei Huanghua power plant phase II	No	48,690	40,824	6,307	N/A	N/A	Yes	
Hebei Dingzhou power plant phase II	No	45,500	41,493	9,968	N/A	N/A	Yes	
Liaoning Suizhong power plant phase II	No	87,482	15,256	6,000	N/A	N/A	Yes	
2. Supplement operating capital of the Company and general business use	No	1,600,000	1,600,000	-	N/A	N/A	N/A	N/A
3. Acquisition of strategic assets	No	3,329,963	189,768	37,531	N/A	N/A	N/A	N/A
Total		6,598,838	3,290,587	130,306				

Review and outlook for the Company's business environment[1]

A Macroeconomic environment

In 2009, the global financial crisis exerted negative impact on China's macro economy. Under the drive of the State's economic stimulus policies, China's macro economy are stabilizing and recovering. Industrial production improved quarter by quarter and investments continued to grow rapidly. The growth in market sales was fast yet steady and the decline of exports significantly decelerated. In 2009, China's GDP grew by 8.7% compared with that of last year, of which the growth in the fourth quarter increased by 10.7% year-on-year.

Growth of GDP of China



Source: National Statistics Bureau of China

Currently, it still takes time for the global economy to recover and there exist some uncertainties in the domestic economic growth. Major distinct economic initiatives of the Central Government in 2010 are as follows: maintenance of the continuity and stability of the macro economic policies; continuous adoption of active financial policies and moderately relaxed monetary policies; correct handling of the relationship among the maintenance of fast yet steady economic development, adjustment of economic structure and good management of inflation expectations. In 2010, China's macro economy is expected to grow fast and steady. The Central Government targets to achieve a GDP growth of approximately 8% for 2010. Fast and steady macro economic growth will also result in more demand for energy such as coal.

1 This section is for information only and does not constitute any proposals for investment. The Company has done its best to ensure the accuracy and reliability of information in this section, but does not assume any liabilities or provide any forms of guarantee for the accuracy, completeness or effectiveness of all or part of its content. If there is any error or omission, the Company does not assume any liabilities. The content in this section may contain certain forward looking statements based on subjective assumption and judgment of future politics and economy; therefore there may exist uncertainties in these statements. The Company does not have any responsibilities in updating the information or correcting any subsequent errors that may appear. The opinions, estimations or other data contained herein may be changed or revoked by the Company at any time without notification.

2 The data set out in this section is principally derived from National Bureau of Statistics of China, China Coal Trade Web ("CCTD"), China Coal Resource, China Electricity Council ("CEC"), etc.

B Coal market environment

(I) The thermal coal market in China

Item	**2009**	2008
Coal consumption (Million tonnes)	**3,020**	2,765
Raw coal production (Million tonnes)	**3,050**	2,803
Coal transportation by railway (Million tonnes)	**1,326**	1,345
Coal import (Million tonnes)	**125.83**	40.40
Coal export (Million tonnes)	**22.40**	45.43

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

Review of 2009

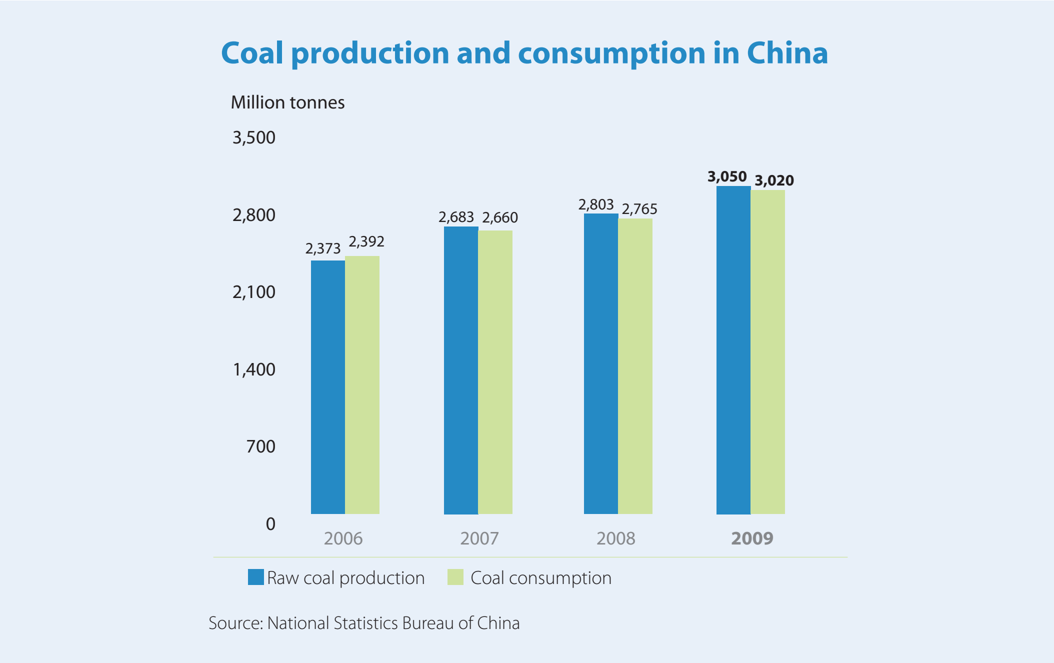
In 2009, benefiting from the State's economic stimulus policies, the demand in major coal consuming industries recovered steadily. The national production of coal-fired power, steel, cement and synthetic ammonia increased by 10.2%, 15.2%, 16.0% and 3.9% year-on-year respectively, presenting a trend of accelerating growth monthly. China's coal consumption in 2009 was 3,020 million tonnes, representing a year-on-year increase of 9.2%.

In 2009, the national production of raw coal was 3,050 million tonnes, representing a year-on-year increase of 8.8%. Of which, the production of Shanxi Province was 615 million tonnes, representing a year-on-year decrease of 6.2%. The decrease was due to the closure and consolidation of small coal mines. During the year, approximately 1,000 small coal mines were closed.

In 2009, the national railway transportation capacity for coal reached 1,326 million tonnes, representing a year-on-year decrease of 1.4%. Of which, the transportation capacity of Daqin line was 330 million tonnes, representing a year-on-year reduction of 10 million tonnes.

Given factors such as lower coal price in the Asia Pacific market than that in China and the substantial reduction in sea freight, there was an increase in coal import and a decrease in coal export in China. The country turned from a net exporter with 5.03 million tonnes in 2008 to a net importer with 103.43 million tonnes in 2009.

In 2009, the supply and demand of the thermal coal market in China was basically balanced. In the first three quarters, the supply and demand of thermal coal was balanced on the whole and the thermal coal spot price fluctuated slightly. Given factors such as the continuous recovery of the macro economy, the increase in coal consumption in the winter heating season, the effects of extreme weather on coal transportation and the reduction in hydropower output, the supply of thermal coal was slightly tight and spot price surged drastically in the fourth quarter. Qinhuangdao 5,500 kcal/kg thermal coal spot FOB price rose from RMB590-610/tonne on 5 January 2009 to RMB770-790/tonne on 28 December 2009.



Prospect for 2010

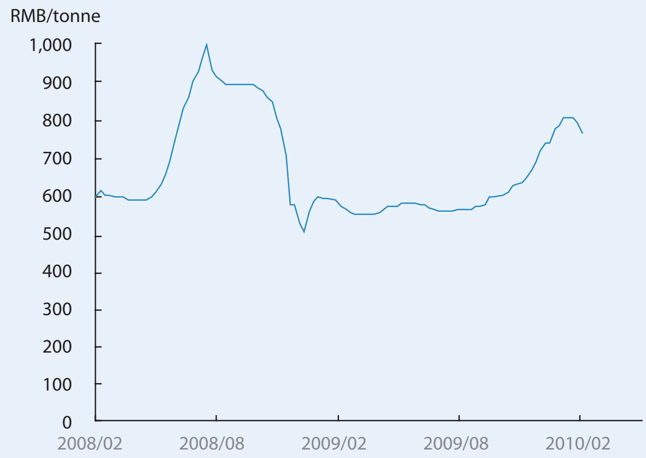
In 2010, major Chinese coal consuming industries such as power, iron and steel, construction materials and chemicals have already bottomed out and their coal demand will increase steadily. The national coal demand in 2010 is expected to be higher than that of last year.

In 2010, the Central Government will broaden its experience in Shanxi Province to other provinces of the closure and consolidation of small coal mines, hence capping the growth in coal production. The consolidation and reopening of production of small coal mines in Shanxi Province will be a gradual process and explosive growth of production is unlikely to occur. In 2010, railway transportation capacity for coal is expected to meet the demand basically and the phenomenon of slightly tight transportation capacity will still appear during the peak season for coal consumption. Meanwhile, the release of production capacity of coal mines in certain regions in Inner Mongolia, Shaanxi and Ningxia is restrained by railway transportation capacity and the situation of "production determined by transport" will still exist.

Along with the recovery in demand of major coal importing countries and regions in the Asia Pacific area, coal spot price and sea freight of the region are expected to rebound. The surge in coal price and freight will weaken the relative price advantage of imported coal over the self-produced coal of China. In 2010, the national coal import volume is estimated to be reduced to a certain extent but China will remain as a net importer.

In 2010, the government will continue to strengthen work on the consolidation of coal resources and increase the level of concentration and productivity level of coal production in the whole country, further improving the safety production level of coal mines. Policy-related factors such as the potential resource tax reform will exert impact on the cost control of enterprises.

Trend of FOB spot price of Qinhuangdao thermal coal (5,500 kcal/kg)



Source: CCTD

In 2010, the domestic demand for thermal coal is expected to grow steadily and the effective supply capacity will continue to increase. The overall supply and demand of the national thermal coal market will be estimated to be balanced, with contract coal prices surging to a certain extent and spot prices fluctuating at high levels. Meanwhile, given the impact of seasonal factor and others, a situation of slightly tight or surplus supply for certain types of coal may appear in different regions in a certain period.

(II) The thermal coal market in the Asia Pacific area

Review of 2009

In 2009, the total import volume of thermal coal in the Asia Pacific area was approximately 385 million tonnes, representing an increase of 55 million tonnes year-on-year. Of which, the import volume of thermal coal for Japan, South Korea and China Taiwan decreased by 7 million tonnes; India's thermal coal import volume increased by 8 million tonnes year-on-year and China's thermal coal import volume increased by 58 million tonnes year-on-year. China and India are major sources of the growth in demand for thermal coal in the Asia Pacific market.

There was a year-on-year decrease in the export volume of traditional thermal coal exporting countries in the Asia Pacific market. Australia's thermal coal export volume for the year increased by 5 million tonnes year-on-year. Indonesia's thermal coal export volume for the year increased by 12 million tonnes year-on-year. The thermal coal export volume of China decreased by 20 million tonnes year-on-year. Countries such as South Africa, Russia, the US and Canada which have been traditionally exporting thermal coal to the European market increased export significantly to the Asia Pacific market, which enabled them to become a key source of thermal coal supply in the Asia Pacific market.

In 2009, there emerged in the Asia Pacific thermal market a change from a situation of slightly abundant supply to a basically balanced situation of supply and demand. China's increase in thermal coal import and decrease in thermal coal export played an underpinning role to the thermal coal market and spot price in the Asia Pacific area. Spot price of Australian BJ thermal coal rose from US$78.25/tonne at the beginning of 2009 to US$83.25/tonne by the end of December 2009.

Prospect for 2010

In 2010, the demand for thermal coal in the Asia Pacific market is expected to increase. The economies of Japan, South Korea and China Taiwan will improve gradually and the growth in the import of thermal coal will recover. India's thermal coal import volume is foreseen to increase at a relatively fast pace. The thermal coal import volume of China is expected to decrease along with the narrowing gap of domestic and foreign price as well as the surge in sea freight.

In 2010, the growth in thermal coal supply for the Asia Pacific market is expected to be lower than that of last year. The thermal coal export of Australia and Indonesia are seen to increase year-on-year. Given coal price is higher in Asia Pacific than that of Europe, the thermal coal export from South Africa to Asia is expected to increase.

Trend of spot price of Australian BJ thermal coal

Source: CCTD

In 2010, there will be a slight increase in the demand for thermal coal in the Asia Pacific market alongside increasing and steady supply. Supply and demand of the market will be basically balanced, with thermal coal spot price showing a trend of slight increase.

C Power market environment

Review of 2009

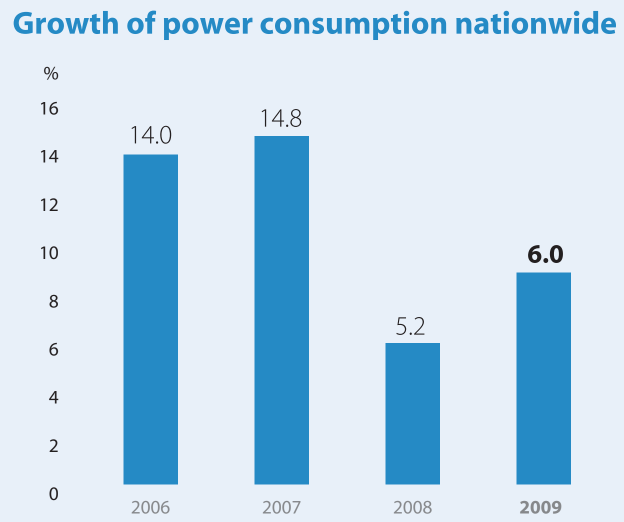
In 2009, the national power consumption recovered month by month, turning from a negative growth to a positive growth for seven straight months. Power consumption of the entire society grew by 6.0% year-on-year, which was 0.8 percentage point higher than that in last year.

There was a further increase in power supply capacity. As at the end of 2009, the national installed power capacity reached 874.07 million kw, representing a year-on-year net increase of 81.54 million kw.

The government pushed forward reforms on direct power supply for large-volume users vigorously and raised the national average power tariff for non-residential use by RMB2.8 cents per kwh on 20 November. The closure of small coal-fired power plants was in smooth progress. As at the end of 2009, small coal-fired power plants involving an aggregate capacity of 60.38 million kw were shut down, completing the target of elimination of capacity of 50.00 million kw during the period of the "11th Five-year Plan" in advance.

The supply and demand for power in the country was basically balanced in 2009. The nation's average accumulated utilization hours of power plants with 6,000 kw capacity and above was 4,527 hours, representing a year-on-year decrease of 121 hours. However, it had recovered to the level of 2006-2007 in the fourth quarter. Given the impact of factors such as the year-on-year decrease in coal spot price and the twice price increases in power tariff implemented in the second half of 2008, profitability of the power industry improved.

Prospect for 2010



Source: National Statistics Bureau of China, CEC

In 2010, China's macro economy will show a trend of fast yet steady growth. With China's economy growing fast and steady, taking into account of the impact of factors such as energy saving and emission reduction as well as the low base of 2009, power consumption for 2010 is expected to grow faster than that in 2009.

The national installed power capacity will still continue to expand in 2010. The national installed power capacity is expected to increase from 0.87 billion kw at the end of last year to approximately 0.95 billion kw at the end of 2010. The average utilization hours of power plants will be basically the same as that of 2009.

The State is expected to continue with the power structural reforms, the promotion of reforms on direct power supply for large-volume users and the establishment of transmission and distribution price mechanism. Closure of small coal-fired power plants will be continued. The plan to eliminate capacity of small coal-fired power plants in 2010 will be 10.00 million kw.

In 2010, the country is expected to have an overall balanced power supply and demand, with supply being slightly more abundant. The average utilization hours of power plants will be basically the same as that in last year. Contract prices for coal will be slightly higher and there will be minor fluctuations in the spot prices. The profitability of power generating enterprises will remain basically the same as 2009.

Major risk exposures of the Company and their effects

A Risk of macroeconomic periodical fluctuation

The coal and power industries, in which the Company operates, are the fundamental sectors of the national economy and are closely correlated to the prosperity of the national economy. Periodical changes of the economy may affect the performance of the Company and cause certain risks to the production and operation of the Company.

B Risk of competition in the coal and power industries

The Company's coal business faces competition with other coal producers both in the domestic and international markets. In the domestic market, certain rivals in the coal industry are located closely to the coastal areas and therefore sustain lower transportation costs when they transport coal to target markets and enjoy competitive advantage. The Company's power business mainly competes with the top five power generation corporations in China and other independent power plants. The Company faces competitions in terms of acquiring more coal resources and securing favourable dispatch of power and higher on-grid power tariff etc., which may adversely affect the production and operation of the Company.

C Risk of insufficient transportation capacity

Other than the transportation system of self-owned railways and ports, the Company also transports coal through third party railways and ports. During the peak seasons of coal demand, the external railways and ports are unable to meet all demands for domestic coal transport. The Company has experienced delay in the process of coal transportation to customers by using external transportation systems. The Company cannot ensure the absence of similar transportation delay in the future.

D Risk of cost increase

As the Company extends the mining of mines downward, the cost of coal mining may gradually increase. In the meantime, the potential inflation risks arising from the recovery of the macro-economy and the rising prices of commodities may result in the increase in the costs of raw materials and fuels of the Company. Potential incremental cost as a result of reforms on resources tax policies may also affect the cost control of the Company. Such risks of cost increase may affect the business performance of the Company.

E Risk of foreign exchange rate

The business operations of the Company are subject to the impact of fluctuation of foreign exchange rate in Renminbi. If the exchange rate of Renminbi increases or decreases further, it may affect the Company's profit or loss for the period. At present, there is a lack of financial instruments for hedging risks of foreign exchange rate in China, which may, to a certain extent, limit the Company's management of foreign exchange risks.

F Risk of changes in national macro industrial control policies

The business activities of the Company are affected by national macro control policies. Potential reforms on resources tax policies and stricter polices on safety and environmental protection implemented by the State may cause increase of policy-driven cost and expenditure. Any such measures may have adverse effects on the Company's production. The uncertainties arising from the implementation of similar national industrial macro policies may also generate certain risks to the Company's operations.

G Risk of natural factors such as natural disasters and extreme weather

The production and operation activities of the Company will be affected by factors including natural disasters or extreme weather. In recent years, a number of catastrophic disasters happened in China, which have had certain negative impacts on the Company's operations. Factors such as unforeseeable natural disasters and extreme weather may bring certain risks to the Company's operations.

H Environmental protection responsibility

The Group has been operating in China for many years. Environmental protection laws and regulations are fully enforced in China, which has an impact on the coal and power businesses. At present, it is not possible to predict the future legislation on environmental protection which may have significant impacts on the Group. However, according to the existing regulations, the management of the Company is of the view that currently there is no environmental protection responsibility that may have a material adverse effect on the Group's financial position save the amounts included in the financial statements.

I Group insurance

In accordance with the industrial practices in the mining industry in China as the Company is aware of, the Company has purchased fire, debt or other property insurances for part of its property, equipment or inventory. The Company has purchased business interruption or third party liability insurance for personal injury or environmental damage that arise from accidents in relation to the Company's premises or certain power plants and vehicles related businesses of the Company. As for the transportation business, the Company has purchased property insurance for trucks and car insurance for Huanghua Port. In addition, the Company has purchased policies for occupational accident, medical, third party liability and unemployment insurances in compliance with the requirements of the relevant regulations. The Company has purchased insurance for all self-operated power plants including insurances for property, loss of profits, plants and equipment, occupational injury and third party liability. The Company will continue to review and assess its own risk portfolio, and make necessary and appropriate adjustments to the Company's insurance in accordance with the needs of the Company and practices of the insurance industry in China.

Operating conditions and results of major subsidiaries and associated companies

No.	Company	Registered capital	Total assets	Net assets	Net profit
		RMB10,000	RMB10,000	RMB10,000	RMB10,000
1	Shenhua Guohua International Power Co., Ltd.	400,997	2,773,089	964,900	16,093
2	Guangdong Guohua Yuedian Taishan Power Co., Ltd.	270,000	1,447,266	465,922	150,577
3	Shaanxi Guohua Jinjie Energy Corporation	227,800	994,879	370,527	119,923
4	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	303,551	1,690,332	436,948	101,817
5	Shenhua Zhunge'er Energy Co., Ltd.	710,234	1,434,586	989,744	235,533
6	Shenhua Beidian Shengli Energy Co., Ltd.	83,000	290,625	97,965	9,179
7	Beijing Shenhua Hengyun Energy Technology Co., Ltd.	5,000	43,674	28,371	36,793
8	Shanghai Shenhua Coal Sales Co., Ltd.	5,000	54,293	19,941	10,371
9	Shenhua Shendong Coal Group Co., Ltd.	21,500	245,957	107,249	29,244
10	Shuohuang Railway Development Co., Ltd.	588,000	1,943,909	1,303,006	388,779
11	Shenhua Baoshen Railway Co., Ltd.	100,387	380,908	163,934	15,774
12	Yulin Shenhua Energy Co., Ltd.	100,000	184,029	133,148	30,766
13	Hebei Guohua Cangdong Power Co., Ltd.	172,514	870,242	193,114	17,436
14	Hebei Guohua Dingzhou Power Generation Co., Ltd.	150,792	692,110	185,655	21,951
15	Shenhua Huanghua Harbour Administration Co., Ltd.	325,333	715,267	354,272	7,968

Note: The financial information in the above table was prepared in accordance with the Accounting Standards for Business Enterprises. The financial information of the major subsidiaries and associated companies disclosed above has not been audited or reviewed.

Reasons and effects on the changes in the Company's accounting policies, accounting estimates or correction of major accounting errors

During the reporting period, the Company changed certain the accounting policies of the Company according to the requirements of International Financial Reporting Standard 8, International Accounting Standard 1 (revised 2007), amendments to International Financial Reporting Standard 7 and amendments to International Accounting Standard 27. See note 3 to the financial statements for details.

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

Apart from the above changes in significant accounting policies, there was no material change in the principle accounting policies and major accounting estimates of the Company as compared to those in 2008.

Profit distributions

Profit distributions for the past three years

In accordance with the requirements of relevant laws and regulations and the Articles of Association, the Company adheres to the profit distribution policy whereby the distributable profits shall be the lower of distributable profits in the financial statements prepared under the Accounting Standards for Business Enterprises and the International Financial Reporting Standards.

Distribution year	Distribution date	Amount of cash dividend per share (inclusive of tax)	Amount of cash dividend (inclusive of tax)	Net profit attributable to equity shareholders of the Company for the distribution year[Note]	Ratio
		RMB/share	RMB million	RMB million	%
Final dividend for 2006	June 2007	0.34	6,150	16,144	38.1
Special dividend for 2007	November 2007 and June 2008	1.13	22,544	19,766	N/A
Final dividend for 2007 (from 1 July 2007 to 31 December 2007)	June 2008	0.18	3,580	19,766	18.1
Final dividend for 2008	June 2009	0.46	9,149	26,588	34.4

Note: The figures in the table refer to the net profit attributable to equity shareholders of the Company for the distribution year, which are not restated.

Profit distribution plan for the reporting period

Please refer to the "Announcement on the Distribution of Final Dividend for 2008" issued on 29 May 2009 for the implementation of profit distribution during the reporting period.

Net profit attributable to equity shareholders of the Company for 2009 under Accounting Standards for Business Enterprises amounted to RMB30.276 billion, representing basic earnings per share of RMB1.522. The Board recommends payment of final dividend for 2009 in the amount of RMB0.53 per share (inclusive of tax), representing 34.8% of net profit attributable to equity shareholders of the Company.

The register of members for H shares of the Company will be closed from 19 May 2010 to 18 June 2010 (both days inclusive). The record date for the payment of dividends for H shares by the Company will be 19 May 2010, i.e. the dividends will be distributed to the H share shareholders whose names appear on the register of members of the Company at the close of 19 May 2010.

Under relevant regulations of China Securities Depository and Clearing Corporation Shanghai Branch and according to the market practice adopted for dividend distribution for A shares, the Company will publish a separate announcement in respect of dividend distribution to holders of A shares for the year 2009 after the Annual General Meeting of 2009 to determine the record date and ex-rights date for dividend distribution to holders of A shares for the year 2009.

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 enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares of the Company registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholder. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders.

Investors should review and consider the above carefully. If any investor intends to have his name registered in the register of members for H shares of the Company, please enquire about the relevant procedures with your agents or trustees. The Company has no responsibility and shall not be responsible for confirming the identities of the shareholders. The Company will strictly comply with laws, and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H shares of the Company on the record date for the dividend payment for H shares. The Company will not entertain any requests relating to any delay in confirming the identity of the shareholders or any errors in the identity of the shareholders.

Daily operations of the Board

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

Other matters

Major Customers and Suppliers

The largest external customer and the five largest external customers of the Company accounted for approximately 6.0% and 22.9% respectively of the Company's revenues for the year ended 31 December 2009.

For the year ended 31 December 2009, the total amount of purchases made by the Company from its five largest suppliers amounted to RMB12.391 billion, and accounted for 18.4% of the total purchases for the year. The amount of purchases from the largest supplier amounted to RMB5.049 billion, and accounted for 7.5% of the total purchases for the year.

Distributable Reserves

As at 31 December 2009, the aggregate amount of reserves which is available for distribution to shareholders of the Company was RMB37.935 billion.

Employee Retirement Plan and Remuneration Policies

In accordance with applicable laws and regulations, the Company participated in various retirement plans for employees organized by municipal and provincial governments. Details are set out in note 37 to the financial statements in this report. The Company adopts position remuneration system for its employees, and their remuneration is determined according to factors such as relative importance of their positions, responsibilities and performances.

Subsidiaries

Details of the principal subsidiaries of the Company are set out in note 19 to the financial statement in this report.

Pre-emptive rights

There is no provision regarding pre-emptive rights under the Articles of Association and the laws of the PRC, the Company is not required to issue new shares to its existing shareholders in proportion to their existing shareholdings.

Taxation

In accordance with the Notice on Taxation of Dividends and Stock (Options) Transfer Income obtained by Foreign-invested Companies, Foreign Companies and Foreign Citizens (Guoshuifa No.045 [1993]) published by the State Administration of Taxation, foreign individuals holding H shares are exempted from paying individual income tax for dividends obtained from companies incorporated in PRC issuing the H shares.

As stipulated by the Notice on Issues relating to Enterprise Income Tax Withholding over Dividends Distributable to Their H-Share Holders Who are Overseas Non-resident Enterprises by Chinese Resident Enterprises published by the State Administration of Taxation (Guoshuihan No. 897 [2008]), when Chinese resident enterprises distribute annual dividends for the year 2008 and years thereafter to their H share shareholders who are overseas non-resident enterprises, enterprise income tax shall be withheld at a uniform rate of 10%. Non-resident enterprises may apply for tax refund in accordance with relevant provisions including taxation agreements/arrangement after receiving dividends. 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.

Charge over assets of the Group

For the year ended 31 December 2009, the Group has not placed any charges over group assets.

Significant acquisitions and disposals

For the year ended 31 December 2009, there were no material acquisitions and disposals made by any of the subsidiaries and associated companies of the Company.

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Major Financial Data and Indicators

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

Major Financial Data for the Reporting Period

Unit: RMB million

Items	Amount
Operational profit	44,189
Profit before income tax	43,901
Net profit attributable to equity shareholders of the Company	30,276
Net profit attributable to equity shareholders of the Company net of extraordinary gain and loss	30,439
Net cash flow from operating activities	55,927

Differences between China and International Accounting Standards

Unit: RMB million

Items	Net profit attributable to the shareholders of the Company		Net assets attributable to the shareholders of the Company	
	2009	2008 (restated)	**2009**	2008 (restated)
Under Accounting Standards for Business Enterprises	**30,276**	25,959	**169,326**	146,625
Adjustments:				
Adjustment for production maintenance, production safety and other related expenditures	**1,311**	629	**2,841**	2,342
Revaluation of land use rights and others	**119**	53	**(1,506)**	(1,535)
Under International Financial Reporting Standards	**31,706**	26,641	**170,661**	147,432

Explanation on the differences between domestic and international accounting standards:

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

2. Revaluation of land use rights and others
Under the Accounting Standards for Business Enterprises, land use rights under the prepayment for operating leases are carried at revalued amounts upon the restructuring. Under International Financial Reporting Standards, land use rights are carried at the historical cost less accumulated amortisation. Accordingly, the equity attributable to equity shareholders of the Company and the profit attributable to equity shareholders of the Company in the financial statements prepared in accordance with International Financial Reporting Standards have not included the valuation surplus of land use rights and any subsequent amortisation and the effect of deferred tax arising from the related differences.

Items and amounts net of extraordinary gain and loss

Unit: RMB million

Items of extraordinary gain and loss	Amount
Non-operating income	
– Subsidy income	21
– Others	213
Investment income	
– Income from entrusted loans	46
Non-operating expenses	(542)
Tax effect in respect of the above items	43
Total	(219)
Of which: Extraordinary gain and loss that affect net profit attributable to equity shareholders of the Company	(163)
Extraordinary gain and loss that affect net profit attributable to the minority shareholders	(56)

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

Unit: RMB million

	2009	2008			2007	
Major financial data		After restatement	Before restatement	Increase/ decrease over the previous year	After restatement (unaudited)	Before restatement
Operating income	**121,312**	107,133	107,133	13.2%	82,107	82,107
Profit before income tax	**43,901**	35,971	36,871	22.0%	29,629	30,649
Net profit attributable to equity shareholders of the Company	**30,276**	25,959	26,588	16.6%	19,766	20,497
Net profit attributable to equity shareholders of the Company net of extraordinary gain and loss	**30,439**	26,356	26,985	15.5%	19,926	20,657
Basic earnings per share (RMB)	**1.522**	1.305	1.337	16.6%	1.066	1.106
Diluted earnings per share (RMB)	**1.522**	1.305	1.337	16.6%	1.066	1.106
Basic earnings per share net of extraordinary gain and loss (RMB)	**1.530**	1.325	1.357	15.5%	1.075	1.114
Fully diluted return on net assets (%)	**17.88**	17.70	17.85	Increased by 0.18 percentage point	15.27	15.60
Weighted average return on net assets (%)	**19.16**	18.81	18.97	Increased by 0.35 percentage point	19.84	20.22
Fully diluted return on net assets net of extraordinary gain and loss (%)	**17.98**	17.98	18.11	–	15.40	15.72
Weighted average return on net assets net of extraordinary gain and loss (%)	**19.27**	19.10	19.25	Increased by 0.17 percentage point	20.00	20.38
Net cash flow from operating activities	**55,927**	44,226	44,226	26.5%	29,935	29,935
Net cash flow from operating activities per share (RMB)	**2.81**	2.22	2.22	26.5%	1.51	1.51
	As at 31 December 2009	As at 31 December 2008			As at 31 December 2007	
		After restatement	Before restatement	Increase/ decrease over the end of the previous year	After restatement (unaudited)	Before restatement
Total assets	**310,514**	275,182	278,407	12.8%	238,482	241,045
Equity attributable to equity shareholders of the Company	**169,326**	146,625	148,967	15.5%	129,423	131,376
Net assets per share attributable to equity shareholders of the Company (RMB)	**8.51**	7.37	7.49	15.5%	6.51	6.61

Changes in Equity and Shareholdings of Substantial Shareholders

Changes in Equity

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

There were no changes in the number of shares and shareholding structure during the reporting period. The share capital structure of the Company as at 31 December 2009 is as follows:

Unit: Shares

		Number	Percentage
I.	Shares with selling restrictions		
	1. State-owned shares	14,691,037,955	73.86%
	2. Domestic legal person shares	–	–
	Total shares with selling restrictions	14,691,037,955	73.86%
II.	Shares without selling restrictions		
	1. RMB ordinary shares	1,800,000,000	9.05%
	2. Foreign shares listed overseas	3,398,582,500	17.09%
	Total shares without selling restrictions	5,198,582,500	26.14%
III.	Total shares	19,889,620,455	100.00%

Changes in shares with selling restrictions

Unit: Shares

Shareholder	Number of shares with selling restrictions at the beginning of the year	Decrease in number of shares with selling restrictions in the year	Increase in number of shares with selling restrictions in the year	Number of shares with selling restrictions at the end of the year	Reasons for selling restrictions	Date of release from selling restrictions
Shenhua Group	14,691,037,955	180,000,000	–	14,511,037,955	Commitments made in the initial public offering of A Shares	9 October 2010
Account No. 1 of National Council for Social Security Fund (全國社會保障基金理事會轉持一戶)	–	–	180,000,000	180,000,000	Article 13 of the "Implementation Measure for the Transfer of Part of the State-owned Shares to the National Social Security Fund in Domestic Securities Market"(《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》)	9 October 2013
Total	14,691,037,955	180,000,000	180,000,000	14,691,037,955		

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

For the year ended 31 December 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any securities of the Company as defined in the Hong Kong Listing Rules.

Issue and listing of securities

1. Issue of securities in the last three years

Unit: Shares

Type of shares and their derivative securities	Date of issue	Issue price	Number of shares issued	Date of listing	Number of shares listed
Ordinary A shares	25 September 2007	RMB36.99 per share	1,800,000,000	9 October 2007 and 9 January 2008	1,800,000,000

In September 2007, the Company made an initial public offering of 1.8 billion A shares with nominal value of RMB1 each at a price of RMB36.99 per share. Of which, 1,260,000,000 shares have been listed and traded from 9 October 2007 and 540,000,000 shares have been listed and traded from 9 January 2008. KPMG Huazhen had verified the proceeds from the offering of A shares and issued the Capital Verification Report (KPMG-A (2007) CR No.0030) on 28 September 2007. The net proceeds from the offering of A shares were RMB65,988 million, of which RMB1,800 million was allocated to new share capital and RMB64,188 million was allocated to capital reserve.

2. Changes in total number of shares and shareholding structure

There were no changes in the total number of shares, shareholding structure and assets and liabilities structure of the Company due to bonus issue, capital conversion or placement of shares during the reporting period.

3. Shares held by internal employees

During the reporting period, the Company did not issue any shares to internal employees and there were no existing internal employees shares held by internal employees.

Shareholders

Total number of shareholders and minimum public float requirement

As at the end of the reporting period, there were a total of 406,547 shareholders of the Company, of which there were 403,796 holders of A shares (including Shenhua Group) and 2,751 holders of H shares.

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

Shares held by top ten shareholders, top ten shareholders without selling restrictions and top ten shareholders with selling restrictions

The following is an explanation of the related party relationship or parties acting in concert of the shareholders: The Company is not aware of any related party relationship between top ten shareholders without selling restriction and the top ten shareholders, and whether they are parties acting in concert pursuant to the "Measures for the Administration of Acquisition of Listed Companies".

1. Shares held by top ten shareholders

Unit: Shares

No.	Name of shareholder	Nature of shareholder	Shareholding percentage	Total number of shares held at the end of the reporting period	Increase or decrease during the reporting period	Number of shares with selling restrictions	Number of shares subject to pledge or lock-up
1	Shenhua Group	State-owned	72.96%	14,511,037,955	–180,000,000	14,511,037,955	Nil
2	HKSCC NOMINEES LIMITED note	Overseas corporate	17.05%	3,391,226,380	–228,250	–	Unknown
3	Account No.1 of National Council for Social Security Fund (全國社會保障基金理事會轉持一戶)	State-owned	0.90%	180,000,000	+180,000,000	180,000,000	Nil
4	Bank of Communications – E Fund 50 Index Securities Investment Fund	Others	0.22%	43,715,020	–96,187	–	Unknown
5	Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	Others	0.16%	31,581,164	–11,757,631	–	Unknown
6	Baosteel Group Corporation Limited	Others	0.15%	29,151,928	Unknown	–	Unknown
7	Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	Others	0.11%	21,463,219	+278,212	–	Unknown
8	China Construction Bank – Hua An Hongli Stock Securities Investment Fund	Others	0.09%	18,199,900	–3,688,980	–	Unknown
9	China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002 Shanghai	Others	0.08%	16,261,146	–5,586,537	–	Unknown
10	Industrial Bank Company Limited – Industrial Trend Investment Mixed Securities Investment Fund	Others	0.08%	15,813,088	+5,143,727	–	Unknown

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

2. Shares held by top ten shareholders without selling restrictions

Unit: Shares

No.	Name of shareholder	Number of shares without selling restrictions	Type of shares
1	HKSCC NOMINEES LIMITED	3,391,226,380	Foreign shares listed overseas
2	Bank of Communications – E Fund 50 Index Securities Investment Fund	43,715,020	RMB ordinary shares
3	Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	31,581,164	RMB ordinary shares
4	Baosteel Group Corporation Limited	29,151,928	RMB ordinary shares
5	Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	21,463,219	RMB ordinary shares
6	China Construction Bank – Hua An Hongli Stock Securities Investment Fund	18,199,900	RMB ordinary shares
7	China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002 Shanghai	16,261,146	RMB ordinary shares
8	Industrial Bank Company Limited – Industrial Trend Investment Mixed Securities Investment Fund	15,813,088	RMB ordinary shares
9	Agricultural Development Bank of China – Bank of Communications Schroder Select Stock Securities Investment Fund	15,429,922	RMB ordinary shares
10	Industrial & Commercial Bank of China Limited – Hua Xia Hu Shen 300 Index Securities Investment Fund	14,599,689	RMB ordinary shares

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

Unit: Shares

			Trading and listing of shares with selling restrictions		
No.	Name of shareholder with selling restrictions	Number of shares with selling restrictions	Date on which trading is permitted	Increase in the number of tradable shares	Selling restrictions
1	Shenhua Group	14,511,037,955	9 October 2010	14,511,037,955	Shenhua Group shall not transfer or entrust others to manage its shares held directly or indirectly, nor shall such shares be acquired by the Company, within 36 months from the date on which the shares of the Company were listed on Shanghai Stock Exchange.
2	Account No. 1 of National Council for Social Security Fund (全國社會保障基金理事會轉持一戶)	180,000,000	9 October 2013	180,000,000	Article 13 of the "Implementation Measure for the Transfer of Part of the State-owned Shares to the National Social Security Fund in Domestic Securities Market" (《境內證券市場轉持部分國有股充實全國社會保障基金實施辦法》)

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

As at 31 December 2009, persons as shown in the table below had an interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register to be kept pursuant to section 336 of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO"):

No.	Name of shareholder	Capacity	H/domestic shares	Nature of interest	Number of H/domestic shares held	Percentage of H/domestic shares over total issued H/domestic shares respectively	Percentage of total issued share capital of the Company
						%	%
1	Shenhua Group	Beneficial owner	Domestic shares	N/A	14,511,037,955	87.99	72.96
2	JPMorgan Chase & Co.	Beneficial owner	H shares	Long position	374,522,183	11.02	1.88
		Investment manager		Short position	23,833,671	0.70	0.12
		Custodian-corporation/ approved lending agent		Lending pool	155,790,297	4.58	0.78
3	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	248,095,929	7.30	1.25

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

Save as disclosed above, as at 31 December 2009, in so far as the directors, president and supervisors of the Company are aware, there was no other interest and/or short position held by any person in the shares or underlying shares of the Company (as the case may be) which is required to be recorded in the register and kept by the Company under section 336 of Part XV of the SFO, or was otherwise a substantial shareholder of the Company.

Changes in Controlling Shareholders and De Facto Controllers

Particulars of controlling shareholder and de facto controller

1. Corporate controlling shareholder

Name of the controlling shareholder:	Shenhua Group Corporation Limited
Legal representative:	Zhang Xiwu
Registered capital:	RMB38,809,281,000
Date of incorporation:	23 October 1995
Principal operating activities or management activities:	State-owned assets operating activities within the scope authorized by the State Council; investment and management activities in various sectors, including resources products (such as coal), coal to liquid, coal chemical, power, thermal, port, various transporation, finance, domestic and international trade and logistics, real estate, high technology and information consultation; planning, organizing, coordinating and managing the production and operating activities of the companies in the Shenhua Group in such sectors; and sales of mineral products, chemical materials, chemical products (other than hazardous chemicals), textiles, construction materials, machinery, electronic equipment and office equipment.

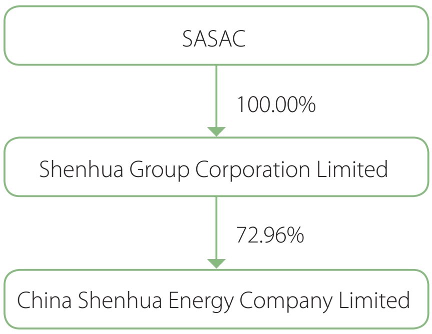
2. De facto controller

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

3. Changes in controlling shareholder and de facto controller

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

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



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

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

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

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

Corporate Governance Structure and Corporate Governance Report

Brief Information on Corporate Governance

During the reporting period, the Company further improved its level of corporate governance by establishing a standardized and sound corporate governance structure in strict compliance with the PRC Company Law, Securities Law and other laws and regulations as well as the domestic and foreign regulatory requirements. The Company's standard of corporate governance has been highly recognized in the capital market. In 2009, China Shenhua won the "Corporate Governance Awards – 2009 Directors Award" granted by the Shanghai Stock Exchange. The award is the first corporate governance award assessed by the Shanghai Stock Exchange and also the first corporate governance award assessed by the listing regulatory authority.

The Company's compliance with domestic regulatory requirements

There is no material difference between the corporate governance of the Company and the corporate governance requirements under the relevant rules of the China Securities Regulatory Commission ("CSRC"). The Company, the Board and the directors of the Company have not received any administrative punishment, have not been publicly criticized or inspected by the CSRC and have not been condemned by any other regulatory authorities or stock exchanges.

From 11 to 14 November 2008, the Beijing Securities Regulatory Bureau conducted a four-day on-site inspection on corporate governance of the Company. On 24 November 2008, the Company received the "Regulatory Opinion" from the Beijing Securities Regulatory Bureau. As required by the special campaigns for corporate governance and the Beijing Securities Regulatory Bureau, the "Rectification Report on Special Campaigns for Corporate Governance of China Shenhua" was approved by the Board on 26 December 2008 and the relevant announcement was subsequently published and reported to the Beijing Securities Regulatory Bureau on 27 December 2008.

During the reporting period, the Board of the Company commenced the following tasks in accordance with the Listing Rules and the new requirements of the regulatory authorities in order to satisfy the requirements of the "Regulatory Opinion", achieve the objectives set out in the Rectification Report of the Company and ensure the operational compliance of the Company:

1. The amendments to the Articles of Association were formulated and proposed at the annual general meeting for consideration and approval which further provided that the cash dividend and profit distribution policies of the Company should maintain continuity and stability; the "Rules on Work of President" and the "Management Rules on Use of Proceeds" were improved in accordance with the new requirements of the regulatory authorities.

2. The "Provisional Measures for the Management of Provision of Guarantees" and the "Management Rules for Disposal of Fixed Assets" were formulated, which improved the internal control system of asset disposal and pledge.

		Rectification measures	
No.	Regulatory opinion	Particulars	Procedures and time of completion
1	Amend and improve the Articles of Association, the Rules on Work of President and the Management Rules on Use of Proceeds according to the requirements	Amend and improve the Articles of Association Amend and improve the Rules on Work of President Amend and improve the Management Rules on Use of Proceeds	Resolution on the amendment to the Articles of Association was approved at the 2008 annual general meeting held on 5 June 2009 Resolution on the Rules on Work of President was approved and the Management Rules on Use of Proceeds was revised at the 28th board meeting held on 28 February 2009
2	Formulate the internal control system for disposal and pledge of assets according to the requiements	Formulate the system for disposal of assets Formulate the system of guarantees (including pledge of assets)	Resolution on the Management Rules for Disposal of Fixed Assets and the Provisional Measures for the Management of Provision of Guarantees was approved at the 28th board meeting held on 28 February 2009

Meanwhile, the Company also formulated the new "Rules on Work of Annual Report of the Audit Committee of the Board of Directors" and amended the "Rules on the Work of the Audit Committee of the Board of Directors" and "Measures on Dealings in the Shares of the Company by Employees", which further improved corporate governance regulatory documents of the Company.

In addition, pursuant to the new requirements of the regulatory authorities, the Company amended the relevant systems including the "Information Disclosure Policy" and "Measures on Dealings in the Shares of the Company by Employees" on the 39th meeting of the Board held on 4 March 2010, amongst which the newly revised "Measures on Dealings in the Shares of the Company by Employees" states the regulatory authorities' specific accountability measures of illegal trading of shares by the directors, supervisors and senior management of the Company and the Company's punishment on employees in breach of such measures in accordance with the relevant regulatory requirements; the "Information Disclosure Policy" adds the relevant definitions of insider information and insiders, the specific duties and obligations of the parties in the execution of insider information management, the procedures for and requirements of the disclosure of unpublicized information, the obligations of the parties to information disclosure, the situations of and standards for identifying material errors, the principles of accountability for the material errors and the means of accountability for the material errors made by internal and external parties, and attaches the letters and forms for implementing the confidentiality reminder and registration for information disclosure.

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

The Company has established its systems in relation to corporate governance practices in accordance with the "Code on Corporate Governance Practices" set out in Appendix 14 of the Hong Kong Listing Rules. The Company was in full compliance with the provisions of the "Code on Corporate Governance Practices" and most of the recommended best practices as specified therein for the year ended 31 December 2009.

In the following aspects, the provisions of the code on corporate governance adopted by the Company are stricter than the provisions of the Code on Corporate Governance Practices:

1. In addition to the Audit Committee, Remuneration Committee and Nomination Committee, the Board of the Company has also set up the Strategy Committee and the Safety, Health and Environment Committee.

2. All the members of the Audit Committee are independent non-executive directors.

3. The independent non-executive directors account for half of the members of the Board.

The general meetings of the shareholders of Company, the Board and the Supervisory Committee are conducted and held independently and effectively in accordance with the Articles of Association and the respective rules and procedures of meetings. The Company's current governance regulatory documents include (but not limited to) the followings:

I. Articles of Association and rules and procedures of meetings:

   1. Articles of Association of China Shenhua Energy Company Limited;

2. Rules and Procedures of Shareholders' General Meetings of China Shenhua Energy Company Limited;

3. Rules and Procedures of Meetings of the Board of Directors of China Shenhua Energy Company Limited;

4. Rules and Procedures of Meetings of the Supervisory Committee of China Shenhua Energy Company Limited;

5. Rules and Procedures of Meetings of the President of China Shenhua Energy Company Limited;

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

II. Systems of independent directors and meeting rules and procedures and working rules of Board Committees:

1. System of Independent Directors of China Shenhua Energy Company Limited;

2. Rules and Procedures of Meetings of the Strategy Committee of the Board of Directors of China Shenhua Energy Company Limited;

3. Rules and Procedures of Meetings of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited;

4. Rules on Work of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited;

5. Rules and Procedures of Meetings of the Remuneration Committee of the Board of Directors of China Shenhua Energy Company Limited;

6. Rules and Procedures of Meetings of the Nomination Committee of the Board of Directors of China Shenhua Energy Company Limited;

7. Rules and Procedures of Meetings of the Safety, Health and Environment Committee of the Board of Directors of China Shenhua Energy Company Limited;

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

III. Rules, measures and codes for risk management and use of proceeds:

1. Related Party Transactions Decision Making Systems of China Shenhua Energy Company Limited;

2. Measures on the Management of Related Party Transactions of China Shenhua Energy Company Limited;

3. Rules on the Management of the Use of Proceeds of China Shenhua Energy Company Limited;

4. Model Code on Securities Transactions by Directors of China Shenhua Energy Company Limited;

5. Measures on Dealings in the Shares by Employees of China Shenhua Energy Company Limited;

6. Provisional Measures for the Management of Provision of Guarantees of China Shenhua Energy Company Limited;

7. Management Rules for Disposal of Fixed Assets of China Shenhua Energy Company Limited;

8. Internal Control Manual of China Shenhua Energy Company Limited;

9. Manual on Self-assessment of China Shenhua Energy Company Limited.

IV. Information disclosure and investor relations policies:

1. Information Disclosure Policy of China Shenhua Energy Company Limited;

2. Internal Reporting System of Significant Events of China Shenhua Energy Company Limited;

3. Rules of Information Disclosure Committee and Information Disclosure Personnel of China Shenhua Energy Company Limited;

4. Investor Relations Policy of China Shenhua Energy Company Limited;

5. Rules of Investors Reception of China Shenhua Energy Company Limited.

According to the Articles of Association, the Company improved the convening, voting and disclosure procedures of Board meetings and rules and procedures of the Board. Procedures for nomination and appointment of directors are in compliance with the relevant requirements. The Company has established a Board whose members are from a variety of backgrounds. Members of the Board include domestic and overseas individuals with professional skills. Each director's knowledge base and area of expertise are professional and complementary in the overall Board structure, which ensure the scientific decision-making of the Board. Currently, the Board comprises 8 members, 4 of which are independent directors. The directors' extensive experience in macro economics management, management of the coal industry, financial and accounting management and legal affairs ensure the effectiveness and scientific nature of the Company's significant decisions.

The Board is a decision-making body of the Company. It leads and supervises the Company in a responsible and cost-effective manner. All directors shall act in the best interest of the Company. All the members of the Board understand that they jointly and severally accept full responsibility to all shareholders on matters of management, supervision and operation of the Company. The Board is responsible for making decisions on the following: 1. formulating strategies of the Company; 2. establishing objectives of the management; 3. monitoring performance of the management; and 4. ensuring that the Company implements a prudent and effective control system to assess and manage risks.

The Board is responsible for preparing the financial statements for each financial year to give a true and fair view of the Company's financial position, its results and cash flow for the relevant period. In preparing the financial statements for the year ended 31 December 2009, the Board has adopted the appropriate accounting policies in arriving at a prudent, fair and reasonable judgment and estimation, and has prepared the financial statements on a going concern basis. The Board is responsible for duly maintaining accounting records which reasonably and accurately disclose the financial position of the Company. The Board holds at least one regular meeting on a quarterly basis, or holds an extraordinary meeting when the Company needs to make a significant decision.

The chairman and the president of the Company are Dr. Zhang Xiwu and Dr. Ling Wen respectively. The roles of the chairman and the president are two distinctively separate positions. The chairman cannot be the president of the Company concurrently and their respective duties are clearly defined in writing. The chairman is responsible for managing the operation of the Board whereas the president is responsible for the business operations of the Company. The Articles of Association sets out in detail the respective duties of the chairman and the president. The members of senior management other than the directors and the supervisors, are responsible for the daily business operations of the Company and their duties are set out in the section "Directors, Supervisors, Senior Management and Employees" of this chapter.

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

For details of other information set out in the "Code on Corporate Governance Practices" of Appendix 14 of the Hong Kong Listing Rules such as remuneration of the directors and senior management of the Company, security transactions by directors and shareholding interests of directors, supervisors and senior management, attendance of directors at Board meetings, performance by independent directors of their duties and performance by Board Committees of their duties, please refer to the relevant sections of this chapter.

Directors, Supervisors, Senior Management and Employees

Basic information

						Equity incentives granted during the reporting period				
Name	Position	Gender	Number of shares held	Stock options of the Company held	Total remuneration received from the Company during the reporting period (before tax)	Number of shares falling to be issued upon exercise of the outstanding options	Number of shares issued pursuant to exercise of options	Exercise price	Market price of shares at the end of the reporting period	Whether salary or allowance are being paid by shareholder of the Company or its associate
					RMB10'000					
Zhang Xiwu	Chairman Executive director	Male	–	–	–	–	–	–	–	Yes
Zhang Yuzhuo	Non-executive director	Male	–	–	–	–	–	–	–	Yes
Ling Wen	Executive director President	Male	–	–	90.2	–	–	–	–	No
Han Jianguo	Non-executive director	Male	–	–	–	–	–	–	–	Yes
Huang Yicheng	Independent non-executive director	Male	–	–	45.0	–	–	–	–	No
Neoh Anthony Francis	Independent non-executive director	Male	–	–	45.0	–	–	–	–	No
Chen Xiaoyue	Independent non-executive director	Male	–	–	45.0	–	–	–	–	No
Gong Huazhang	Independent non-executive director	Male	–	–	26.3	–	–	–	–	No
Xu Zufa	Chairman of Supervisory Committee	Male	–	–	–	–	–	–	–	Yes
Wu Gaoqian	Supervisor	Male	–	–	70.1	–	–	–	–	No
Li Jianshe	Employee representative supervisor	Male	–	–	56.2	–	–	–	–	No
Hao Gui	Vice president	Male	–	–	95.8	–	–	–	–	No
Wang Jinli	Vice president	Male	–	–	96.2	–	–	–	–	No
Xue Jilian	Vice president	Male	–	–	96.3	–	–	–	–	No
Hua Zeqiao	Vice president	Male	–	–	96.4	–	–	–	–	No
Wang Pingang	Vice president	Male	–	–	95.9	–	–	–	–	No
Huang Qing	Secretary to the Board	Male	–	–	90.6	–	–	–	–	No
Zhang Kehui	Chief financial officer	Female	–	–	80.2	–	–	–	–	No
Total	/	/	–	–	1,029.2	–	–	–	–	/

Note: The remuneration package of Directors and Supervisors of the Company for the year 2009 is subject to the approval by the Company at the 2009 annual general meeting.

As at 31 December 2009, none of the directors, supervisors or senior management had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong).

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules, requiring the securities transactions of the directors of the Company to be carried out in accordance with the Model Code. The Model Code is also applicable to the senior management of the Company. After specific inquiries conducted by the Company, all the directors have confirmed that they have fully complied with the Model Code throughout 2009.

Other than their working relationships with the Company, none of the directors, supervisors or the senior management has any financial, business or family relationship or any relationship in other material aspects with each other. For the year ended 31 December 2009, the Company had not granted any equity securities or warrants to its directors, supervisors and senior management or their respective spouses or children under the age of 18.

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

Directors

Dr. ZHANG Xiwu

aged 51, Chinese

Chairman and executive director

Dr. Zhang Xiwu has served as the chairman and an executive director of the Company since 30 December 2008. Dr. Zhang previously served as a non-executive director of the Company. Dr. Zhang is also the chairman of the board of directors of Shenhua Group and Beijing Guohua Power Company. Previously, he served as the general manager and vice general manager of Shenhua Group, chairman and general manager of Shenhua Shenfu Dongsheng Coal Company, chairman of Shenhua Dongsheng Coal Company, and manager of the Fine Coal Business Department of Shenhua Group. Prior to joining Shenhua Group in August 1995, Dr. Zhang was the deputy chief of the Bureau of Coal Industry of Jilin province, deputy general manager of the Northeast Inner Mongolia Coal Industry United Company, and department head and and assistant to chief of Inner Mongolia Dayan Mining Bureau. Dr. Zhang is a researcher, and has indepth industry knowledge of, and over 20 years of operational and management experience in the coal industry in China. He obtained a master's degree and a Ph. D degree from Liaoning University of Engineering and Technology in 1997 and 2003 respectively.

Dr. ZHANG Yuzhuo

aged 47, Chinese

Non-executive director

Dr. Zhang has served as a non-executive director of the Company since November 2004. Dr. Zhang is also a director and the general manager of Shenhua Group, chairman of China Shenhua Coal Liquefaction Company Limited, chairman of Shenhua International (Hong Kong) Company Limited and executive director of Shenhua Hulunbeier Coal Processing Company Limited. Previously, Dr. Zhang was a vice general manager of Shenhua Group. Prior to joining Shenhua Group in December 2001, Dr. Zhang served as the president of the China Coal Research Institute, chairman of China Coal Technology Corporation, chairman of Tiandi Science & Technology Co. Ltd. and deputy general manager of Shandong Yankuang Group Co. Ltd. Dr. Zhang is a researcher, and is experienced in management of research and development and has approximately 20 years of enterprise management experience in the coal industry in China. He graduated in 1982 from Shandong University of Science and Technology with a bachelor's degree, received a master's degree from China Coal Research Institute in 1985 and a Ph.D. degree from the University of Science and Technology of Beijing in 1989. From 1992 to 1996, Dr. Zhang conducted postdoctoral research and study of clean coal technology at the University of Southampton and Southern Illinois University at Carbondale.

Dr. LING Wen
aged 46, Chinese

Executive director and president

Dr. Ling has served as the president of the Company who is in charge of daily operations of the Company since August 2006 and an executive director of the Company since November 2004. Dr. Ling is also the chairman of Shenhua Finance Company Limited. Dr. Ling had previously served as the executive vice president and chief financial officer of the Company. Prior to joining the Company, Dr. Ling served as a vice general manager of Shenhua Group. Prior to joining Shenhua Group in December 2001, Dr. Ling served as the deputy general manager of the International Business Department of the Industrial and Commercial Bank of China, deputy general manager of Industrial and Commercial Bank of China (Asia) Limited and chairman of UB China Business Management Company Limited. Dr. Ling has in-depth and extensive experience in financial institution and enterprise management. He is a professor and mentor for doctoral students at Renmin University of China and China University of Mining and Technology. Dr. Ling graduated from Shanghai Jiaotong University with a bachelor's degree in science in 1984, received a master's degree in system engineering from Harbin Institute of Technology in 1987 and received a Ph.D. degree in management engineering in 1991. From 1992 to 1994, Dr. Ling conducted post-doctoral research in macroeconomics in the Department of Automation of Shanghai Jiaotong University.

Mr. HAN Jianguo
aged 51, Chinese

Non-executive director

Mr. Han has served as a non-executive director of the Company since November 2004. Mr. Han has also been the vice general manager of Shenhua Group since 2003. Previously, he served as chairman and general manager of Shenhua Coal Trading Company Limited. Prior to joining Shenhua Group in April 1998, Mr. Han also served as the secretary to the former vice minister of the State Development and Planning Commission. Mr. Han is a senior engineer and is experienced in the PRC coal industry, macroeconomic and enterprise management. He graduated from Fuxin College of Mining and Technology in Liaoning Province with a bachelor's degree in 1983 and received a master's degree from Tongji University in 1999. From 2004 to 2006, he studied at the EMBA Sino-European International Business School and obtained an MBA degree.

Mr. HUANG Yicheng

aged 83, Chinese

Independent non-executive Director

Mr. Huang has served as an independent non-executive director of the Company since November 2004. Mr. Huang previously served as the co-chairman of the Sino-Russia Friendship, Peace and Development Committee, deputy director of the Financial and Economic Committee of the Eighth National People's Congress, Minister of the Ministry of Energy and former vice minister of the State Planning Commission. Mr. Huang is a professor level senior engineer.

Mr. NEOH Anthony Francis

aged 63, Hong Kong

Independent non-executive director

Mr. Neoh has served as an independent non-executive director of the Company since November 2004. Mr. Neoh is a member of the International Advisory Committee of the CSRC and an independent non-executive director of Bank of China Limited. He was previously the chief advisor to the CSRC. He was the Chairman of the Securities and Futures Commission ("SFC") of Hong Kong from 1995 to 1998 and chairman of the Technical Committee of the International Organization of Securities Commissions from 1996 to 1998. From 1991 to 1994, he was a member of the Council and the Listing Committee of the Stock Exchange of Hong Kong Limited. He was appointed as queen's counsel (now renamed as senior counsel) in 1990. He was the visiting professor for Nomura Securities International Financial Systems at the Harvard Law School in 2004. He graduated from the University of London with a bachelor of law in 1976. In 2003, Mr. Neoh was granted an honorary doctorate in law by the Chinese University of Hong Kong.

Dr. CHEN Xiaoyue

aged 62, Chinese

Independent non-executive director

Dr. Chen has served as an independent non-executive director of the Company since November 2004. Dr. Chen is also an independent non-executive director of Dongfang Electric Corporation Limited, director of Accounting Research Institute at Tsinghua University, a consultant to Beijing National Accounting Institute, a professor of Tsinghua University and mentor for doctoral students, a council member of the Accounting Society of China and a vice president of China Appraisal Society. Dr. Chen was previously the president of Beijing National Accounting Institute, vice dean of the Economic Management School of Tsinghua University and dean of the Department of Accounting of Tsinghua University. Dr. Chen graduated in 1982 from Tsinghua University with a bachelor's degree and received his master's and Ph.D degrees from Tsinghua University in 1984 and 1988 respectively.

Mr. GONG Huazhang

aged 64, Chinese

Independent non-executive director

Mr. Gong has served as an independent non-executive director of the Company since June 2009. Mr. Gong is also an external director of Dongfang Electric Corporation, an independent non-executive director of Nanyang Commercial Bank (China) Limited, China Railway Group Limited and China Southern Airlines Company Limited, a director of China Yangtze Power Co., Ltd., a member of the Accounting Standards Committee of the Ministry of Finance, a member of China Valuation Standards Committee, vice chairman of the Accounting Society of China, the consultant of the Pricing Association of China, a part-time professor at Tsinghua University, Nankai University, Xiamen University, Shanghai National Accounting Institute and Xiamen National Accounting Institute, and a professor of Beijing National Accounting Institute. Mr. Gong has served as a chief accountant of China National Petroleum Corporation, a director of Petrochina Company Limited and the chairman of China Petroleum Finance Co., Ltd..

Supervisors

Mr. XU Zufa

aged 61, Chinese

Chairman of the Supervisory Committee

Mr. Xu has served as the chairman of Supervisory Committee of the Company since November 2004. Mr. Xu was also a member of the board of directors of Shenhua Group. Prior to joining Shenhua Group in July 2002, Mr. Xu served as the deputy director and a director-level supervisor of the Organization Department of the Central Committee of the Communist Party of China. Mr. Xu has extensive human resources management experience. He graduated from the Central Communist Party School in 1993.

Mr. WU Gaoqian

aged 59, Chinese

Supervisor

Mr. Wu has served as a supervisor of the Company since November 2004. Prior to joining the Company, Mr. Wu joined Shenhua Group in August 1996 as the director of the Audit and Inspection Office. Mr. Wu Gaoqian is a senior administrator. He graduated from the China People's Police University (now renamed as China People's Public Security University) in 1987.

Mr. LI Jianshe
aged 56, Chinese

Employee representative supervisor

Mr. Li has served as an employee representative supervisor of the Company since November 2004. Mr. Li has also been a vice general manager of Shenhua Huanghua Port Company Limited. Since November 2006, Mr. Li has served as a member of the standing committee and deputy chairman of China Coal Urban Development United Promotion Association. Prior to joining the Company, Mr. Li served as section chief of the General Planning Office of Shenhua Group. Prior to joining Shenhua Group Corporation Limited in December 2000, Mr. Li also served as chief of the Secretary Section of General Office of the Ministry of Communications. Mr. Li is a senior engineer and graduated from Beijing University of Technology in 1978.

Senior Management

Dr. LING Wen
aged 46, Chinese

Executive director and president

Dr. Ling has served as the president of the Company who is in charge of daily operations of the Company since August 2006 and an executive director of the Company since November 2004. Dr. Ling is also the chairman of Shenhua Finance Company Limited. Dr. Ling had previously served as the executive vice president and chief financial officer of the Company. Prior to joining the Company, Dr. Ling served as a vice general manager of Shenhua Group. Prior to joining Shenhua Group in December 2001, Dr. Ling served as the deputy general manager of the International Business Department of the Industrial and Commercial Bank of China, deputy general manager of Industrial and Commercial Bank of China (Asia) Limited and chairman of UB China Business Management Company Limited. Dr. Ling has in-depth and extensive experience in financial institution and enterprise management. He is a professor and mentor for doctoral students at Renmin University of China and China University of Mining and Technology. Dr. Ling graduated from Shanghai Jiaotong University with a bachelor's degree in science in 1984, received a master's degree in system engineering from Harbin Institute of Technology in 1987 and received a Ph.D. degree in management engineering in 1991. From 1992 to 1994, Dr. Ling conducted post-doctoral research in macroeconomics in the Department of Automation of Shanghai Jiaotong University.

Dr. HAO Gui
aged 47, Chinese

Vice president

Dr. Hao has served as the vice president of the Company who is in charge of the safety management of the Company since November 2004. Prior to joining the Company, Dr. Hao served as the vice chief economist of Shenhua Group, chairman of Shenhua Mengxi Coal Chemical Company Limited, chairman of Shenhua Zhonglian Shuozhou Coal Company, chairman of Zhonglian Economic and Technological Development Company, and chief economist of Shenhua Shenfu Fine Coal Company. Prior to joining Shenhua Group in May 1996, Dr. Hao acted as the vice director of the Yanzishan Mine of Datong Coal Mining Bureau and the lecturer at the Economics and Trade School of the China University of Mining and Technology. Dr. Hao is a senior economist and has indepth industry knowledge with over 15 years of operational and managing experience in the coal industry in China. He graduated from the China University of Mining and Technology with a bachelor's degree in 1984 and received a master's degree in 1987. He graduated from the China University of Mining and Technology and obtained a doctor's degree in management in 2006.

Dr. Wang has served as the vice president of the Company who is in charge of strategic planning and coal production of the Company since November 2004. Prior to joining the Company, Dr. Wang served as the chairman, general manager and deputy general manager of Shenhua Shendong Coal Company, director of Shenhua Port Company, director of the Changchun Coal Technology Centre and director of the Huichun Coal Mining Bureau. Dr. Wang is a researcher and senior engineer and has approximately 30 years of operational and management experience in the coal industry in China. He graduated from Jilin University with a bachelor's degree in 1992 and received a master's degree from Liaoning Technical University in 2002. In 2006, he graduated from Liaoning Engineering and Technology University and obtained a doctor's degree. He graduated from the School of Economics and Management in Tsinghua University in February 2009 with a master's degree in EMBA.

Dr. WANG Jinli
aged 50, Chinese

Vice president

Mr. Xue has served as the vice president of the Company who is in charge of transportation operations of the Company since November 2004. Mr. Xue is also the chairman and general manger of Shuohuang Railway Development Company Limited. Prior to joining Shenhua Group in April 1999, Mr. Xue served as deputy director and chief engineer of Number 16 Engineering Bureau of the Ministry of Railways. Mr. Xue is a professor-level senior engineer and has extensive operational and management experience in large-scale railway construction and rail transportation enterprises. He graduated from Shijiazhuang Railway Institute in 1979, graduated in 1993 from Southwest Jiaotong University with a bachelor's degree, received a master's degree in science and engineering management from Southwest Jiaotong University in 2001, and received a master of business administration degree from Cheung Kong Graduate School of Business in September 2008.

Mr. XUE Jilian
aged 55, Chinese

Vice president

Mr. HUA Zeqiao
aged 58, Chinese

Vice president

Mr. Hua has served as the vice president of the Company who is in charge of sales of the Company since November 2004. Mr. Hua is also the chairman of Shenhua Coal Trading Company Limited. Previously, he served as general manager, deputy general manager and chairman of the Labour Union of Shenhua Coal Trading Company Limited. Prior to joining Shenhua Group in September 1998, he also served as the chief economist of the Jixi Mining Bureau, deputy chief economist and head of the Marketing Office and head of Muleng Mines of the Jixi Mining Bureau. Mr. Hua is a senior economist and has over 30 years of operational and managing experience in coal production and sales management. He graduated from Harbin Normal University with a bachelor's degree in 1991.

Mr. WANG Pingang
aged 48, Chinese

Vice president

Mr. Wang has served as the vice president of the Company who is in charge of power production of the Company since November 2004. Prior to joining the Company, Mr. Wang served as the chief engineer, deputy chief engineer and manager of Power Operations Department of Beijing Guohua Power Company Limited. Previously, he had served as the general manager and party secretary, deputy general manager and chief engineer of Suizhong Power. Prior to joining Shenhua Group in March 1999, he also served as deputy head of the Yuanbaoshan Power Plant. Mr. Wang is a senior engineer and has extensive operational and management experience in large-scale power enterprises. He graduated from Northeast China Institute of Electric Power Engineering with dual bachelor's degrees in 1987.

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

Mr. HUANG Qing
aged 44, Chinese

Secretary to the board of directors

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

Ms. ZHANG Kehui
aged 46, Chinese

Chief financial officer

Positions of directors, supervisors and senior management in controlling shareholder and its associates and other entities

Positions held in controlling shareholder

Name	Name of entity	Position held	Commencement of term of office	Expiry of term of office	Whether salaries or allowance are being paid
Zhang Xiwu	Shenhua Group	Chairman	2008-12	–	Yes
	Beijing Guohua Power Company Limited	Chairman	2008-12	–	No
Zhang Yuzhuo	Shenhua Group	Director and general manager	2008-12	–	Yes
	China Shenhua Coal Liquefaction Company Limited	Chairman	2003-07	–	No
	Shenhua International (Hong Kong) Company Limited	Chairman	2005-03	–	No
	Shenhua Hulunbeier Coal Processing Company Limited	Executive director	2006-04	–	No
Ling Wen	Shenhua Finance Company Limited	Chairman	2002-07	–	No
Han Jianguo	Shenhua Group	Deputy general manager	2003-08	–	Yes
Hua Zeqiao	Shenhua Coal Trading Company Limited	Chairman	2004-03	–	No

Positions held in other entities

Name	Name of entity	Position held	Commencement of term of office	Expiry of term of office	Whether salaries or allowance are being paid
Neoh Anthony Francis	International Advisory Committee of the CSRC	Member	2004-06	–	Yes
	Bank of China Limited	Independent non-executive director	2004-08	–	Yes
Chen Xiaoyue	Accounting Research Institute at Tshinghua University	Director	2000-08	–	Yes
	Dongfang Electric Corporation Limited	Independent non-executive director	2009-06	–	Yes
Gong Huazhang	Dongfang Electric Corporation Limited	External director	2009-04	–	Yes
	Nanyang Commercial Bank (China) Limited	Independent non-executive director	2007-12	–	Yes
	China Railway Group Limited	Independent non-executive director	2007-09	–	Yes
	China Southern Airlines Company Limited	Independent non-executive director	2007-06	–	Yes
	China Yangtze Power Co., Ltd.	Director	2002-09	–	No

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

The remuneration of directors and supervisors of the Company are proposed by the Remuneration Committee, with reference to international and domestic practices and remuneration of directors and supervisors of large-scale listed companies in China, and submitted to the annual general meeting of the Company for approval after consideration and approval by the Board of the Company. The remuneration of senior management of the Company is proposed by the Remuneration Committee of the Board of the Company in accordance with the operating conditions in 2009 and the "Provisional Measures for the Management of the Annual Remuneration of the Senior Management of China Shenhua Energy Company Limited", and is considered and approved by the Board.

Chairman Zhang Xiwu, directors Zhang Yuzhuo and Han Jianguo, and chairman of the Supervisory Committee Xu Zufa, do not receive allowance from the Company.

Details of remuneration of directors and supervisors of the Company are set out in note 10 to the financial statements in this report.

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

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

Engagement and termination of directors, supervisors and senior management

On 5 June 2009, Mr. Gong Huazhang was elected as an independent non-executive director of the Company at the 2008 annual general meeting.

Directors' and supervisors' interests in material contracts

Save for their service contracts with the Company, none of the directors and supervisors of the Company has any material personal interests, directly or indirectly, in material contracts entered into by the Company or any of its subsidiaries in 2009 and subsisting during the year of 2009.

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

Employees of the Company

As at 31 December 2009, the Company had 62,286 employees in total. In 2009, the total number of retired employees in respect of which the Company bears cost was 311. Composition of the employees of the Company is as follows:

1. By function

Functions	As at 31 December 2009	As at 31 December 2008	Change
	persons	persons	%
Operation and maintenance	**41,431**	38,670	7.1
Management and administration	**7,555**	7,455	1.3
Finance and accounting	**988**	891	10.9
R&D and technical support	**5,251**	5,170	1.6
Sales and marketing	**1,475**	1,264	16.7
Others	**5,586**	6,093	(8.3)
Total	**62,286**	59,543	4.6

2. By education level

Degrees of education	As at 31 December 2009	As at 31 December 2008	Change
	persons	persons	%
Postgraduate or above	**719**	572	25.7
University graduate	**11,370**	9,586	18.6
College graduate	**14,873**	13,288	11.9
Specialized secondary school graduate	**14,072**	13,395	5.1
Technical school graduate	**5,421**	6,162	(12.0)
High school graduate	**10,096**	10,732	(5.9)
Middle school graduate or below	**5,735**	5,808	(1.3)
Total	**62,286**	59,543	4.6

Independence of the Company from its Controlling Shareholder

During the reporting period, the Company is independent from its controlling shareholder in terms of business, personnel, assets, organisation and finance.

Business: the business of the Company is independent from that of its controlling shareholder and the Company is operating on its own with a separate business structure.

Personnel: the Company has set up independent and complete systems for labour, personnel and remuneration management and has entered into labour contracts with its employees independently. All members of the senior management receive remuneration from the Company.

Assets: the Company has its own independent production system, auxiliary production system, ancillary facilities, purchasing and selling systems, and it lawfully possesses the ownership or right of use of its tangible and intangible assets, such as land, buildings and trademarks.

Organisation:	the Company has established a sound organisational structure. The Board and the Supervisory Committee of the Company operate independently and no subordinated relationships between the controlling shareholder and the Company or their respective functional departments.
Finance:	the Company has an independent finance department, independent systems for accounting auditing and financial management. The Company has separate bank accounts, makes independent financial decisions and pays taxes independently.

Establishment and Improvement of Internal Control Systems

Basic information on internal control

Since establishment, in order to secure the continuing, rapid, healthy, stable and orderly development of the Company and to protect the interests of shareholders, the Company has continued to build on and improve the risk management oriented internal control system in accordance with the requirements of relevant laws, regulations, rules and guidelines such as the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies in China, the Rules of Shanghai Stock Exchange for the Listing of Stocks, the Guidelines on Internal Controls of Listed Companies on the Shanghai Stock Exchange and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and in response to the change of internal and external environments.

In establishing and implementing the internal control system, the Company has taken into account of the seven factors including objective setting, internal environment, risk management, control activities, information and communication, supervision and assessment, and management reform.

(1) Objective setting

In order to fully utilize the resources of the Company and bring such into full place, the Board and the management of the Company have formulated the strategic objectives of "pursuing scientific development, reshaping Shenhua and doubling economic aggregate output within 5 years" on the basis of careful investigation and scientific research. Having analyzed the internal and external environments and risk factors, the Company has completed the growth plans of each segment for the coming five years to elaborate the operational objectives of the business segments (rolling budget objectives and annual operational plans) and management objectives (key work points for the year) in an effort to ensure the achievement of the Company's strategic objectives.

(2) Internal environment

In compliance with the relevant laws and regulations and the regulatory requirements, the Company has continued to improve the corporate governance structure and rules of procedure of meeting. The Company has established general meetings and the Board and the special board committees (including the Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Safety, Health and Environment Committee), the Supervisory Committee and the management for which the president is responsible to form an operating system with scientific decisions, effective supervision and strong implementation and an organizational structure with reasonable division of labor, clear term of reference, check and balance, and regulated operations.

(3) Risk management

The Company has formulated the Manual on Internal Control and Manual on Self-Assessment, and drafted the Manual on Comprehensive Risk Management (Draft) in accordance with the requirements of internal control and risk management promulgated by the China Securities Regulatory Commission, Shanghai Stock Exchange, Hong Kong Stock Exchange, Ministry of Finance of the People's Republic of China, and State-owned Assets Supervision and Administration Commission of the State Council (hereinafter as the "SASAC"). The Company endeavors to set up an operational system of internal control and risk management encompassing risk assessment, risk supervision and internal control examination and assessment.

(4) Control activities

The Company continues to strengthen its risk management and execution abilities and has set up 31 function departments including the General Office in terms of organizational structure control whilst combines with the actual conditions of the Company based on the principle that incompatible duties shall be separated and checked and supervised against each other and the principle of cost effectiveness where the specific departments shall execute the key duties of decision-making, execution, supervision and feedback. As to the system procedures, the Company shall take into consideration of the control measures such as the division of duties, authorization, examination and approval, certification, review, budget control, asset protection, control of accounting system, control of internal reporting, analysis of economic activities, performance assessment, information technology as a whole to cover the key management steps and activities of the Company. The Company carries out internal control management mainly in the following three areas:

1. Management of production and operations, including the management of proposals, dispatch, quality, safety, health and environment and related party transactions.

2. Management of the preparation of financial statements, including the management of accounting and audit, budget, funding, purchase and payment, sales and receivables, fixed assets, guarantee and financing, costs and expenses and investments.

3. Integrated management, including the management of information disclosure, internal audit, technological innovation projects, human resources, legal affairs, information system, engineering projects and branches and subsidiaries.

(5) Information and communication

The Company has put in place information communication channels and systems including the regular meeting on the analysis of economic operations, daily dispatch meeting, feedback on budget execution, financial, production, infrastructure statistics, president office meeting, internal report on material information, automated office system and internal website to provide the necessary information to the employees for the performance of their duties and to allow the management to capture relevant information in a timely manner so as to take appropriate actions timely in response to various changes. In addition, the Company has carried out communication and examination on the staff's performance of the control duties.

(6) Supervision and assessment

The Supervisory Committee of the Company has examined the procedures for convening the board meeting of the Company and the resolutions proposed thereat, the execution of the resolutions approved at the general meeting by the Board, the performance of duties by the senior management of the Company and the establishment of a sound internal management system in compliance with the relevant laws and the requirements of the Rules of Procedures of the Supervisory Committee.

The Audit Committee under the Board of the Company is responsible for reviewing the financial reporting, financial supervision, internal control and risk management system to examine the internal control system of the Company; discussing the internal control system with the management to ensure that the management have performed their duties of establishing an effective internal control system; and studying the key findings and the response of the management in respect of internal control matters voluntarily or at the request of the Board.

The Internal Audit Department of the Company shall report to the Audit Committee of the Board and is responsible for examining and assessing the appropriateness and effectiveness of the internal control system of the Company, and the truthfulness, validity and efficiency of the operating activities and financial income and expenses.

The various operation and management departments of the Company are responsible for the development and execution of internal control in their profession and shall submit to the supervision and examination by the Internal Control Supervision and Assessment Department.

(7) Management reform

The Company strives for improvement in terms of the impact of internal control, the deficiencies arising from the examination and assessment of internal control in accordance with the regulatory rules and requirements and the changes in the internal and external environments.

Identification of the effectiveness of internal control

The Board of the Company considers that the internal control system in relation to the operation and financial auditing of the Company was in compliance with the requirements of the relevant regulatory authorities in material aspects in 2009. The Company executed sound control and prevention as to the material risk management failures, serious management frauds and major workflow errors. In executing the internal control system, no material risk management failures, serious management frauds and major workflow errors were found by the Company. Accordingly, the Board of the Company considers that there were no material defects in the design or execution of internal control of the Company in 2009.

Due to the influence of factors such as inherent limitations of internal control, the differences in the recognition of internal control by the management officers, ever-changing market and operating environment and unforeseeable risks, no assurance can be given that there would be no deviations or errors.

The Company will continue to improve the internal control system based on its accumulated management experience, shareholders' advice, domestic and overseas internal control growth trends and the changes in the internal and external risks in compliance with the regulatory rules and requirements.

KPMG Huazhen (hereinafter as "KPMG") was appointed by the Company to issue the "Explanation of the Self-Assessment Report (2009) for Internal Control by the Board of China Shenhua Energy Company Limited" (hereinafter as the "Explanation") for the "Self-Assessment Report (2009) for Internal Control by the Board of China Shenhua Energy Company Limited" (hereinafter as the "Self-Assessment Report"). The Explanation states that, based on the work performed by KPMG, in all material respects, no inconsistencies in internal control relating to the preparation of financial statements have been identified by KPMG between the Self-Assessment Report prepared by the Board and the audit of the Company's financial statements in 2009.

Daily Work of the Board of the Company

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

The Board of the Company has held 10 board meetings during the reporting period. The Board operates in strict compliance with the Articles of Association.

Board meetings of the Company

In 2009, the Board has held 10 meetings to implement resolutions passed at the shareholders' meetings, to consider and approve regular reports, related party transactions (including connected transactions) and certain material decisions, and formulate or amend a number of rules and regulations of the Company.

1. The Company held the 28th meeting of the first session of the Board on 28 February 2009 by way of communication voting. Resolutions in relation to the adjustment of the capital expenditure plans of China Shenhua Energy Company Limited for the year 2008, the operating plans of the Company for the year 2009, the "Rules on Work of the President of China Shenhua Energy Company Limited (Trial)", the "Provisional Measures for the Management of Provision of Guarantees of China Shenhua Energy Company Limited", the "Management Rules for Disposal of Fixed Assets of China Shenhua Energy Company Limited" and the "Management Rules on Use of Proceeds of China Shenhua Energy Company Limited" were passed.

2. The Company held the 29th meeting of the first session of the Board on 27 March 2009 by way of physical meeting in Beijing. For resolutions passed by the Board, please refer to the "Announcement on Resolutions of the 29th Meeting of the First Session of Board of Directors of China Shenhua", which was published on the website of Hong Kong Stock Exchange and Shanghai Stock Exchange on 27 March 2009, and China Securities Journal, Shanghai Securities News and Securities Times on 28 March 2009.

3. The Company held the 30th meeting of the first session of the Board on 15 April 2009 by way of communication voting. For resolutions passed by the Board, please refer to the "Announcement on Resolutions of the 30th Meeting of the First Session of Board of Directors of China Shenhua", which was published on the website of Hong Kong Stock Exchange and Shanghai Stock Exchange on 15 April 2009, and China Securities Journal, Shanghai Securities News and Securities Times on 16 April 2009.

4. The Company held the 31st meeting of the first session of the Board on 28 April 2009 by way of physical meeting in Beijing. For resolutions passed by the Board, please refer to the "Announcement on Resolutions of the 31st Meeting of the First Session of Board of Directors of China Shenhua", which was published on the website of Hong Kong Stock Exchange and Shanghai Stock Exchange on 28 April 2009, and China Securities Journal, Shanghai Securities News and Securities Times on 29 April 2009.

5. The Company held the 32nd meeting of the first session of the Board on 31 July 2009 by way of communication voting. Resolutions in relation to the cancellation of Shenhua Inner Mongolia Coal Transportation and Sales Corporation Limited and the establishment of an office, the equity restructuring and capital increase of Shenhua Guohua (Beijing) Electricity Institute Company Limited and the establishment of Shenhua Guohua Shouguang Power Generation Company Limited (神華國華壽光發電有限責任公司) were passed.

6. The Company held the 33rd meeting of the first session of the Board on 14 August 2009 by way of communication voting. Resolution in relation to the engagement of Mr. Gong Huazhang as a member of the Audit Committee, the Remuneration Committee and the Safety, Health and Environment Committee of the Board of the Company was passed.

7. The Company held the 34th meeting of the first session of the Board on 28 August 2009 by way of physical meeting in Beijing. For resolutions passed by the Board, please refer to the "Announcement on Resolutions of the 34th Meeting of the First Session of Board of Directors of China Shenhua", which was published on the website of Hong Kong Stock Exchange and Shanghai Stock Exchange on 28 August 2009, China Securities Journal, Shanghai Securities News and Securities Times on 29 August 2009.

8. The Company held the 35th meeting of the first session of the Board on 27 October 2009 by way of physical meeting in Beijing. Resolution in relation to the "Third Quarterly Report of China Shenhua Energy Company Limited for the year 2009" was passed.

9. The Company held the 36th meeting of the first session of the Board on 15 November 2009 by way of communication voting. Resolution in relation to the adjustment of the function departments of the headquarter of the Company was passed.

10. The Company held the 37th meeting of the first session of the Board on 18 December 2009 by way of communication voting. For resolutions passed by the Board, please refer to the "Announcement on Resolutions of the 37th Meeting of the First Session of Board of Directors of China Shenhua", which was published on the website of Hong Kong Stock Exchange and Shanghai Stock Exchange on 18 December 2009, China Securities Journal, Shanghai Securities News and Securities Times on 19 December 2009.

Attendance of Directors at Board Meetings in 2009

Number of meetings		**10**
	Attendance in person Number of times	**Attendance by proxy Number of times**
Executive Directors		
Zhang Xiwu	10	0
Ling Wen	10	0
Non-executive Directors		
Zhang Yuzhuo	9	1
Han Jianguo	10	0
Independent Non-executive Directors		
Huang Yicheng	10	0
Neoh Anthony Francis	10	0
Chen Xiaoyue	10	0
Gong Huazhang	6	0

Note: Mr. Gong Huazhang was appointed as an independent non-executive director of the Company on 5 June 2009 and attended all of the board meetings held since then.

Implementation of resolution passed at the general meeting by the Board

The Board and Board committees have strictly implemented various resolutions passed at the general meeting of the Company.

Implementation of the resolution passed at the 2008 annual general meeting held on 5 June 2009:

Resolution	Content	Status
Profit Distribution Plan of China Shenhua Energy Company Limited for the year 2008	Considered and approved the profit distribution proposal of the Company and authorized the Board to appoint a group of directors to carry out the profit distribution.	The Company's profit distribution plan for the year 2008 was considered and approved at the 2008 annual general meeting held on 5 June 2009. The announcement of China Shenhua on distribution of the 2008 final dividend was published on the website of Hong Kong Stock Exchange on 15 June 2009 and Shanghai Stock Exchange, China Securities Journal, Shanghai Securities News and Securities Times on 16 June 2009.

Operation of Board Committees of the Company

Performance of duties by the Audit Committee

The Audit Committee of the Board comprises of independent directors including Dr. Chen Xiaoyue, Mr. Neoh Anthony Francis, Mr. Huang Yicheng and Mr. Gong Huazhang, with Dr. Chen Xiaoyue as the chairman. Mr. Gong Huazhang was appointed as a member of the Audit Committee on 14 August 2009.

The Audit Committee comprises four independent directors. During the reporting period, in strict compliance with the "Rules and Procedures of Meetings of the Audit Committee of China Shenhua Energy Company Limited", the Audit Committee amended the "Rules on Work of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited", formulated the "Rules on Work of Annual Report of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited", and standardized the monitoring procedures for the Audit Committee on the preparation of annual financial statements and annual auditing in 2009.

During the reporting period, the Audit Committee carried out its duties strictly in accordance with the "Rules and Procedures of Meetings of the Audit Committee of the Board of Directors".

1. In 2009, the Audit Committee held eight meetings in total. Details of the meetings are as follows:

Name	Date	Venue	Attendees	Resolutions passed
The 19th meeting	20 January 2009	Beijing	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis	1. Resolution on the "Opinion on accelerating the internal control and risk management under the 'Basic Standard for Enterprise Internal Control' implemented by the five ministries including the Ministry of Finance" 2. Resolution on the "2008 audit plan of China Shenhua Energy Company Limited"
The 20th meeting	25 February 2009	Beijing	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis	1. Resolution on the "2009 Operating budget of China Shenhua Energy Company Limited and its Explanation" 2. Resolution on the "Preparation of 2008 financial statements of China Shenhua Energy Company Limited"

Name	Date	Venue	Attendees	Resolutions passed
The 21st meeting	26 March 2009	Beijing	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis	1. Resolution on the "2008 audited financial statements of China Shenhua Energy Company Limited" 2. Resolution on the "2008 profit distribution plan of China Shenhua Energy Company Limited" 3. Resolution on the "Report on the deposit of and actual use of the proceeds of the Company" 4. Resolution on the "Cash dividend policies under the 'Articles of Association' of China Shenhua Energy Company Limited" 5. Resolution proposed at the general meeting to grant the general mandate to repurchase shares of the Company to the Board 6. Resolution proposed at the general meeting to authorize the Board to issue new shares of the Company 7. Resolution on the report of social responsibility of China Shenhua Energy Company Limited for the year 2008 8. Resolution on entering into Framework Agreement on Supply of Coal with Shaanxi Province Coal Transportation and Sales (Group) Co Ltd. 9. Resolution on the related party transactions in respect of the new substituted power generation 10. Resolution on the "Self-assessment report on the internal control of China Shenhua Energy Company Limited for the year 2008" 11. Resolution on the "Summary of the audit work of the Company for the year 2008 conducted by the auditor of the Company" 12. Resolution on the re-appointment of the external auditor for the year 2009 13. Resolution on the formulation of the "Rules on Work of Annual Report of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited" and the amendment to the "Rules on the Work of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited" 14. Resolution on the audit fee charged by the auditor of the Company for the year 2008 and its term of service 15. Resolution on the "Summary report of the performance of duties by the Audit Committee of the Board for the year 2008" 16. Resolution on the "Proposal on the internal audit work of China Shenhua Energy Company Limited for the year 2009" 17. Resolution on the adjustment to the relevant financial data under the requirements of the new accounting standards
The 22nd meeting	18 April 2009	Beijing	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis	1. Resolution on the "2009 first quarterly report of China Shenhua Energy Company Limited" 2. Resolution on the adjustment of the cap of the connected transaction between the Company and Shenhua Group
The 23rd meeting	31 July 2009	Beijing	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis	1. Resolution on the connected transactions involved in the equity restructuring and capital increase of Shenhua Guohua (Beijing) Electricity Institute Company Limited

Name	Date	Venue	Attendees	Resolutions passed
The 24th meeting	17 August 2009	Beijing	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis, Gong Huazhang	1. Resolution on the "2009 half-yearly financial statements of China Shenhua Energy Company Limited" 2. Resolution on the "Report on the deposit of and actual use of the proceeds of the Company" 3. Resolution on the adjustment to the relevant financial data under the requirements of the new accounting standards 4. Resolution on the adjustment of the cap of the connected transaction with Tianjin Jinneng Group 5. Resolution on the connected transaction involved in the establishment of Shenhua Xinzhun Railway Company Limited
The 25th meeting	27 October 2009	Beijing	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis, Gong Huazhang	1. Resolution on the "2009 third quarterly financial statements of China Shenhua Energy Company Limited" 2. Resolution on the issuance of the counter-guarantee letter on the financing of the EMM Indonesia project by CITIC Bank (draft)
The 26th meeting	17 December 2009	Beijing	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis , Gong Huazhang	1. Resolution on the operating plan of China Shenhua Energy Company Limited for the year 2010 2. Resolution on the provisional use of part of the idle proceeds as working capital 3. Resolution on the issuance of the counter-guarantee letter on the financing of the EMM Indonesia project by CITIC Bank

2. The Audit Committee has performed the following necessary procedures as part of its 2009 annual report work:

   On 6 November 2009, Gong Huazhang, independent director, inspected the work of the Finance Department.

   On 13 November 2009, the Audit Committee reviewed the audit work plan of our auditors in relation to the financial statements for 2009.

   On 26 November 2009, the Audit Committee entrusted the Internal Control and Audit Department to discuss with the auditor, on the contents, requirements and work schedule for the audit of our financial statements for 2009.

   On 29 December 2009, the Audit Committee entrusted the Internal Control and Audit Department to discuss the progress of hard close audit on the financial statements of 2009 with the auditor.

   On 3 March 2010, the Audit Committee reviewed the unaudited financial statements for 2009 (draft) and the draft of self-assessment report on internal control of the Board of the Company (2009) prepared by the Company.

   On 5 March 2010, the Audit Committee entrusted the Internal Control and Audit Department to discuss the annual audit progress with the auditor of the Company.

   On 10 March 2010, the Audit Committee considered the report from Zhang Kehui, the chief financial officer, on the accounting policies, the preparation of the financial statements and the audit progress.

On 10 March 2010, the Audit Committee approved the audited financial statements for 2009, the self-assessment report on internal control for 2009 and the social responsibility report for 2009, and agreed to submit them to the Board for approval.

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

Performance of duties by the Strategy Committee

The Strategy Committee of the Board consists of Dr. Zhang Xiwu, Dr. Zhang Yuzhuo and Dr. Ling Wen, with Dr. Zhang Xiwu as the chairman. Dr. Zhang Yuzhuo was appointed as a member of the Strategic Committee on 27 March 2009.

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; research and submit proposals regarding material investments and financing plans which require approval from the Board; conduct research and submit proposals regarding material capital operations and assets operation projects which require approval from the Board; conduct research 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 perform other matters authorised by the Board.

In 2009, the Strategy Committee held two meetings. Details of the meetings are as follows:

Name	Date	Venue	Attendees	Resolutions passed
The 10th meeting	26 February 2009	Beijing	Zhang Xiwu, Ling Wen	1. Resolution on the adjustment of the capital expenditure plan of China Shenhua Energy Company Limited for the year 2008 2. Resolution on the operating plan of China Shenhua Energy Company Limited for the year 2009
The 11th meeting	17 December 2009	Beijing	Zhang Xiwu, Zhang Yuzhuo, Ling Wen	1. Resolution on the adjustment of the capital expenditure plan of China Shenhua Energy Company Limited for the year 2009 2. Resolution on the operating plan of China Shenhua Energy Company Limited for the year 2010

Performance of duties by of the Remuneration Committee

The Remuneration Committee of the Board comprises Mr. Neoh Anthony Francis, Dr. Ling Wen, Dr. Chen Xiaoyue and Mr. Gong Huazhang, with Mr. Neoh Anthony Francis as the chairman. Mr. Gong Huazhang was appointed as a member of the Remuneration Committee on 14 August 2009.

The main duties of the Remuneration Committee are to formulate the remuneration plan or proposal for directors, supervisors, president and other senior management, or to make recommendations to the Board on (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 implementation of the remuneration system of the Company. The Remuneration Committee is authorized by the Board to fix the specific remuneration, including non-monetary benefits, pension and compensation (including compensation for loss or termination of duties or appointment) for all directors, supervisors, the president and other members of the senior management, to ensure that none of the directors or their respective associates fixes his own remuneration, and to carry out any other matter as authorized by the Board.

In 2009, the Remuneration Committee held three meetings in total. Details of the meetings are as follows:

Name	Date	Venue	Attendees	Resolutions passed
The 11th meeting	26 February 2009	Beijing	Neoh Anthony Francis, Ling Wen, Chen Xiaoyue	1. Resolution on the letter of responsibility of performance assessment of China Shenhua Energy Company Limited for the year 2009
The 12th meeting	26 March 2009	Beijing	Neoh Anthony Francis, Ling Wen, Chen Xiaoyue	1. Resolution on the remuneration of the directors and supervisors of China Shenhua Energy Company Limited for the year 2008 2. Resolution on the remuneration of the senior management of China Shenhua Energy Company Limited for the year 2008
The 13th meeting	18 December 2009	Beijing	Neoh Anthony Francis, Ling Wen, Chen Xiaoyue, Gong Huazhang	1. Resolution on the letter of responsibility of performance assessment of China Shenhua Energy Company Limited for the year 2010

During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for directors, supervisors, the president and other senior management in the year 2009.

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

Performance of duties by the Nomination Committee

The Nomination Committee of the Board consists of Dr. Zhang Xiwu, Mr. Huang Yicheng, Mr. Neoh Anthony Francis and Dr. Chen Xiaoyue, with Dr. Zhang Xiwu as the chairman.

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

In 2009, the Nomination Committee held four meetings in total. The details of the meetings are as follows:

Name	Date	Venue	Attendees	Resolutions passed
The 6th meeting	27 March 2009	Beijing	Zhang Xiwu, Huang Yicheng, Neoh Anthony Francis, Chen Xiaoyue	1. Resolution on the appointment of Mr. Zhang Yuzhuo as a member of the Strategic Committee of the first session of the Board of the Company
The 7th meeting	10 April 2009	Beijing	Zhang Xiwu, Huang Yicheng, Neoh Anthony Francis, Chen Xiaoyue	1. Resolution on the proposal of election of Mr. Gong Huazhang as an independent non-executive director of China Shenhua Energy Company Limited at the 2008 annual general meeting
The 8th meeting	14 August 2009	Beijing	Zhang Xiwu, Huang Yicheng, Neoh Anthony Francis, Chen Xiaoyue	1. Resolution on the appointment of Mr. Gong Huazhang as a member of the Audit Committee, Remuneration Committee and the Safety, Health and Environment Committee of the Board of the Company
The 9th meeting	15 November 2009	Beijing	Zhang Xiwu, Huang Yicheng, Neoh Anthony Francis, Chen Xiaoyue	1. Resolution on the adjustment of the function departments of the headquarter of China Shenhua Energy Company Limited

Performance of duties by the Safety, Health and Environment Committee

The Safety, Health and Environment Committee of the Board consists of Mr. Huang Yicheng, Dr. Zhang Yuzhuo, Dr. Ling Wen, Mr. Han Jianguo and Mr. Gong Huazhang, with Mr. Huang Yicheng as the chairman. Mr. Gong Huazhang was appointed as a member of the Safety, Health and Environment Committee on 14 August 2009.

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

In 2009, the Safety, Health and Environment Committee held two meetings in total. The details of the meetings are as follows:

Name	Date	Venue	Attendees	Resolutions passed
The 9th meeting	26 March 2009	Beijing	Huang Yicheng, Zhang Yuzhuo, Ling Wen, Han Jianguo	1. Resolution on the report of social responsibility of China Shenhua Energy Company Limited in 2008 2. Report of the safety, health and environmental protection work summary of China Shenhua Energy Company Limited in the first quarter of 2009 and the key work arrangements in the second quarter
The 10th meeting	25 December 2009	Beijing	Huang Yicheng, Zhang Yuzhuo, Ling Wen, Han Jianguo, Gong Huazhang	1. Safety, health and environmental protection work summary of China Shenhua Energy Company Limited in 2009 and key work plan arrangements in 2010

Performance of duties by independent directors

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

The Board of the Company has been in compliance with Rule 3.10(1) of the Hong Kong Listing Rules, which requires a company to maintain at least three independent non-executive directors, and with Rule 3.10(2) of the Hong Kong Listing Rules, which requires one of those independent non-executive directors to possess appropriate professional qualifications or accounting or relevant financial management expertise.

1. Attendance of independent directors at board meetings

Name of independent director	Number of board meetings	Attendance in person	Attendance by proxy	Absence
Huang Yicheng	10	10	0	0
Neoh Anthony Francis	10	10	0	0
Chen Xiaoyue	10	10	0	0
Gong Huazhang	6	6	0	0

Note: Mr. Gong Huazhang was appointed as an independent non-executive director of the Company on 5 June 2009 and attended all of the board meetings of the Company since then

2. Dissenting views of independent directors on matters of the Company

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

General Meetings

Shareholders' rights

In accordance with the Articles of Association and the "Rules and Procedures of Shareholders' General Meetings of China Shenhua Energy Company Limited", the Company has defined the convening and voting procedures for shareholders' general meetings, including the convening, notification, registration, holding, consideration and approval of proposals, voting, vote counting, announcement of voting results, formation of meeting resolutions, minutes and the execution and announcement thereof.

As the owners of the Company, the shareholders of the Company are entitled to the rights as stipulated in laws, administrative regulations and the Articles of Association. The shareholders' general meeting is the highest authority of the Company, through which shareholders can exercise their rights.

The controlling shareholder of the Company exercises its rights as a shareholder in a regulated way and participates in operation and decision-making of the Company by way of shareholders' general meeting and the Board. The Company convenes the general meeting in Hong Kong or Beijing, and actively invites minority shareholders of H shares and A shares to attend the shareholder's general meeting. The Board of the Company considers with due care and makes arrangement for the matters to be considered at shareholders' general meetings at least 45 days prior to such meetings, and sufficient time for discussion will be given in relation to each matter proposed. Minority shareholders actively attend shareholders' general meeting and fully enjoy various rights such as right of information, to speak, to address questions and to vote.

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

Convening of General Meetings

During the reporting period, the Company held one annual general meeting and two class meetings in strict compliance with the notification, convening and holding procedures of general meetings stipulated by relevant laws and regulations, listing rules in PRC and Hong Kong and the Articles of Association. The details of the meetings are as follows:

Name	Date	Venue	Number of shareholders/ proxies attended	Total number of shares represented by them	Percentage of total share capital
			persons	shares	
2008 annual general meeting	5 June 2009	Beijing	28	16,487,585,477	82.8954% of the total share capital
2009 first class meeting of A shares holders	5 June 2009	Beijing	33	14,790,194,608	89.6863% of the total A share capital
2009 first class meeting of H shares holders	5 June 2009	Beijing	2	1,545,376,858	45.4712% of the total H share capital

The above notices of the meetings were given 45 days prior to the convening of the meeting with particulars of the meeting being published at the websites of the stock exchanges both in the PRC and Hong Kong in accordance with requirements of the Articles of Association. Apart from accepting registration of shareholders' attendance by way of facsimile, the Company also actively invited the attendance of holders of A shares and H shares and fund analysts. Sufficient time was given to shareholders for consideration of proposals and for Q&A session, realizing good communication between the management and shareholders. The entire process of the meeting was witnessed by the PRC and overseas legal advisers and auditors of the Company, and the "Legal Opinion Regarding the 2008 Annual General Meeting, the 2009 First Class Meeting of Holders of A Shares and the 2009 First Class Meeting of Holders of H Shares of China Shenhua Energy Company Limited" was issued by Beijing King & Wood Law Firm.

Announcement of the resolutions passed at the 2008 Annual General Meeting, the 2009 First Class Meeting of Holders of A Shares and the 2009 First Class Meeting of Holders of H Shares was published on the website of Hong Kong Stock Exchange (www.hkex.com.hk) on 5 June 2009, and China Securities Journal, Shanghai Securities News, Securities Times and the website of Shanghai Stock Exchange (www.sse.com.cn) on 6 June 2009.

Supervisory Committee's Report

During the reporting period, all members of the Supervisory Committee (the "Supervisory Committee") of China Shenhua Energy Company Limited (the "Company") had, with integrity and the attitude of being responsible to all shareholders, honestly carried out their supervisory duties, protected the interests of shareholders and duly overseen the operations and the financial position of the Company in 2009 as well as the performance by the directors and senior management of the Company of their duties, in accordance with the Company Law of the Peoples' Republic of China (the "Company Law") and the Articles of Association.

Operation of the Supervisory Committee

In the reporting period, in compliance with the requirements of the Articles of Association and the Rules and Procedures of Meetings of the Supervisory Committee and in light of the actual conditions, the Supervisory Committee conducted one on-site examination on the operations and the financial position of the Company and reviewed the 2008 annual financial statements, the 2009 first quarterly financial statements, the half-yearly financial statements and the third quarterly financial statements of the Company. In 2009, the Supervisory Committee held five meetings, details of such meetings are summarized as follows:

Meeting	Date	Venue	Method of meeting	Attendance of Supervisors	Subject matter	Voting results
The 15th meeting of the first session of the Supervisory Committee	27 March 2009	Beijing	On-site	All	1. Resolution on the 2008 annual report of China Shenhua Energy Company Limited	Approved unanimously
					2. Resolution on the social responsibility report of China Shenhua Energy Company Limited for the year 2008	Approved unanimously
					3. Resolution on the 2008 audited financial statements of China Shenhua Energy Company Limited	Approved unanimously
					4. Resolution on the 2008 profit distribution plan of China Shenhua Energy Company Limited	Approved unanimously
					5. Resolution on the report on deposit and actual use of the proceeds of China Shenhua Energy Company Limited	Approved unanimously

Meeting	Date	Venue	Method of meeting	Attendance of Supervisors	Subject matter	Voting results
					6. Resolution on the work summary of the Supervisory Committee of China Shenhua Energy Company Limited for the year 2008	Approved unanimously
					7. Resolution on the key points of work of the Supervisory Committee of China Shenhua Energy Company Limited for the year 2009	Approved unanimously
					8. Resolution on the work report of the Supervisory Committee of China Shenhua Energy Company Limited for the year 2008	Approved unanimously
					9. To hear the report on the work of the internal control and audit department, strategic planning department, capital operations department and project management department of the Company for the year 2008	Not for voting
The 16th meeting of the first session of the Supervisory Committee	28 April 2009	Beijing	In writing	All	1. Resolution on the 2009 first quarterly report of China Shenhua Energy Company Limited	Approved unanimously
The 17th meeting of the first session of the Supervisory Committee	28 August 2009	Beijing	On-site	All	1. Resolution on the 2009 half-yearly report of China Shenhua Energy Company Limited	Approved unanimously
					2. Resolution on the 2009 half-yearly financial statements of China Shenhua Energy Company Limited	Approved unanimously
					3. Resolution on the report on the deposit and actual use of the proceeds of China Shenhua Energy Company Limited	Approved unanimously
The 18th meeting of the first session of the Supervisory Committee	27 October 2009	Beijing	In writing	All	1. Resolution on the 2009 third quarterly report of China Shenhua Energy Company Limited	Approved unanimously
The 19th meeting of the first session of the Supervisory Committee	18 December 2009	Beijing	In writing	All	1. Resolution on the provisional use of part of the idle proceeds as working capital	Approved unanimously

The five meetings were convened and held in compliance with the relevant provisions of the Company Law and the Articles of Association.

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

In accordance with the laws and regulations of the jurisdiction where the Company is listed, the Supervisory Committee has duly overseen and examined the convening procedures and resolutions of board meetings, implementation by the Board of the resolutions of general meetings, performance by senior management of the Company of their duties and the establishment and consistent implementation of the internal management system of the Company.

The Supervisory Committee takes the view that the Board and senior management of the Company have acted in strict accordance with the Company Law, the Securities Law, the Articles of Association and other relevant regulations and rules of the jurisdiction where the Company is listed, have performed their duties with integrity and diligence and implemented the resolutions of, and exercised the power granted by, the general meetings; and that the decisions and operations are in compliance with the laws and regulations and the Articles of Association. In examining the financial position of the Company and overseeing the performance by the directors and senior management of the Company of their duties, the Supervisory Committee is not aware of any act prejudicial to the interests of the Company and its shareholders, or any act in breach of laws and regulations, the Articles of Association and the rules and regulations of the Company. The Supervisory Committee further takes the view that the Company has established a sound internal control system.

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

In the reporting period, the Supervisory Committee effected one on-site examination on the financial position of the Company and its principal subsidiaries and branches, duly reviewed the Company's annual financial statements for the year 2008, the Company's profit distribution plan for the year 2008 and the Company's first quarterly, interim and third quarterly financial statements for the year 2009.

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

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

In September 2007, the Company raised net proceeds of RMB65.98838 billion by issue of A shares. In 2009, the proceeds utilized amounted to RMB1.30306 billion, of which RMB0.92775 billion was used for investing in and upgrading the coal, power and transportation system of the Company, and RMB0.37531 billion was used for the acquisitions of strategic assets. As at 31 December 2009, the cumulative proceeds utilized by the Company amounted to RMB32.90587 billion, of which RMB15.00819 billion was used for investing in and upgrading the coal, power and transportation system of the Company, RMB1.89768 billion was used for the acquisitions of strategic assets, and RMB16 billion was used as working capital of the Company and for general commercial purposes. As at 31 December 2009, the balance of the proceeds amounted to RMB33.08251 billion. The actual use of such proceeds was in line with that set out in the prospectus issued by the Company. In addition, it was approved at the 37th meeting of the first session of the Board of the Company that part of the net proceeds of RMB6.500 billion would be provisionally used as working capital for a term of 6 months from 21 December 2009. The balance of such proceeds was RMB26.58251 billion.

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

The Company did not enter into any significant transactions for acquisition or disposal of assets in the reporting period and is not aware of any insider dealing or any situation prejudicial to the interests of shareholders or resulting in loss of assets of the Company.

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

The Supervisory Committee is of the opinion that the connected transactions of the Company in 2009 have been carried out under the principles of fairness and equality and have been constantly monitored and regulated, the consideration of such transactions are reasonable and the amounts of such transactions are within the caps as approved by competent regulatory authorities. The Supervisory Committee is not aware of any act prejudicial to the interests of the shareholders.

In 2010, the Supervisory Committee will continue to perform its duties with diligence to protect the interests of the Company and its shareholders in accordance with the Company Law and the Articles of Association.

Material Litigation and Arbitration

As at the end of the reporting period, the Group was not involved in any material litigation or arbitration. As far as the Group was aware, the Group had no material litigation or claim which was pending or threatened against the Group. As at 31 December 2009, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that, any possible legal liability which may be incurred from the aforesaid cases will not have any material adverse impact on the financial position of the Group.

Insolvency or Restructuring Related Matters

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

Equity Held by the Company in Other Listed Companies and Equity Investment in Financial Institutions

Name of the company held	Amount of initial investment	Number of shares held	Percentage of the direct and indirect shareholding	Book value at the end of the period
	RMB million	No. of shares	%	RMB million
Shenhua Finance	161	–	40	472

Transactions in Assets

During the reporting period, the Company did not enter into any significant transactions involving the acquisition and disposal of assets, takeovers and mergers.

Details of the Implementation of the Stock Options Incentive Plan

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

Material Related Party Transactions

Summary of the management of related party transactions

The Company has a related party transaction team under the direct leadership of the Chief Financial Officer, which is responsible for the management of related party transactions; and has established a business process which properly delineates the responsibilities of the Company, its branches and subsidiaries in the management of related party transactions. The team has also established routine examinations, reporting systems and accountability system in the branches and subsidiaries of the Company. During the reporting period, the Company formulated and improved the "Application and Reporting Requirements for Related Party Transactions of China Shenhua Energy Company Limited" to regulate and strengthen the management of related party transactions of the Company.

Material connected transactions

I. Non-competition agreement

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

During the year ended 31 December 2009, the directors (including independent non-executive directors) of the Company have not made any decision to exercise the options.

II. The following non-exempt connected transactions and continuing connected transactions are new transactions or transactions of which the annual caps have been revised during the reporting period:

Non-exempt connected transactions

(1) On 31 July 2009, the Company has entered into the Equity Transfer Agreement with Beijing Renjie Xingyuan Investment Consultancy Company Limited ("Beijing Renjie") pursuant to which the Company shall acquire 16% equity interest in Shenhua Guohua (Beijing) Electricity Institute Company Limited ("Electricity Institute") from Beijing Renjie at the consideration of RMB16,076,272.

Beijing Renjie is a substantial shareholder of Electricity Institute (a subsidiary of the Company) and as such, is a connected person of the Company under the Hong Kong Listing Rules. The transactions under the Equity Transfer Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in respect of transactions under the Equity Transfer Agreement exceed 0.1% but are less than 2.5%, the Equity Transfer Agreement is subject to the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules but is exempted from the independent shareholders' approval requirement under Rule 14A.48 of the Hong Kong Listing Rules.

(2) On 28 August 2009, the Company entered into the Joint Venture Agreement with Ordos State-owned Assets Investment and Management Company Limited ("Ordos Investment"), pursuant to which the parties have agreed to form Shenhua Xinzhun and to contribute to the registered capital thereof. Upon completion of the transactions contemplated under the Joint Venture Agreement, the registered capital of Shenhua Xinzhun will be RMB1 billion and owned as to 90% and 10% by the Company and Ordos Investment, respectively.

Ordos Investment owns 30% equity interest of Shenhua Xinjie (a subsidiary of the Company). Ordos Investment is a substantial shareholder of Shenhua Xinjie (a subsidiary of the Company) and is therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the Joint Venture Agreement constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As the applicable percentage ratio or ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) for the transactions under the Joint Venture Agreement is or are more than 0.1% but less than 2.5%, the Joint Venture Agreement is subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, but is exempted from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Non-exempt continuing connected transactions

(1) On 27 March 2009, the Company has entered into the Framework Agreement on Supply of Coal with Shaanxi Province Coal Transportation and Sales (Group) Co Ltd.

(2) The subsidiaries of the Company entered into a series of power generation trading agreements with connected persons as follows:

i. On 27 March 2009, Dingzhou Power (a subsidiary of the Company) entered into the Datang Power Generation Trading Agreements with Hebei Electricity Network Trading Centre and three of the subsidiaries of China Datang Corp. ("Datang Corp.") (i.e. Datang Baoding Heat Electricity Plant ("Datang Baoding"), Datang Weishui Electricity Generation Plant ("Datang Weishui") and Hebei Matou Electricity Company Limited ("Datang Matou")).

ii. On 27 March 2009, Dingzhou Power and Huanghua Power, which are subsidiaries of the Company, entered into the Hebei Construction Power Generation Trading Agreements with Hebei Electricity Network Trading Centre and Hebei Xingtai Electricity Company Limited ("Hebei Xingtai"), a subsidiary of Hebei Construction Investment Corporation ("Hebei Construction").

iii. On 27 March 2009, Panshan Power (a subsidiary of the Company) entered into the Jinneng Investment Power Generation Trading Agreements with Huabei Electricity Network Trading Centre, Tianjin Electricity Network Trading Centre/Tianjin City Electricity and two of the subsidiaries of Tianjin Jinneng Investment Company Limited ("Jinneng Investment") (i.e. Tianjin Fuyuan Electricity Company Limited ("Fuyuan Electricity") and Tianjin Chentang Heat Electricity Company Limited ("Chentang Heat Electricity")).

(3) On 18 December 2009, the Company has entered into the Framework Agreement on Transportation Service with Taiyuan Railway Bureau.

(4) The Company expects the original annual caps of certain continuing connected transactions cannot satisfy the demands of the Group in 2009, therefore, the Company revised the annual caps of the following continuing connected transactions:

i. The Agreement on Mutual Supply of Coal entered into with Shenhua Group: in view of the continuous development of the Group and based on the estimation of the demand and operating conditions under the Agreement on Mutual Supply of Coal, the Company increased the total amount of coal supply from the Group to Shenhua Group in 2009 from RMB2,398.10 million to RMB2,672.80 million.

ii. The Framework Agreement on Supply of Coal with Tianjin Jinneng Group: in view of the continuous development of the Group and based on the demand and operating conditions, the Company expects that original annual caps under the Framework Agreement on Supply of Coal cannot meet the demand of the Group, the Company increased the total amount of coal supply to Tianjin Jinneng Group from RMB1,587.00 million to RMB2,550.00 million and from RMB1,825.05 million to RMB2,670.00 million in 2009 and 2010 respectively.

III. Major continuing connected transactions during the reporting period

(1) Series of Power Generation Trading Agreements

i. Datang Power Generation Trading Agreements

On 27 March 2009, Dingzhou Power (a subsidiary of the Company) entered into the Datang Power Generation Trading Agreements with Hebei Electricity Network Trading Centre and three of the subsidiaries of Datang Corp. (i.e. Datang Baoding, Datang Weishui and Datang Matou), pursuant to which Dingzhou Power has agreed to substitute three of the subsidiaries of Datang Corp. in supplying electricity services to Hebei Electricity Network Trading Centre and three of the subsidiaries of Datang Corp. have agreed to pay substitution fees to Dingzhou Power subject to the terms and conditions therein.

One of the subsidiaries of Datang Corp. is a substantial shareholder of Dingzhou Power (a subsidiary of the Company) and Datang Corp. and its subsidiaries are therefore connected persons of the Company under the Hong Kong Listing Rules. Therefore the Datang Power Generation Trading Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As the relevant percentage ratios for the Datang Power Generation Trading Agreements are more than 0.1% but less than 2.5%, the Datang Power Generation Trading Agreements are subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, but exempted from the independent shareholders' approval requirements set out in Rule 14A.48(2) of the Hong Kong Listing Rules.

For the year ended 31 December 2009, the maximum amount of the substitution fees receivable under the power generation trading agreements between Dingzhou Power (a subsidiary of the Company) and Datang Baoding was RMB234.00 million. The amount of actual substitution fees was RMB163.13 million. The settlement was made by cash.

For the year ended 31 December 2009, the maximum amount of the substitution fees receivable under the power generation trading agreements between Dingzhou Power (a subsidiary of the Company) and Datang Weishui was RMB78.00 million and no substitution fee was actually incurred.

For the year ended 31 December 2009, the maximum amount of the substitution fees receivable under the power generation trading agreements between Dingzhou Power (a subsidiary of the Company) and Datang Matou was RMB72.00 million and no substitution fee was actually incurred.

ii. Hebei Construction Power Generation Trading Agreements

On 27 March 2009, Dingzhou Power and Huanghua Power, which are subsidiaries of the Company, entered into the Hebei Construction Power Generation Trading Agreements with Hebei Electricity Network Trading Centre and Hebei Xingtai, a subsidiary of Hebei Construction, pursuant to which Dingzhou Power and Huanghua Power have agreed to substitute Hebei Xingtai in supplying electricity services to Hebei Electricity Network Trading Centre and Hebei Xingtai has agreed to pay substitution fees to Dingzhou Power and Huanghua Power subject to the terms and conditions therein.

Hebei Construction is a substantial shareholder of Huanghua Power (a subsidiary of the Company) and Hebei Construction and its subsidiaries are therefore connected persons of the Company under the Hong Kong Listing Rules. Therefore the Hebei Construction Power Generation Trading Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As the relevant percentage ratios for the Hebei Construction Power Generation Trading Agreements are more than 0.1% but less than 2.5%, the Hebei Construction Power Generation Trading Agreements are subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, but exempted from the independent shareholders' approval requirements set out in Rule 14A.48(2) of the Hong Kong Listing Rules.

For the year ended 31 December 2009, the maximum amount of substitution fees receivable under the power generation trading agreements between Dingzhou Power (a subsidiary of the Company) and Hebei Xingtai was RMB269.50 million. The amount of actual substitution fees was RMB146.58 million. The settlement was made by cash.

For the year ended 31 December 2009, the maximum amount of substitution fees receivable under the power generation trading agreements between Huanghua Power (a subsidiary of the Company) and Hebei Xingtai was RMB612.50 million. The amount of actual substitution fees was RMB272.22 million. The settlement was made by cash.

iii. Jinneng Investment Power Generation Trading Agreements

On 27 March 2009, Panshan Power (a subsidiary of the Company) entered into the Jinneng Investment Power Generation Trading Agreements with Huabei Electricity Network Trading Centre, Tianjin Electricity Network Trading Centre/Tianjin City Electricity and two of the subsidiaries of Jinneng Investment (i.e. Fuyuan Electricity and Chentang Heat Electricity), pursuant to which Panshan Power has agreed to substitute two of the subsidiaries of Jinneng Investment in supplying electricity services to Huabei Electricity Network Trading Centre and Tianjin Electricity Network Trading Centre/Tianjin City Electricity, and the two of subsidiaries of Jinneng Investment have agreed to pay substitution fees to Panshan Power subject to the terms and conditions therein.

Jinneng Investment is a substantial shareholder of Panshan Power (a subsidiary of the Company) and Jinneng Investment and its subsidiaries are therefore connected persons of the Company under the Hong Kong Listing Rules. Therefore the Jinneng Investment Power Generation Trading Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As the relevant percentage ratios for the Jinneng Investment Power Generation Trading Agreements are more than 0.1% but less than 2.5%, the Jinneng Investment Power Generation Trading Agreements are subject to reporting and announcement requirements set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, but exempted from the independent shareholders' approval requirements set out in Rule 14A.48(2) of the Hong Kong Listing Rules.

For the year ended 31 December 2009, the maximum amount of substitution fees receivable under the power generation trading agreements between Panshan Power (a subsidiary of the Company) and Fuyuan Electricity was RMB30.00 million. The amount of actual substitution fees was RMB23.04 million. The settlement was made by cash.

For the year ended 31 December 2009, the maximum amount of substitution fees receivable under the power generation trading agreements between Panshan Power (a subsidiary of the Company) and Chentang Heat Electricity was RMB120.00 million. The amount of actual substitution fees was RMB62.50 million. The settlement was made by cash.

(2) Coal Export Agency Agreement with Shenhua Group

According to the PRC laws, exporters of coal must obtain export operation right by holding valid export licenses or engage other companies with valid export licenses as coal exporting agents. Shenhua Trading, a subsidiary of Shenhua Group, is one of the few companies in PRC which holds valid coal export licenses. Under the current domestic supervision system, coal export licenses are not allowed to be transferred, therefore, the coal export operation right of Shenhua Group cannot be transferred to the Company. Besides, the Company will continue to sell coal and related products to foreign customers. The Company entered into the Coal Export Agency Agreement with Shenhua Group (on behalf of itself and its subsidiary, Shenhua Trading) on 24 May 2005. Shenhua Group is the controlling shareholder of the Company and thus Shenhua Group and its subsidiary, Shenhua Trading, are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the Coal Export Agency Agreement entered into with Shenhua Group and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

The principal terms of the Coal Export Agency Agreement are as follows:

- The agreement took effect from 1 January 2005 and the term was 3 years, which may be extended as required by the Company. Shenhua Group renewed the agreement with the Company in 2007 and extended the term to the end of 2010. The agreement has been approved by the Board, and this matter has been published on the website of Hong Kong Stock Exchange on 27 March 2007 and on the South China Morning Post and Hong Kong Economic Times on 28 March 2007;

- The parties agreed that Shenhua Group will provide non-exclusive agency service for the export of coal products to the Company. The Company may engage other enterprises with coal export operation right to export coal products as its agent, however, if the conditions of export agency obtained from any third parties are equal or less favorable than those provided by Shenhua Group, priority will be given to Shenhua Group to be selected as the Company's agent for the export of coal products;

- The parties agreed that the commission charged by Shenhua Group from the Company shall be determined based on the market price or price lower than the market price. At present, Shenhua Group charges commission for export agency at 0.7% on the exporting FOB price per tonne; and

- The customers of exported coal will be selected by the Company and the export price of coal shall be confirmed by the Company and determined on the basis of the annual contract price or bid price of spot purchase.

For the year ended 31 December 2009, the annual cap of the expenses paid to Shenhua Group by the Company for the coal export agency service was RMB136.26 million. The actual amount of agency fee was RMB61.04 million. The settlement was made by cash.

(3) Agreement on Mutual Supply of Products and Services entered into with Shenhua Group

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

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

- The agreement took effect on 1 January 2005 and the term was 3 years, which may be extended if agreed by both parties. Shenhua Group renewed the agreement with the Company in 2007 and extended the term to the end of 2010. The agreement has been approved at the annual general meeting of the Company held on 15 May 2007 and this matter has been published on the website of the Hong Kong Stock Exchange on 15 May 2007 and on the South China Morning Post and Hong Kong Economic Times on 16 May 2007;

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

- Products and services provided by Shenhua Group to the Company include the ancillary services for business operations such as refined oil, civil blasting supply, security service and office support as well as administrative services; the products and services provided by the Company to Shenhua Group include water supply, management of vehicles, railway transportation and other related or similar products and services; and

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

For the year ended 31 December 2009, (1) the 2009 annual cap of expenditures arising from the provision of production materials and ancillary services by Shenhua Group to the Company was RMB3,231.31 million. The actual amount of expenditure was RMB1,257.23 million. The settlement was made by cash; (2) the 2009 annual cap of income arising from the provision of production materials and ancillary services by the Group to Shenhua Group was RMB1,654.92 million. The actual amount of income was RMB559.37 million. The settlement was made by cash.

(4) Agreement on Mutual Supply of Coal entered into with Shenhua Group

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

The principal terms of the Agreement on Mutual Supply of Coal were as follows:

- The agreement took effect on 1 January 2005 and the term was 3 years, which may be extended if agreed by both parties. Shenhua Group renewed the agreement with the Company in 2007 and extended the term to the end of 2010. The agreement has been approved at the shareholders' general meeting of the Company held on 15 May 2007 and this matter has been published on the website of the Hong Kong Stock Exchange on 15 May 2007 and on the South China Morning Post and Hong Kong Economic Times on 16 May 2007;

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

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

For the year ended 31 December 2009, (1) the 2009 annual cap of expenditures arising from the provision of coal by Shenhua Group to the Company was RMB8,088.49 million. The actual amount of expenditure was RMB3,445.48 million. The settlement was made by cash; (2) the 2009 annual cap of income arising from the purchase of coal by Shenhua Group from the Group was RMB2,672.80 million. The actual amount of income was RMB1,570.22 million. The settlement was made by cash.

(5) Agreement on Financial Services entered into with Shenhua Finance

On 21 July 2006, the Company entered into the Agreement on Financial Services with Shenhua Finance (a subsidiary of Shenhua Group), pursuant to which Shenhua Finance shall provide financial services to the Company. Shenhua Finance is a subsidiary of the Company's controlling shareholder and thus a connected person of the Company under the Hong Kong Listing Rules.

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

- The agreement was effective from 21 July 2006 to 31 December 2007. Shenhua Finance renewed the agreement with the Company in 2007 and extended the term to the end of 2010. The agreement has been approved by the Board and this matter has been published on the website of the Hong Kong Stock Exchange on 27 March 2007 and on the South China Morning Post and Hong Kong Economic Times on 28 March 2007;

- Shenhua Finance provides various financial services to the Company including accepting money deposit, handling bill acceptance and discount services, providing security, handling entrusted loan and entrusted investment, etc;

- Shenhua Finance undertakes to provide the same kind of financial services under conditions no less favorable than those provided by Shenhua Finance to other members of Shenhua Group and those provided by other financial institutions to the Company at that time; and

- The interest rate for the Company's deposits with Shenhua Finance shall not be lower than the interest rate floor specified by the People's Bank of China for such type of deposit. In addition to the foregoing, the interest rate for the Company's deposits with Shenhua Finance shall be equal to or above the interest rate determined for the same type of deposit placed by other members of Shenhua Group with Shenhua Finance, and shall be equal to or above the interest rate of the same type of deposit services provided by commercial banks to the Company generally, whichever is higher; the interest rate for loans granted to the Company by Shenhua Finance shall not be higher than the interest rate cap specified by the People's Bank of China for such type of loans. In addition to the foregoing, the interest rate for loans granted to the Company by Shenhua Finance shall be equal to or below the interest rate determined for the same type of loans granted by Shenhua Finance to other members of Shenhua Group, and shall be equal to or below the interest rate of the same type of loans granted by commercial banks to the Company generally, whichever is the lower; the fees charged by Shenhua Finance for other financial services provided shall be determined based on the rate of fees specified by the People's Bank of China or the China Banking Regulatory Commission.

For the year ended 31 December 2009, the cap for the average maximum daily balance of deposit with Shenhua Finance was RMB3,400.00 million and the actual average maximum daily balance of deposit with Shenhua Finance was RMB723.68 million.

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

In order to standardize and enhance central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into the Framework Agreement on Supply of Coal with Jiangsu Guoxin (on behalf of itself and its subsidiaries and associates, collectively, "Jiangsu Guoxin Group") on 21 August 2007. The Company established Jiangsu Guohua Chenjiagang Power Company Limited ("Chenjiagang Power") with Jiangsu Guoxin on 21 December 2007. The Company holds 55% equity in Chenjiagang Power and Jiangsu Guoxin holds the remaining 45% equity thereof. Under the Hong Kong Listing Rules Jiangsu Guoxin is a substantial shareholder of the Company's subsidiary and thus a connected person of the Company, and members of Jiangsu Guoxin Group are also connected persons of the Company. Since then, the transactions between the Company and Jiangsu Guoxin Group constitute connected transactions of the Company. This matter has been published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 23 December 2007, and has also been published on China Securities Journal and Shanghai Securities News on 24 December 2007.

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

- The term of the agreement was 4 years commencing from 21 August 2007 to 20 August 2011; and

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

For the year ended 31 December 2009, the maximum amount of receivable for the sales of coal by the Company to Jiangsu Guoxin Group under the Framework Agreement on Supply of Coal was RMB3,578.60 million. The actual amount was RMB917.57 million. The settlement was made by cash.

(7) Framework Agreement on Supply of Coal entered into with Jinneng Investment

In order to standardize and enhance central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into the Framework Agreement on Supply of Coal with Jinneng Investment (on behalf of itself, its subsidiaries and associates, collectively, "Jinneng Investment Group") on 20 September 2007. The Company established Tianjin Guohua Jinneng with Jinneng Investment on 21 December 2007. The Company holds 65% equity interest in Tianjin Guohua Jinneng while Jinneng Investment holds the remaining 35% equity thereof. Jinneng Investment is a substantial shareholder of the Company's subsidiary and therefore Jinneng Investment Group is a connected person of the Company under the Hong Kong Listing Rules. Since then, transactions between the Company and Jinneng Investment Group constitute connected transactions of the Company. This matter has been published on the websites of the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 23 December 2007, and has also been published on the China Securities Journal and Shanghai Securities News on 24 December 2007.

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

- The term of the agreement commences from the date of execution to 31 December 2010; and

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

For the year ended 31 December 2009, the maximum amount of receivable for the sales of coal by the Company to Jinneng Investment Group under the Framework Agreement on Supply of Coal was RMB2,550.00 million. The actual amount was RMB779.38 million. The settlement was made by cash.

(8) Framework Agreement on Supply of Coal with China Datang Corporation

In order to standardize and enhance central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into the Framework Agreement on Supply of Coal with China Datang Corporation ("Datang Corporation") (on behalf of itself, its subsidiaries and associates, collectively "Datang Group") on 25 September 2007. Dingzhou Power became a subsidiary of the Company on 29 December 2007. Hebei Datang Generation Limited ("Hebei Datang"), a wholly owned subsidiary of Datang Group, also acquired 19% equity interest in Dingzhou Power on the same day, therefore the transactions between the Company and Datang Group constitute connected transactions of the Company since then. This matter has been published on the websites of Shanghai Stock Exchange and the Hong Kong Stock Exchange on 2 January 2008, and has also been published on the China Securities Journal and Shanghai Securities News on 3 January 2008.

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

- The term of the agreement commences from the date of execution to 31 December 2010; and

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

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

For the year ended 31 December 2009, the maximum amount of receivable for the sales of coal by the Company to Datang Group under the Framework Agreement on Supply of Coal was RMB10,802.00 million. The actual amount was RMB1,199.01 million. The settlement was made by cash.

(9) Framework Agreement on Supply of Coal with Shaanxi Province Coal Transportation and Sales (Group) Co Ltd. ("Shaanxi Coal Transportation")

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

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

- The term of the agreement commences from the date of execution to 31 December 2010; and

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

For the year ended 31 December 2009, the annual cap of expenditures arising from the purchase of coal by the Company from Shaanxi Coal Transportation and its subsidiaries under the Framework Agreement on Supply of Coal was RMB4,825.60 million. The actual amount was RMB513.22 million. The settlement was made by cash.

(10) Framework Agreement on Transportation Service with Taiyuan Railway Bureau

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

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

- The term of the agreement commences from the date of execution to 31 December 2010; and

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

From 23 September 2009 to 31 December 2009, the maximum amount of payable for the provision of transportation services by Taiyuan Railway Bureau and its subsidiaries to the Company under the Framework Agreement on Transportation Service was RMB1,300.00 million. The actual amount was RMB1,118.53 million. The settlement was made by cash.

Opinion of independent directors on non-exempt continuing connected transactions

The Independent Non-executive Directors of the Company have confirmed to the Board that they have reviewed the non-exempt continuing connected transactions and are of the view that: (1) those transactions were in the ordinary course of business of the Group; (2) those transactions were on ordinary commercial terms, or if comparable transactions were not sufficient to judge whether the terms of those transactions were ordinary commercial terms, then in relation to the Group, those transactions were on terms no less favorable than the terms obtained from or provided (as the case may be) by independent third party; and (3) those transactions were conducted on the terms of the relevant transactions and the terms of the transactions were fair and reasonable and in the interest of the shareholders of the Company as a whole.

Opinion of auditors on non-exempt continuing connected transactions

The auditors of the Company have reviewed the continuing connected transactions (1) to (10) above (hereinafter referred to as "transactions") and issued letters to the Board, indicating that:

- those transactions have been approved by the Board;
- they were not aware of any indications which would make them believe that those connected transactions were not conducted in line with the terms of the agreements of the relevant transactions or their prices were not made in line with the Group's pricing policy;
- those transactions were conducted under the terms of the agreements signed in respect of such connected transactions; and
- the total amounts incurred in those transactions for the year ended 31 December 2009 have not exceeded the cap amounts as disclosed in the Company's announcements.

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

Related party transactions relevant to the daily operations

In accordance with the requirements of relevant securities regulatory authorities of the PRC, major related party transactions of the Group in 2009 are set out below. Details of the related agreements are set out in the Company's prospectus for A shares and the section "Continuing Connected Transactions" of this report.

	Provision of products and services by the Group to related parties and other inflows		Purchase of products and services from related parties by the Group and other outflows	
Related Party Transactions	**Amount of transactions**	**Percentage of amount to similar transactions**	**Amount of transactions**	**Percentage of amount to similar transactions**
	RMB million	%	RMB million	%
1 Agreement on Mutual Coal Supply	1,570.22	1.9	3,445.48	21.9
2 Agreement on the Mutual Supply of Products and Services	559.37	-	1,257.23	-
Including: (1) Products	3.07	1.3	1,117.25	8.8
(2) Services	556.30	22.0	139.98	0.4
3 Coal Agency Sales Agreement with the Xisanju Company	20.42	100.0	-	-
4 Agreement on Coal Agency Export	-	-	61.04	100.0
5 Agreement on Lease of Land Use Right	-	-	-	-
6 Agreement on Property Leasing	-	-	36.39	12.7
7 Agreement on Financial Service [Note]	-	-	243.97	1.7

Note: The transaction amount for the agreement is calculated based on the net changes in deposits as at the end of the reporting period and the end of the previous year; the percentage of net changes in deposits of Shenhua Finance to the transaction amount for similar transactions = net changes in deposits/net changes in bank deposits of the Group during the reporting period.

The above related party transactions did not affect the independence of the Company and the Company did not rely on its controlling shareholder for its business as a result of daily related party transactions.

Related party transactions regarding acquisition and disposal of assets

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

Material related party transactions regarding joint external investment

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

Debts and liabilities due from/owed to related parties

Unit: RMB million

		Funds provided to related parties		Funds provided by related parties to the Company	
Related parties	**Related Relationship**	**Amount**	**Balance**	**Amount**	**Balance**
Shenhua Group and its subsidiaries	Holding company and its subsidiaries	–	–	(12)	2,162
Other related parties	–	–	816	–	–
Total		–	816	(12)	2,162

Pursuant to Accounting Standards for Business Enterprises, the amount and balance of the above debt and liabilities only include other receivables, other payables, long-term loans and other non-current assets of a non-operational nature between the Group and related parties.

The above debt and liabilities mainly represent entrusted loans provided by the Group to associated companies of subsidiaries of the Company, together with long-term loans borrowed by the Group from Shenhua Group and its subsidiaries. Currently the above-mentioned entrusted loans and loans are under normal repayment plan with repayment on both principal and interests as scheduled.

Appropriation of funds

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

Material Contracts and Performance Thereof

Trust, contract and lease

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

Guarantee

Material guarantees

Unit: RMB million

Guarantee provided by the Company to external parties (excluding guarantee given by the Company for the benefit of its subsidiaries)						
Name of guaranteed party	Date of provision of guarantee (execution date of agreement)	Guaranteed amount	Type of guarantee	Period	Whether performance has been completed	Whether the guarantee is for the benefit of related parties (Yes or No)
–	–	–	–	–	–	–
Total guaranteed amount provided during the reporting period						–
Total guaranteed balance at the end of the reporting period						–
Guarantee given by the Company for the benefit of its subsidiaries						
Total amount provided to the Company's subsidiaries during the reporting period						341.41
Total guaranteed balance given to the Company's subsidiaries at the end of the reporting period						1,427.41
Aggregated guaranteed amount given by the Company (including guarantee given by the Company for the benefit of its subsidiaries)						
Total guaranteed amount						1,427.41
Percentage of total guaranteed amount to net assets of the Company Note						0.84%
Among which:						
Amount of guarantees provided for the benefit of shareholders, de facto controller and their related parties						–
Amount of guarantees directly or indirectly provided for the benefit of parties with over 70% in asset-liability ratio						–
Portion of the total guaranteed amount in excess of 50% of net assets						–
Aggregated amount of the above three guaranteed amount						–

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

Details of material guarantees

At the end of the reporting period, the guarantee balance given by the Company for the benefit of its subsidiaries amounted to RMB1,427.41 million, including:

(1) The Company has provided guarantee for and has accepted joint and several liability on six bank loans of Huanghua Port amounting to RMB1,086.00 million. Agreements for the above six loans were entered into prior to the establishment of the Company and the original guarantor was Shenhua Group. When the Company was established as part of the restructuring in November 2004, the guarantor was changed to the Company pursuant to relevant reorganization arrangement and at the requests of the relevant banks. Huanghua Port is an important member of the Company responsible for seaborne coal transportation, with a sound financial condition and good profitability. There was no indication that the Company might be required to perform its joint and several liabilities under the above guarantee.

(2) The Company has provided counter-guarantee to EMM Indonesia for loans of no more than US$231.7 million with a term of 3.5 years. At the end of the reporting period, the actual US loan amount incurred was US$50 million (equivalent to RMB341.41 million). The guarantee was approved at the 37th meeting of the first session of the Board held on 18 December 2009. Please refer to the "Announcement of China Shenhua's External Guarantee" dated 19 December 2009 for details.

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

Opinion of independent directors on material guarantees

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

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

(2) The Company has provided counter-guarantee for the Syndicated Loans to EMM Indonesia to allow the timely completion of financing by EMM Indonesia. This is favorable to monitor the construction progress of the Projects and control the costs of construction, ensuring the level of profitability after the operation of the Projects. After conducting the feasibility study by the Company, the major risks of such guarantee are derived from political factors, natural disasters and other man-made factors beyond the Company's control during the construction period that result in loss from completion failures; based on the risk-bearing arrangements between EMM Indonesia and the related parties to the Projects, if other risks such as construction and facilities supply during the construction period of the Projects are controllable and acceptable, upon the conclusion of the construction period of the Projects (36 months generally), EMM Indonesia will release the guarantee obligations of the Company through the creation of guarantee such as pledges and guaranty over its own assets and future revenue rights.

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

Finance by Mandate

During the reporting period, there was no occurrence of any finance by mandate of the Company that would require disclosure.

Material Investments

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

Commitments by the Shareholders

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

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

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

(2) Commitment: At the time when the Company's A shares were issued, Shenhua Group has agreed not to transfer or entrust others to manage, within 36 months from the date when the Company's shares were listed on the Shanghai Stock Exchange, the shares in the Company it holds directly and indirectly, nor to allow the Company to repurchase such shares.

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

Appointment and Removal of Accounting Firms

KPMG Huazhen and KPMG were re-appointed as the domestic and international auditors of the Company respectively at the Company's 2008 annual general meeting held on 5 June 2009. Up to 2009, these two auditors had been providing audit services to the Company consecutively for 6 years.

The auditors' remuneration for audit and related services for the year 2009 amounted to RMB41.34 million. The audit services included audit of the consolidated financial statements of the Company for the year ended 31 December 2009, review of interim financial report of the Company for the six months ended 30 June 2009 and audit of the financial statements of certain subsidiaries for the year ended 31 December 2009. The auditors' remuneration for non-audit services for the year 2009 amounted to RMB1.60 million, which included taxation advisory services fees of RMB1.20 million and due diligence services fees of RMB0.40 million.

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

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

Other Material Matters

During the reporting period, save for disclosed above, there was no other material matter of the Company that would require disclosure.

Index to Information Disclosure

No.	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
1	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2008	–	2009-01-08	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
2	Announcement on the Major Operational Data of December and the year of 2008	–	2009-01-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
3	Announcement on China Shenhua's Major Operational Data of December and the whole year of 2008	China Securities Journal, Shanghai Securities News and Securities Times	2009-01-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
4	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2009	–	2009-02-04	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
5	Announcement on the Major Operational Data of January 2009	–	2009-02-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
6	Announcement on China Shenhua's Major Operational Data of January of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-02-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
7	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2009	–	2009-03-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
8	Overseas Regulatory Announcement	–	2009-03-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
9	Management Rules on Use of Proceeds of China Shenhua (2009 revised)	–	2009-03-03	Website of Shanghai Stock Exchange (www.sse.com.cn)
10	Provisional Measures for the Management of Provision of Guarantees of China Shenhua	–	2009-03-03	Website of Shanghai Stock Exchange (www.sse.com.cn)
11	Announcement of Preliminary Financial Data 2008	–	2009-03-03	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
12	Announcement of China Shenhua's Annual Result for the year ended 31 December 2008	China Securities Journal, Shanghai Securities News and Securities Times	2009-03-04	Website of Shanghai Stock Exchange (www.sse.com.cn)
13	Announcement on the Approval of Railway Expansion Project from Batuta to Diandaigou in Inner Mongolia	–	2009-03-05	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
14	Announcement on the Approval of China Shenhua's Railway Expansion Project from Batuta to Diandaigou in Inner Mongolia	China Securities Journal, Shanghai Securities News and Securities Times	2009-03-06	Website of Shanghai Stock Exchange (www.sse.com.cn)
15	Announcement on the Major Operational Data of February 2009	–	2009-03-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
16	Announcement on China Shenhua's Major Operational Data of February of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-03-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
17	Notice of Board Meeting	–	2009-03-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
18	Amendments to the Articles of Association	–	2009-03-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
19	Entering into Series of Power Generation Trading Agreements	–	2009-03-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
20	Entering into Coal Supply Framework Agreement	–	2009-03-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
21	Overseas Regulatory Announcement	–	2009-03-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
22	Announcement of Annual Results for the year ended 31 December 2008	–	2009-03-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
23	Announcement on Resolutions for the 15th Meeting of the 1st Session of Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
24	Announcement of H Shares of China Shenhua	–	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
25	Announcement of H Shares of China Shenhua	–	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
26	Annual Report of China Shenhua	–	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
27	Summary of Annual Report of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
28	Announcement on Resolutions for the 29th Meeting of the 1st Session of Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
29	China Shenhua's Appropriation of Non-operating Funds and Other Related Fund Transfers for 2008	–	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
30	Corporate Social Responsibility Report of China Shenhua for 2008	–	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
31	Rules on the Work of the Audit Committee of the Board of Directors of China Shenhua	–	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
32	Rules on Work of Annual Report of the Audit Committee of the Board of Directors of China Shenhua	–	2009-03-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
33	Annual Report 2008	–	2009-03-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
34	CSR Report 2008	–	2009-03-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
35	Entering into Coal Supply Framework Agreement	–	2009-04-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
36	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2009	–	2009-04-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
37	Announcement of H Shares of China Shenhua	–	2009-04-03	Website of Shanghai Stock Exchange (www.sse.com.cn)
38	Announcement on the Major Operational Data of March and the First Quarter in 2009	–	2009-04-14	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
39	Announcement on China Shenhua's Major Operational Data of March & First Quarter of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-04-15	Website of Shanghai Stock Exchange (www.sse.com.cn)

No.	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
40	Proposed Appointment of Independent Non-executive Director	–	2009-04-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
41	Overseas Regulatory Announcement	–	2009-04-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
42	Announcement on Resolutions for the 30th Meeting of the 1st Session of Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-04-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
43	Notice of Board Meeting	–	2009-04-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
44	Amendments to the Articles of Association, Proposed Appointment of Director, Proposal for General Mandate to Repurchase A Shares and H Shares and Entering into Coal Supply Framework Agreement	–	2009-04-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
45	Notice of Annual General Meeting	–	2009-04-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
46	Reply Slip	–	2009-04-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
47	Form of Proxy for Annual General Meeting	–	2009-04-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
48	Notice of 2009 First Class Meeting of the Holders of H Shares	–	2009-04-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
49	Reply Slip	–	2009-04-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
50	Form of Proxy for 2009 First Class Meeting of the Holders of H Shares	–	2009-04-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
51	Overseas Regulatory Announcement	–	2009-04-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
52	Announcement of H Shares of China Shenhua	–	2009-04-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
53	Circular of H Shares of China Shenhua	–	2009-04-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
54	Notice of 2008 Annual General Meeting of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-04-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
55	Notice of 2009 First Class Meeting of the Holders of A Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-04-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
56	Revised Caps for Continuing Connected Transactions under the Mutual Coal Supply Agreement	–	2009-04-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
57	First Quarterly Report for the year 2009	–	2009-04-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
58	Overseas Regulatory Announcement	–	2009-04-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
59	Announcement of Revised Caps of Connected Transactions of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-04-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
60	Announcement on Resolutions for the 31st Meeting of the 1st Session of Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-04-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
61	2009 First Quarterly Report of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-04-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
62	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2009	–	2009-05-04	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
63	Announcement on the Major Operational Data of April 2009	–	2009-05-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
64	Announcement on China Shenhua's Major Operational Data of April of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-05-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
65	Overseas Regulatory Announcement	–	2009-05-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
66	Agenda of China Shenhua's 2008 Annual General Meeting	–	2009-05-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
67	Agenda of China Shenhua's 2009 First Class Meeting of the Holders of A Shares	–	2009-05-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
68	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2009	–	2009-06-01	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
69	Voting Results of 2008 Annual General Meeting, 2009 First Class Meeting of the Holders of A Shares and 2009 First Class Meeting of the Holders of H Shares	–	2009-06-05	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
70	Announcement Notice to Creditors in relation to Repurchase of Shares of the Company	–	2009-06-05	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
71	Overseas Regulatory Announcement	–	2009-06-05	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
72	Announcement on Resolutions for China Shenhua's 2008 Annual General Meeting	China Securities Journal, Shanghai Securities News and Securities Times	2009-06-06	Website of Shanghai Stock Exchange (www.sse.com.cn)
73	Announcement on Resolutions for China Shenhua's 2009 First Class Meeting of the Holders of A Shares and 2009 First Class Meeting of the Holders of H Shares	China Securities Journal, Shanghai Securities News and Securities Times	2009-06-06	Website of Shanghai Stock Exchange (www.sse.com.cn)
74	Announcement Notice to Creditors in relation to Repurchase of Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-06-06	Website of Shanghai Stock Exchange (www.sse.com.cn)
75	Legal Advice on China Shenhua's 2008 Annual General Meeting, 2009 First Class Meeting of the Holders of A Shares and 2009 First Class Meeting of the Holders of H Shares	–	2009-06-06	Website of Shanghai Stock Exchange (www.sse.com.cn)
76	Announcement on the Major Operational Data of May 2009	–	2009-06-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
77	Announcement on China Shenhua's Major Operational Data of May of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-06-13	Website of Shanghai Stock Exchange (www.sse.com.cn)

No.	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
78	Overseas Regulatory Announcement	–	2009-06-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
79	Announcement of China Shenua's Payment of 2008 Final Dividends	China Securities Journal, Shanghai Securities News and Securities Times	2009-06-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
80	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2009	–	2009-07-03	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
81	Announcement on the Major Operational Data of June and the First Half of 2009	–	2009-07-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
82	Announcement on China Shenhua's Major Operational Data of June & First Half-year of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-07-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
83	Overseas Regulatory Announcement	–	2009-07-23	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
84	Announcement on China Shenhua's Progress of Coal Power Project in South Sumatra, Indonesia	China Securities Journal, Shanghai Securities News and Securities Times	2009-07-24	Website of Shanghai Stock Exchange (www.sse.com.cn)
85	Overseas Regulatory Announcement	–	2009-07-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
86	Announcement on Entering into Cooperative Agreement on Long-term Coal Supply between China Shenhua and Shenzhen Energy Group Co., Ltd.	China Securities Journal, Shanghai Securities News and Securities Times	2009-07-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
87	Acquisition of Equity Interest in Electricity Institute	–	2009-07-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
88	Announcement of H Shares of China Shenhua	–	2009-08-01	Website of Shanghai Stock Exchange (www.sse.com.cn)
89	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2009	–	2009-08-03	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
90	Overseas Regulatory Announcement	–	2009-08-04	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
91	Announcement on China Shenhua's Approval of Expansion and Improvement Project of Huanghua Port	China Securities Journal, Shanghai Securities News and Securities Times	2009-08-05	Website of Shanghai Stock Exchange (www.sse.com.cn)
92	Announcement on Preliminary Financial Data for the six months ended 30 June 2009	–	2009-08-07	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
93	Announcement of China Shenhua's Interim Result for the six months ended 30 June 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-08-09	Website of Shanghai Stock Exchange (www.sse.com.cn)
94	Announcement on the Major Operational Data of July 2009	–	2009-08-14	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
95	Announcement on China Shenhua's Major Operational Data of July of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-08-15	Website of Shanghai Stock Exchange (www.sse.com.cn)
96	Overseas Regulatory Announcement	–	2009-08-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
97	Appointment of Member of Audit Committee, Remuneration Committee and Safety, Health and Environment Committee	–	2009-08-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
98	Announcement on Resolutions for the 33rd Meeting of the 1st Session of Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-08-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
99	Notice of Board Meeting	–	2009-08-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
100	2009 Interim Results Announcement	–	2009-08-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
101	Interim Report 2009	–	2009-08-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
102	Revised Caps for Continuing Connected Transactions under the Coal Supply Framework Agreement	–	2009-08-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
103	Connected Transaction Formation of Joint Venture	–	2009-08-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
104	Overseas Regulatory Announcement	–	2009-08-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
105	Announcement on Resolutions for the 34th Meeting of the 1st Session of Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-08-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
106	Announcement on Resolutions for the 17th Meeting of the 1st Session of Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-08-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
107	Announcement of H Shares of China Shenhua	–	2009-08-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
108	Announcement of H Shares of China Shenhua	–	2009-08-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
109	Summary of Interim Results of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-08-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
110	Interim Report of China Shenhua	–	2009-08-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
111	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2009	–	2009-09-01	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
112	Announcement on the Major Operational Data of August 2009	–	2009-09-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
113	Announcement on China Shenhua's Major Operational Data of August of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-09-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
114	Overseas Regulatory Announcement	–	2009-09-25	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
115	Announcement on China Shenhua's Commercial Operation of Ninghai Power's No.6 Power Generation Unit with a Capacity of 1,000 MW	China Securities Journal, Shanghai Securities News and Securities Times	2009-09-26	Website of Shanghai Stock Exchange (www.sse.com.cn)

No.	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
116	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2009	–	2009-09-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
117	Notice of Board Meeting	–	2009-10-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
118	Announcement on the Major Operational Data of September and First Three Quarters in 2009	–	2009-10-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
119	Announcement on China Shenhua's Major Operational Data of September & Jan – Sep of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-10-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
120	Clarification Announcement	–	2009-10-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
121	Overseas Regulatory Announcement	–	2009-10-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
122	China Shenhua's Revised Announcement	China Securities Journal, Shanghai Securities News and Securities Times	2009-10-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
123	Overseas Regulatory Announcement	–	2009-10-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
124	Announcement on China Shenhua's Commercial Operation of Ninghai Power's No.5 Power Generation Unit with a Capacity of 1,000 MW	China Securities Journal, Shanghai Securities News and Securities Times	2009-10-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
125	Overseas Regulatory Announcement	–	2009-10-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
126	Third Quarterly Report for the Year 2009	–	2009-10-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
127	Third Quarterly Report of China Shenhua	–	2009-10-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
128	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2009	–	2009-11-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
129	Announcement on the Major Operational Data of October 2009	–	2009-11-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
130	Announcement on China Shenhua's Major Operational Data of October of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-11-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
131	Overseas Regulatory Announcement	–	2009-11-19	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
132	Announcement on Resolutions for the 36th Meeting of the 1st Session of Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-11-20	Website of Shanghai Stock Exchange (www.sse.com.cn)
133	Overseas Regulatory Announcement	–	2009-11-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

No.	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
134	Announcement of China Shenhua's Grid Price Adjustment	China Securities Journal, Shanghai Securities News and Securities Times	2009-11-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
135	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2009	–	2009-11-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
136	Overseas Regulatory Announcement	–	2009-12-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
137	Announcement on China Shenhua's Commercial Operation of Huanghua Power's No.4 Power Generation Unit	China Securities Journal, Shanghai Securities News and Securities Times	2009-12-03	Website of Shanghai Stock Exchange (www.sse.com.cn)
138	Announcement on the Major Operational Data of November 2009	–	2009-12-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
139	Announcement on China Shenhua's Major Operational Data of November of 2009	China Securities Journal, Shanghai Securities News and Securities Times	2009-12-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
140	Entering into Transportation Service Framework Agreement	–	2009-12-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
141	Overseas Regulatory Announcement	–	2009-12-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
142	Announcement on Resolutions for the 37th Meeting of the 1st Session of Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-12-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
143	Announcement on Resolutions for the 19th Meeting of the 1st Session of Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-12-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
144	Announcement on China Shenhua's Provisional Use of Idle Proceeds as Working Capital	China Securities Journal, Shanghai Securities News and Securities Times	2009-12-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
145	Announcement of China Shenhua's External Guarantee	China Securities Journal, Shanghai Securities News and Securities Times	2009-12-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
146	Announcement of H Shares of China Shenhua	–	2009-12-19	Website of Shanghai Stock Exchange (www.sse.com.cn)

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

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

Investor Relations

In 2009, the financial breakdown swept the global economy off its feet. Driven by the State's macro-economic policies, China's economy took the lead to recover and recorded a GDP growth of 8.7%. China Shenhua's operating results performed remarkably in times of adversity. The Company actively carried out investor relations work and disseminated information to the domestic and overseas capital markets proactively to eliminate doubts through interactive exchange. The Company gained the trust from the capital market with its solid results.

Strong capabilities as evidenced by solid performance

On 5 January 2009, the closing price of China Shenhua's A shares was RMB18.24 and the Shanghai Stock Index closed at 1,880.72. On 31 December 2009, the closing price of China Shenhua's A shares was RMB34.82, increasing by 90.9% and the Shanghai Stock Index closed at 3,277.14, increasing by 74.2%.

On 2 January 2009, the closing price of China Shenhua's H shares was HK$17.40, whereas the Hang Seng Index and the China Enterprises Index closed at 15,042.81 and 8,314.11 respectively. On 31 December 2009, the closing price of China Shenhua's H shares was HK$38.00, increasing by 118.4%, whereas the Hang Seng Index and the China Enterprises Index closed at 21,872.50 and 12,794.13 respectively, increasing by 45.4% and 53.9%.

Both the share prices of China Shenhua in Shanghai and Hong Kong outperformed the market, reflecting that China Shenhua is recognized in the domestic and overseas capital markets.

Building solidarity and confidence

The year of 2009 was a year with challenges and opportunities. The market began to regain confidence with the launch of a series of economy stimulus measures by various governments worldwide and the stabilization of the international capital market. In light of the fears and expectations in the domestic and overseas capital markets, the Company stepped up its efforts to strengthen the interaction with the domestic and overseas capital markets and achieved good results.

In 2009, China Shenhua communicated with investors and analysts in a positive and frank manner through various channels such as results announcement conference, worldwide roadshow, A share roadshow, reverse roadshow, 2008 annual general meeting, investment forums, company visits and teleconference, meeting in aggregate more than 2,000 analysts and fund managers. Of which, China Shenhua met over 900 analysts and fund managers through roadshow; met around 800 analysts and fund managers through participation in investment forums; met more than 300 analysts and fund managers through company visits and teleconference.

In addition, to ensure the full protection of the interests of the minority investors of China Shenhua, the Company has continued to make use of the convenient and popular means of communication such as mail box to the secretary to the Board and investors' hotline for communication with investors of different levels, and to ensure they can access the information of the Company in a timely and comprehensive manner.

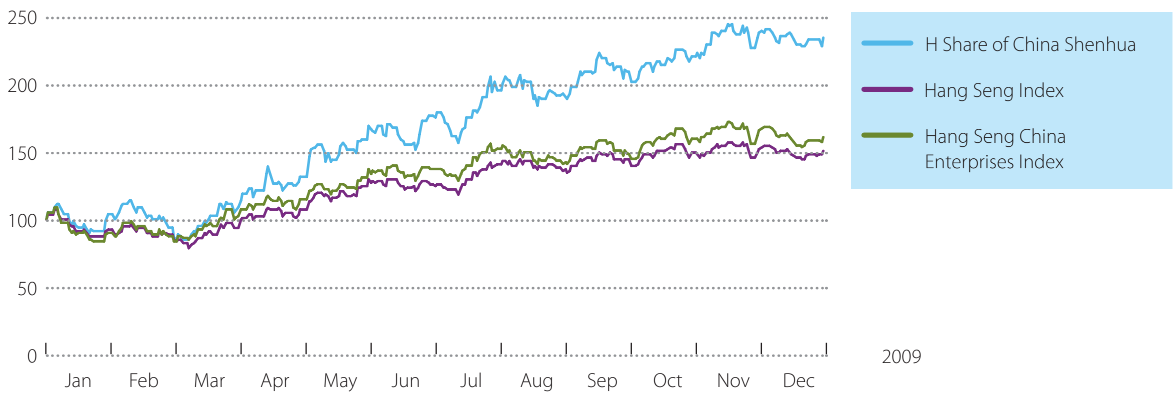
Stricter internal guidelines for improvement

In order to establish the corporate image of a blue chip and the industry leader and to respond to the investors' concern over the years, China Shenhua has prioritized the market capitalization management as the focus of the investor relations work. The Company studied the experience and deficiencies of its investor relations in terms of market capitalization management, studied successful cases in the market and combined such with the actual conditions of the Company, and divided the work of investor relations from the different perspectives of analysts, institutional investors and individual investors. After a year of practical experience, the Company has initially achieved the objective of market capitalization management.

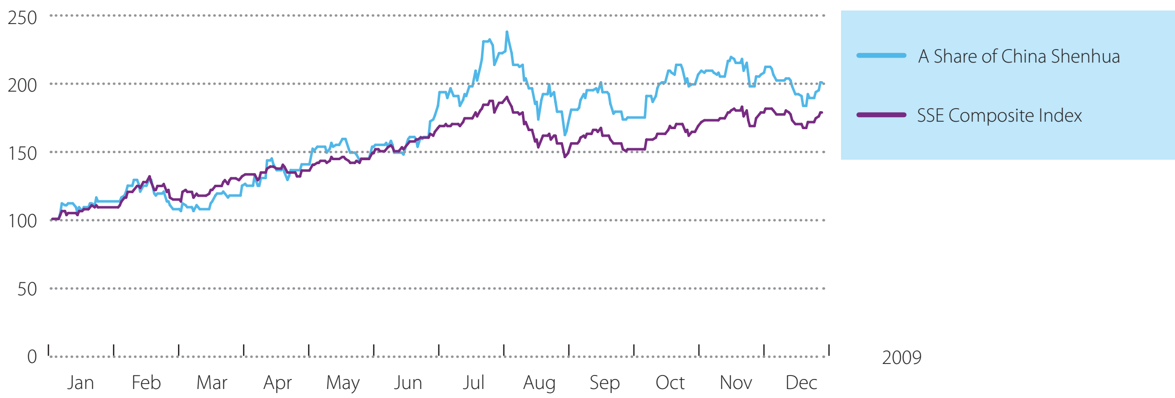
China Shenhua was actively engaged in the development of the work systems of investor relations and formulated the "Reception System for Investors of China Shenhua" as well as prepared and refined five core work processes in relation to the work of investor relations namely the "Work Process of Results Announcement Conference", the "Work Process of Reverse Roadshow", the "Work Process of Reception for Investors", the "Work Process of Investors' Feedbacks" and the "Work Process of Non-Trading Roadshow".

Performance of Share prices

H Share



A Share



Capital Market Awards won by China Shenhua in 2009

No.	Name of Award	Awarder
1	Best Social Responsibility Report for Mining Industry 2009	Running & Loving Consulting for Common Welfare, Youcheng Foundation, Peking University
2	2009 Most Harmonious and Competitive Listed Company in China	Chinese Federation for Corporate Social Responsibility, Shanghai Jiaotong University
3	Benchmarking Enterprise for China's Green Companies 2008	Daonong Enterprise Institute
4	2008 Gold Bee Award for Social Responsibility – PRC Enterprise with Outstanding Leadership	WTO Tribune
5	2009 Gold Bee Award for Quality Social Responsibility Report	WTO Tribune
6	Corporate Governance Award – Top 10 Board of Directors Award	Shanghai Stock Exchange
7	Best Board for Corporate Governance, Best Board for Social Responsibility and Best Board	Money Week, CCTV
8	Taurus Award Top 100 Listed Companies 2008	China Securities Journal
9	No. 5 of Top 100 Listed Companies in China 2008	Warton Economic Institute, Shanghai Economy
10	Best Management Award for Large Companies	Asia Money
11	No. 5 of Top 100 Enterprises for Corporate Governance	Chinese Academy of Social Sciences, China National School of Administration
12	No. 4 of Top 100 Listed Companies of China in Market Value Management	China Center for Market Value Management
13	Prize of Gold Round Table of the Board of Listed Companies	Directors and Boards
14	No. 235 of Forbes Top 2,000 Global Enterprises	Forbes
15	No. 40 of Platts Top 250 World Energy Enterprises 2009	Platts
16	Excellence Chinese Enterprise for Social Responsibility	China Enterprise Reform and Development Society, Corporate Social Responsibility Research Association

Independent Auditor's Report

KPMG

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

We have audited the consolidated financial statements of China Shenhua Energy Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 133 to 204, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards promulgated by the International Accounting Standards Board and the disclosure requirements of the Hong Kong Companies Ordinance. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 and of the Group's profit and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

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

12 March 2010

Consolidated statement of comprehensive income

for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	**2009 RMB million**	*2008 RMB million*
Revenues			
Coal revenue		**84,618**	74,572
Power revenue		**33,157**	29,393
Other revenues	5	**3,537**	3,168
Total operating revenues	4	**121,312**	107,133
Cost of revenues			
Coal purchased from third parties		**(14,187)**	(15,585)
Materials, fuel and power		**(9,513)**	(8,433)
Personnel expenses		**(5,727)**	(5,343)
Depreciation and amortisation		**(10,624)**	(9,396)
Repairs and maintenance		**(5,035)**	(4,717)
Transportation charges		**(9,273)**	(7,227)
Others	6	**(11,133)**	(8,677)
Total cost of revenues		**(65,492)**	(59,378)
Selling, general and administrative expenses		**(8,055)**	(6,961)
Other operating expenses, net		**(657)**	(1,119)
Total operating expenses	7	**(74,204)**	(67,458)
Profit from operations		**47,108**	39,675
Finance income	8	**1,286**	1,288
Finance expenses	8	**(3,324)**	(4,681)
Net finance costs		**(2,038)**	(3,393)
Investment income		**11**	39
Share of profits less losses of associates		**731**	654
Profit before income tax		**45,812**	36,975
Income tax	9	**(9,626)**	(7,076)
Profit for the year		**36,186**	29,899
Other comprehensive income	13		
Exchange differences on translation of financial statements of overseas subsidiaries		**724**	(115)
Revaluation surplus arising from business combination achieved in stage		**–**	109
		724	(6)
Total comprehensive income for the year		**36,910**	29,893
Profit attributable to:			
Equity shareholders of the Company		**31,706**	26,641
Minority interests		**4,480**	3,258
Profit for the year		**36,186**	29,899
Total comprehensive income attributable to:			
Equity shareholders of the Company		**32,431**	26,589
Minority interests		**4,479**	3,304
Total comprehensive income for the year		**36,910**	29,893
Earnings per share (RMB)	15		
– Basic		**1.594**	1.339
– Diluted		**1.594**	1.339

The notes on pages 141 to 204 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 14(b).

Consolidated balance sheet

at 31 December 2009
(Expressed in Renminbi)

	Note	**2009 RMB million**	*2008 RMB million*
Non-current assets			
Property, plant and equipment, net	16	**163,645**	145,253
Construction in progress	17	**33,045**	33,017
Intangible assets	18	**2,928**	2,435
Interest in associates	20	**3,503**	3,045
Other investments	21	**805**	831
Other non-current assets	22	**7,435**	6,373
Lease prepayments	23	**7,202**	6,011
Deferred tax assets	28(b)	**655**	669
Total non-current assets		**219,218**	197,634
Current assets			
Inventories	24	**7,727**	7,842
Accounts and bills receivable, net	25	**8,781**	8,236
Prepaid expenses and other current assets	26	**2,484**	2,337
Restricted bank deposits		**656**	241
Time deposits with original maturity over three months		**6,867**	196
Cash and cash equivalents	27(a)	**65,944**	59,054
Total current assets		**92,459**	77,906
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	29	**22,252**	18,213
Accounts and bills payable	30	**13,890**	9,642
Accrued expenses and other payables	31	**16,338**	12,410
Current portion of long-term payables	32	**275**	264
Income tax payable	28(a)	**2,929**	2,127
Total current liabilities		**55,684**	42,656
Net current assets		**36,775**	35,250
Total assets less current liabilities		**255,993**	232,884
Non-current liabilities			
Long-term borrowings, less current portion	29	**53,931**	56,045
Long-term payables, less current portion	32	**2,314**	2,765
Accrued reclamation obligations	33	**1,513**	1,869
Deferred tax liabilities	28(b)	**817**	462
Total non-current liabilities		**58,575**	61,141
Net assets		**197,418**	171,743
Equity			
Share capital	34	**19,890**	19,890
Reserves		**150,771**	127,542
Equity attributable to equity shareholders of the Company		**170,661**	147,432
Minority interests		**26,757**	24,311
Total equity		**197,418**	171,743

Approved and authorised for issue by the Board of Directors on 12 March 2010.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 141 to 204 form part of these financial statements.

Balance sheet

at 31 December 2009
(Expressed in Renminbi)

	Note	**2009 RMB million**	*2008 RMB million*
Non-current assets			
Property, plant and equipment, net	16	**53,243**	49,216
Construction in progress	17	**7,836**	7,478
Intangible assets	18	**218**	302
Investments in subsidiaries	19	**34,126**	30,541
Investments in associates	20	**1,526**	1,456
Other investments	21	**800**	812
Other non-current assets	22	**5,763**	5,714
Lease prepayments	23	**1,179**	786
Total non-current assets		**104,691**	96,305
Current assets			
Inventories	24	**4,845**	4,531
Accounts and bills receivable, net	25	**3,430**	4,145
Prepaid expenses and other current assets	26	**19,810**	19,229
Restricted bank deposits		**427**	241
Time deposits with original maturity over three months		**6,846**	78
Cash and cash equivalents	27(a)	**62,364**	56,232
Total current assets		**97,722**	84,456
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	29	**2,846**	5,041
Accounts and bills payable	30	**8,179**	5,797
Accrued expenses and other payables	31	**16,493**	13,477
Current portion of long-term payables	32	**275**	264
Income tax payable	28(a)	**2,113**	1,623
Total current liabilities		**29,906**	26,202
Net current assets		**67,816**	58,254
Total assets less current liabilities		**172,507**	154,559
Non-current liabilities			
Long-term borrowings, less current portion	29	**9,899**	12,828
Long-term payables, less current portion	32	**2,113**	2,561
Accrued reclamation obligations	33	**1,032**	1,406
Deferred tax liabilities	28(b)	**466**	147
Total non-current liabilities		**13,510**	16,942
Net assets		**158,997**	137,617
Equity			
Share capital	34	**19,890**	19,890
Reserves		**139,107**	117,727
Total equity		**158,997**	137,617

Approved and authorised for issue by the Board of Directors on 12 March 2010.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 141 to 204 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2009
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital RMB million (Note 34)	Share premium RMB million (Note (i))	Capital reserve RMB million (Note (ii))	Revaluation reserve RMB million (Note (iii))	Exchange reserve RMB million	Statutory reserves RMB million (Note (iv))	Other reserves RMB million	Retained earnings RMB million (Note (iv))	Total RMB million	Minority interests RMB million	Total equity RMB million
At 1 January 2008	19,890	85,001	(6,591)	7,180	–	6,263	(230)	18,275	129,788	20,016	149,804
Total comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	26,641	26,641	3,258	29,899
Other comprehensive income											
– Revaluation surplus arising from business combination achieved in stage (Note (v))	–	–	–	–	–	–	63	–	63	46	109
– Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	(115)	–	–	–	(115)	–	(115)
Total comprehensive income for the year	–	–	–	–	(115)	–	63	26,641	26,589	3,304	29,893
Other movements:											
Dividend declared (Note 14(a))	–	–	–	–	–	–	–	(9,325)	(9,325)	–	(9,325)
Adjustment of profit appropriation for prior years (Note (iv))	–	–	–	–	–	278	–	(278)	–	–	–
Appropriation of profits (Note (iv))	–	–	–	–	–	2,274	–	(2,274)	–	–	–
Appropriation of maintenance and production funds (Note (iv))	–	–	–	–	–	3,368	–	(3,368)	–	–	–
Utilisation of maintenance and production funds (Note (iv))	–	–	–	–	–	(2,119)	–	2,119	–	–	–
Capital contributions from minority shareholders	–	–	–	–	–	–	–	–	–	2,169	2,169
Distributions to minority shareholders	–	–	–	–	–	–	–	–	–	(953)	(953)
Acquisition of minority interests	–	–	–	–	–	–	271	–	271	(271)	–
Realisation of deferred tax	–	–	–	–	–	–	(12)	12	–	–	–
Realisation of revaluation reserve	–	–	–	(20)	–	–	–	20	–	–	–
Others	–	–	–	–	–	–	109	–	109	46	155
Sub-total	–	–	–	(20)	–	3,801	368	(13,094)	(8,945)	991	(7,954)
At 31 December 2008	19,890	85,001	(6,591)	7,160	(115)	10,064	201	31,822	147,432	24,311	171,743

The notes on pages 141 to 204 form part of these financial statements.

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2009
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital RMB million (Note 34)	Share premium RMB million (Note (i))	Capital reserve RMB million (Note (ii))	Revaluation reserve RMB million (Note (iii))	Exchange reserve RMB million	Statutory reserves RMB million (Note (iv))	Other reserves RMB million	Retained earnings RMB million (Note (iv))	Total RMB million	Minority interests RMB million	Total equity RMB million
At 1 January 2009	19,890	85,001	(6,591)	7,160	(115)	10,064	201	31,822	147,432	24,311	171,743
Total comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	31,706	31,706	4,480	36,186
Other comprehensive income											
– Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	725	–	–	–	725	(1)	724
Total comprehensive income for the year	–	–	–	–	725	–	–	31,706	32,431	4,479	36,910
Other movements:											
Dividend declared (Note 14(a))	–	–	–	–	–	–	–	(9,149)	(9,149)	–	(9,149)
Adjustment of profit appropriation for prior years (Note (iv))	–	–	–	–	–	(339)	–	339	–	–	–
Appropriation of profits (Note (iv))	–	–	–	–	–	2,957	–	(2,957)	–	–	–
Appropriation of maintenance and production funds (Note (iv))	–	–	–	–	–	3,124	–	(3,124)	–	–	–
Utilisation of maintenance and production funds (Note (iv))	–	–	–	–	–	(2,148)	–	2,148	–	–	–
Capital contributions from minority shareholders	–	–	–	–	–	–	–	–	–	2,123	2,123
Distributions to minority shareholders	–	–	–	–	–	–	–	–	–	(4,136)	(4,136)
Acquisition of minority interests	–	–	–	–	–	–	(53)	–	(53)	(20)	(73)
Realisation of deferred tax	–	–	–	–	–	–	(24)	24	–	–	–
Realisation of revaluation reserve	–	–	–	(25)	–	–	–	25	–	–	–
Sub-total	–	–	–	(25)	–	3,594	(77)	(12,694)	(9,202)	(2,033)	(11,235)
At 31 December 2009	19,890	85,001	(6,591)	7,135	610	13,658	124	50,834	170,661	26,757	197,418

Notes:

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

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

(iii) As required by the relevant PRC rules and regulations with respect to the Restructuring (as defined in Note 1), the property, plant and equipment of the Group as at 31 December 2003 were revalued by China Enterprise Appraisal Co., Ltd., independent valuers registered in the PRC, on a depreciated replacement cost basis.

The notes on pages 141 to 204 form part of these financial statements.

(iv) Statutory reserves

Statutory surplus reserve

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

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

During the year ended 31 December 2009, the Company transferred RMB2,957 million (2008: RMB2,274 million), being 10% of the net profit for the year as determined in accordance with the China Accounting Standards, to this reserve.

Specific reserve – maintenance and production funds

Pursuant to the relevant PRC regulations for coal mining companies, provision for production maintenance, production safety and other related expenditures are accrued by the Group at fixed rates based on coal production volume (the "maintenance and production funds").

Before December 2008, provision for maintenance and production funds was recognised as expense in profit or loss according to the China Accounting Standards and other relevant regulations in the PRC. According to the China Accounting Standards Explanatory Notice No.2 and other relevant accounting regulations issued in December 2008, effective for the year ended 31 December 2008, the Group was required to make a transfer for the provision of the maintenance and production funds from retained earnings to a specific reserve in the Group's consolidated financial statements prepared in accordance with the China Accounting Standards. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained earnings. As a result of the change in net profits arising from the prior year adjustments made, due to the change in the regulations of maintenance and production funds in accordance with the China Accounting Standards Explanatory Notice No.2, appropriations to statutory surplus reserve for prior years were adjusted by the Group in its 2008 consolidated financial statements prepared in accordance with the China Accounting Standards in December 2008.

According to the China Accounting Standards Explanatory Notice No.3 and other relevant regulations issued in June 2009, effective for the financial periods beginning on or after 1 January 2009, instead of making an appropriation of the maintenance and production funds from retained earnings to the specific reserve, provision for maintenance and production funds is recognised as expense in profit or loss with a corresponding adjustment to the specific reserve. As a result of the change in net profits under the China Accounting Standards arising from the prior year adjustments made, due to the change in the regulations of maintenance and production funds in accordance with the China Accounting Standards Explanatory Notice No.3, appropriations to statutory surplus reserve for prior years were adjusted by the Group in its 2009 consolidated financial statements prepared in accordance with the China Accounting Standards during the year.

The notes on pages 141 to 204 form part of these financial statements.

(iv) Statutory reserves (continued)

Discretionary surplus reserve

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

The directors have not proposed any appropriation to the discretionary surplus reserve in 2009 and 2008.

(v) In February 2008, the Group acquired an additional 60% equity interest in Inner Mongolia Zhunge'er Coal Gangue Power Company Limited ("Zhunge'er Coal Gangue Power") from a third party. Prior to the acquisition, Zhunge'er Coal Gangue Power was an associate of the Group in which the Group held 40% equity interest. The Group's previously owned 40% equity interest in Zhunge'er Coal Gangue Power was revalued at the date of acquisition and the change in fair value of the previously owned interest was recognised in other comprehensive income.

The notes on pages 141 to 204 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	**2009 RMB million**	*2008 RMB million*
Operating activities			
Cash generated from operations	27(b)	**64,557**	51,163
Interest received		**1,117**	816
Interest paid		**(3,874)**	(4,521)
Income tax paid		**(8,455)**	(6,840)
Net cash generated from operating activities		**53,345**	40,618
Investing activities			
Capital expenditure		**(30,229)**	(35,980)
Lease prepayments		**(1,308)**	(566)
Acquisition of a subsidiary	27(c)	**–**	(367)
Purchase of associates		**(78)**	(84)
Purchase of other investments		**–**	(12)
Acquisition of minority interests		**(73)**	–
Proceeds from disposal of other investments		**5**	9
Proceeds from disposal of property, plant and equipment		**141**	90
Dividend received from associates		**351**	343
Dividend received from other investments		**11**	39
Increase in restricted bank deposits		**(675)**	(241)
Decrease in restricted bank deposits		**260**	–
Increase in time deposits with original maturity over three months		**(19,992)**	(201)
Maturity of time deposits with original maturity over three months		**13,321**	37
Net cash used in investing activities		**(38,266)**	(36,933)
Financing activities			
Proceeds from borrowings		**49,255**	41,004
Repayments of borrowings		**(47,140)**	(27,652)
Repayments of bonds		**–**	(1,453)
Contributions from minority shareholders		**1,994**	1,739
Distributions to minority shareholders		**(3,200)**	(2,348)
Dividend paid to equity shareholders of the Company		**(9,149)**	(9,325)
Net cash (used in)/generated from financing activities		**(8,240)**	1,965
Net increase in cash and cash equivalents		**6,839**	5,650
Cash and cash equivalents, at the beginning of the year		**59,054**	53,404
Effect of foreign exchange rate changes		**51**	–
Cash and cash equivalents, at the end of the year		**65,944**	59,054

The notes on pages 141 to 204 form part of these financial statements.

1 Principal activities and organisation

Principal activities

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

Organisation

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

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

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

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

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

2 Significant accounting policies

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries and the Group's interest in associates.

These financial statements are prepared on the historical cost basis as modified by the revaluation of certain property, plant and equipment (see Note 2(h)); and that financial instruments classified as available-for-sale or trading (see Note 2(f)) and derivative financial instruments (see Note 2(g)) are stated at fair value.

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

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

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 41.

(c) Subsidiaries and minority interests

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

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

2 Significant accounting policies (continued)

(c) Subsidiaries and minority interests (continued)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Notes 2(q) or 2(r) depending on the nature of the liability.

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(n)).

(d) Associates

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

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see Notes 2(e) and 2(n)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income are recognised in other comprehensive income in the consolidated statement of comprehensive income.

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

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

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see Note 2(n)).

2 Significant accounting policies (continued)

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(n)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see Note 2(n)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

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

(f) Other investments in debt and equity securities

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

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

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

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

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

2 Significant accounting policies (continued)

(f) Other investments in debt and equity securities (continued)

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

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

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

Property, plant and equipment, which consist of freehold land, buildings, mining structures and mining rights, mining related machinery and equipment, generators and related machinery and equipment, railway and port transportation structures and furniture, fixtures, motor vehicles and other equipment, are initially stated at cost less accumulated depreciation and impairment losses (see Note 2(n)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognised as an expense in profit or loss in the period in which it is incurred.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. All other expenditures, including the costs of removing waste materials and "stripping costs", the cost of repairs and maintenance and major overhaul, are expensed as they are incurred.

2 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Subsequent to the revaluation which was required by the PRC rules and regulations in connection with the Restructuring and which was based on depreciated replacement costs, property, plant and equipment are carried at revalued amount, being the fair value at the date of the revaluation, less subsequent accumulated depreciation and impairment losses (Note 2(n)).

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. When an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued simultaneously. When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated separately in equity in the revaluation reserve. However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense in profit or loss. However, a revaluation decrease is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Revaluations are to be performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from revaluation reserve to retained earnings and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost/revalued amount of item of property, plant and equipment, other than mining structures and mining rights, over their estimated useful lives using the straight line method, after taking into account their estimated residual values. The estimated useful lives of property, plant and equipment are as follows:

	Depreciable life
Buildings	20-50 years
Mining related machinery and equipment	5-18 years
Generators and related machinery and equipment	20-30 years
Railway and port structures	30-45 years
Furniture, fixtures, motor vehicles and other equipment	5-10 years

Freehold land is not depreciated.

Mining structures and mining rights are depreciated on the units-of-production method utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

2 Significant accounting policies (continued)

(i) Lease prepayments

Lease prepayments represent land use rights paid to the relevant PRC governmental authorities for acquiring land held under operating leases. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see Note 2(n)). Amortisation of lease prepayments is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(j) Construction in progress

Construction in progress is stated at cost less impairment losses (see Note 2(n)). Cost comprises direct costs of construction, borrowing costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(y)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(n)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(n)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss from the date they are available for use on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

(l) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure comprises costs which are directly attributable to:

– researching and analysing historical exploration data;

– gathering exploration data through topographical, geochemical and geophysical studies;

– exploratory drilling, trenching and sampling;

– determining and examining the volume and grade of the resource;

– surveying transportation and infrastructure requirements; and

– conducting market and finance studies

2 Significant accounting policies (continued)

(l) Exploration and evaluation expenditure (continued)

Expenditure during the initial exploration stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets. Tangible and intangible exploration and evaluation assets that are available for use are depreciated/amortised over their useful lives. When a project is abandoned, the related irrecoverable costs are written off to profit or loss immediately.

(m) Obligations for land reclamation

The Group's obligations for land reclamation consist of spending estimates at both surface and underground mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(n) Impairment losses

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries: see Note 2(n)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 Significant accounting policies (continued)

(n) Impairment losses (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

If any such evidence exists, any impairment loss is determined and recognised as follows:

– For investments in associates recognised using the equity method (see Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 2(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(n)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

– For available-for-sale securities, the cumulative loss that has been recognised in the fair value reserve is reclassified to profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

  Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised in other comprehensive income.

  Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

2 Significant accounting policies (continued)

(n) Impairment losses (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable, whose recovery is considered doubtful but not remote. In this case, the allowance for doubtful debts is recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– intangible assets;

– investments in subsidiaries and associates;

– other investments;

– other non-current assets; and

– lease prepayments.

If any such indication exists, the asset's recoverable amount is estimated. In addition, the recoverable amount of goodwill is estimated annually whether or not there is any indication of impairment.

– Calculation of recoverable amount

The recoverable amount of an asset is the greater of its fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

2 Significant accounting policies (continued)

(n) Impairment losses (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

An impairment loss is recognised in profit or loss if the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

– Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the year in which the reversals are recognised.

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(n)(i) and 2(n)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sales equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 Significant accounting policies (continued)

(o) Inventories

Coal inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When coal inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescence.

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Note 2(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 Significant accounting policies (continued)

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(v)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(t) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these accounts are stated at their present value.

(ii) Defined contribution retirement plans

The Group's contributions to defined contribution retirement plans administered by the PRC government are recognised as an expense when incurred according to the contribution determined by the plans.

(iii) Share appreciation rights

Share appreciation rights ("SARs") are granted to employees of the Company. The fair value of the amount payable to the employee is recognised as an employee cost with a corresponding increase in liabilities. The fair value initially is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the SARs is measured by using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised in profit or loss.

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 Significant accounting policies (continued)

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

2 Significant accounting policies (continued)

(u) Income tax (continued)

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(v)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 Significant accounting policies (continued)

(v) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenues associated with the sale of coal is recognised when the risks and rewards to the ownership of the goods have been passed to the customer.

(ii) Revenue from sale of power is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies annually.

(iii) Revenue from the rendering of transportation and other services is recognised upon the delivery or performance of the services.

(iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies (continued)

(x) Translation of foreign currencies

The Group's functional and presentation currency is Renminbi ("RMB"). Foreign currency transactions during the year are translated into RMB at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the applicable PBOC rates ruling at the balance sheet date. Foreign exchange differences, other than those capitalised as construction in progress, are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the applicable PBOC rates prevailing on the dates of the transactions. Balance sheet items are translated into RMB at the applicable PBOC rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 Significant accounting policies (continued)

(aa) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Changes in accounting policies

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

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Amendments to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*

The impact of these developments on the financial statements is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has not resulted in significant changes in the presentation of the Group's segment information as segment information has been previously presented on a basis consistent with the internal information reported to the Group's chief operating decision maker.
- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are recognised as part of profit or loss, or otherwise as other comprehensive income, for the year. Entities may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Group has elected to present the components of profit or loss in a single consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures in Note 40(d) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data.

3 Changes in accounting policies (continued)

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries and associates, whether out of pre– or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 44).

4 Revenues

The Group is principally engaged in the production and sale of coal, generation and sale of power and the provision of transportation services in the PRC. Revenues represent the aggregate of the invoiced value of goods sold and services provided, net of sales taxes.

5 Other revenues

	2009 **RMB million**	*2008* *RMB million*
Rendering of transportation and other services	**2,529**	2,389
Sale of ancillary materials and other goods	**238**	453
Others	**770**	326
	3,537	3,168

6 Cost of revenues – others

	2009 **RMB million**	*2008* *RMB million*
Coal selection and minery fees	**3,606**	2,930
Coal extraction service costs	**263**	332
Taxes and surcharges	**1,197**	1,053
Dredging expenses	**233**	208
Relocation compensation expenses	**997**	468
Operating lease charges	**203**	167
Resources compensation fees	**392**	551
Pollutants discharge expenses	**1,064**	298
Cost of sale of ancillary materials and other goods, and provision of other services	**1,379**	1,211
Others	**1,799**	1,459
	11,133	8,677

7 Total operating expenses

	2009 **RMB million**	*2008* *RMB million*
Personnel expenses, including	**8,617**	7,185
– contributions to retirement plans	**1,014**	871
– fair value loss/(gain) on revaluation of share appreciation rights	**63**	(52)
Depreciation and amortisation	**11,422**	9,893
Net loss on disposal of property, plant and equipment	**287**	434
Cost of inventories (Note)	**55,962**	50,662
Auditors' remuneration, including		
– audit services	**43**	42
– other services	**1**	1
Operating lease charges on properties	**287**	264
Allowance for accounts receivable and other receivables and write down of inventories	**150**	638
Impairment losses on property, plant and equipment	**396**	447
Impairment losses on other investments	**1**	204

Note:

Cost of inventories includes RMB10,831 million (2008: RMB10,301 million) for the year ended 31 December 2009, relating to personnel expenses, depreciation and amortisation, operating lease charges and write down of inventories which amounts are also included in the respective amounts disclosed separately above for each of these types of expenses.

8 Finance income/(expenses)

	2009 **RMB million**	*2008* *RMB million*
Interest income	**1,117**	816
Foreign exchange gain, net	**169**	–
Gain on remeasurement of derivative financial instruments at fair value	**–**	472
Finance income	**1,286**	1,288
Interest on loans from banks and other financial institutions, and other borrowings	**(4,087)**	(4,830)
Less: Interest expense capitalised*	**941**	1,044
Net interest expense	**(3,146)**	(3,786)
Foreign exchange loss, net	**–**	(895)
Loss on remeasurement of derivative financial instruments at fair value	**(178)**	–
Finance expenses	**(3,324)**	(4,681)
Net finance costs	**(2,038)**	(3,393)
* Interest expense was capitalised in construction in progress at the following rates per annum	**L+2.80%; 3.60%-7.18%**	3.69%-7.83%

Interest rates comprise fixed rates and floating rates based on the London Interbank Offered Rate ("LIBOR"/"L").

9 Income tax

	2009 **RMB million**	*2008* *RMB million*
Provision for PRC income tax (Note 28(a))	**9,257**	6,769
Deferred taxation (Note 28(b))	**369**	307
	9,626	7,076

A reconciliation of the expected tax expense with the actual tax expense is as follows:

	2009 **RMB million**	*2008* *RMB million*
Profit before income tax	**45,812**	36,975
Expected PRC income tax expense at a statutory tax rate of 25% (2008: 25%) (Note (i))	**11,453**	9,244
Tax effect of differential tax rate on branches and subsidiaries' income (Note (i))	**(2,411)**	(2,586)
Tax effect of non-deductible expenses (Note (ii))	**423**	512
Tax effect in respect of share of profits less losses of associates	**(183)**	(166)
Tax effect of tax losses not recognised	**67**	32
Others	**277**	40
Actual tax expense	**9,626**	7,076

Notes:

(i) The provision for PRC current income tax is based on a statutory rate of 25% (2008: 25%) of the assessable profit of the entities comprising the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain branches and subsidiaries of the Company, which are exempted or taxed at preferential rates.

Pursuant to the grandfathering arrangement under the Corporate Income Tax Law of the PRC and the relevant documents issued by the state tax bureau of the PRC, the Group's branches and subsidiaries with operations in the western developing region of the PRC are entitled to preferential tax rate of 15% until 2010, whereas the Group's other subsidiaries which are entitled to preferential tax rates would be subject to a transitional tax rate beginning in year 2008. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 and after, respectively.

The applicable tax rates of the subsidiaries established in Australia and Indonesia are 30% (2008: 30%) and 28% (2008: 30%) respectively. No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during the current and prior years.

(ii) Non-deductible expenses mainly represent personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purposes.

10 Directors' and supervisors' emoluments

Details of directors' and supervisors' emoluments are set out below:

	2009					
	Fees RMB million	Basic salaries, housing and other allowances and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million	Share appreciation rights (Note) RMB million
Executive directors						
Zhang Xiwu	–	–	–	–	–	2.81
Ling Wen	–	0.39	0.40	0.11	0.90	2.21
Non-executive directors						
Zhang Yuzhuo	–	–	–	–	–	3.88
Han Jianguo	–	–	–	–	–	2.14
Independent non-executive directors						
Huang Yicheng	0.45	–	–	–	0.45	–
Anthony Francis Neoh	0.45	–	–	–	0.45	–
Chen Xiaoyue	0.45	–	–	–	0.45	–
Gong Huazhang	0.26	–	–	–	0.26	–
Supervisors						
Xu Zufa	–	–	–	–	–	2.44
Wu Gaoqian	–	0.35	0.27	0.08	0.70	–
Li Jianshe	–	0.35	0.16	0.05	0.56	–
	1.61	1.09	0.83	0.24	3.77	13.48

	2008					
	Fees RMB million	Basic salaries, housing and other allowances and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million	Share appreciation rights (Note) RMB million
Executive directors						
Chen Biting (resigned on 30 December 2008)	–	–	–	–	–	(7.23)
Zhang Xiwu	–	–	–	–	–	(3.22)
Ling Wen	–	0.39	0.35	0.10	0.84	(2.11)
Non-executive directors						
Zhang Yuzhuo	–	–	–	–	–	(4.03)
Han Jianguo	–	–	–	–	–	(2.13)
Yun Gongmin (resigned on 29 August 2008)	–	–	–	–	–	0.11
Independent non-executive directors						
Huang Yicheng	0.45	–	–	–	0.45	–
Anthony Francis Neoh	0.45	–	–	–	0.45	–
Chen Xiaoyue	0.45	–	–	–	0.45	–
Supervisors						
Xu Zufa	–	–	–	–	–	(2.61)
Wu Gaoqian	–	0.26	0.29	0.07	0.62	–
Li Jianshe	–	0.26	0.14	0.05	0.45	–
	1.35	0.91	0.78	0.22	3.26	(21.22)

10 Directors' and supervisors' emoluments (continued)

Note: These represent the change in the fair value of the share appreciation rights granted to the directors and supervisors under the Company's share appreciation rights scheme. The value of these share appreciation rights is measured according to the Company's accounting policy for share appreciation rights as set out in Note 2(t)(iii).

The details of these benefits, including the principal terms and number of share appreciation rights granted, are disclosed in Note 37.

11 Individuals with highest emoluments

Of the five highest paid individuals of the Group, none are directors of the Company for the years ended 31 December 2009 and 2008 whose emoluments are included in Note 10 above.

The following table sets out the emoluments of the Group's five highest paid individuals for the years ended 31 December 2009 and 2008 who are not director nor supervisor of the Company:

	2009 **RMB million**	*2008* *RMB million*
Basic salaries, housing and other allowances and benefits in kind	**1.77**	1.80
Discretionary bonuses	**2.55**	2.25
Retirement scheme contributions	**0.49**	0.44
	4.81	4.49
Share appreciation rights	**9.88**	(10.30)

The emoluments of these individuals are within the following band:

	Number of individual **2009**	*2008*
HKD500,001 to HKD1,000,000	**–**	5
HKD1,000,001 to HKD2,000,000	**5**	–
	5	5

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB24,444 million (2008: RMB20,331 million) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2009 **RMB million**	*2008* *RMB million*
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**24,444**	20,331
Dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved and paid during the year	**6,085**	2,474
	30,529	22,805

13 Other comprehensive income

The components of other comprehensive income do not have any significant tax effect for the years ended 31 December 2009 and 2008.

14 Dividends

(a) Dividends approved during the year

	2009 **RMB million**	*2008* *RMB million*
Special dividend to the Company's domestic state-owned share and H share shareholders, resolved and paid during the year	**–**	5,745
Final dividend in respect of the previous financial year, declared and paid during the year	**9,149**	3,580
	9,149	9,325

(i) Special dividends

Pursuant to the approval by the shareholders at the extraordinary general meeting of the Company held on 24 August 2007, as part of the arrangement of the issue of A shares, it was resolved that the Company's domestic state-owned share and H share shareholders would be entitled to receive a distribution from the entire distributable reserves of the Group as at 30 June 2007 amounting to RMB22,544 million. The amount of such distributable reserves is the lower of the amount determined in accordance with the China Accounting Standards and the amount determined in accordance with IFRSs after the appropriation of reserves. The directors duly authorised by the shareholders declared special dividends of RMB16,799 million and RMB5,745 million to the Company's domestic state-owned share and H share shareholders on 25 October 2007 and 15 March 2008, respectively.

(ii) Final dividend

A final dividend of RMB0.46 per share totalling RMB9,149 million in respect of the year ended 31 December 2008 was approved at the annual general meeting held on 5 June 2009 and was subsequently paid on 30 June 2009.

Pursuant to the shareholders' approval at the annual general meeting held on 16 May 2008, a final dividend of RMB0.18 per share totalling RMB3,580 million in respect of the year ended 31 December 2007 was paid on 10 June 2008.

14 Dividends (continued)

(b) Dividends proposed after the balance sheet date

	2009 **RMB million**	*2008* *RMB million*
Final dividend proposed of RMB0.53 (2008: RMB0.46) per ordinary share to the equity shareholders of the Company	**10,541**	9,149

On 12 March 2010, the directors proposed a final dividend of RMB0.53 per share totalling RMB10,541 million to the equity shareholders of the Company for the shareholders' approval at the forthcoming annual general meeting.

The final dividend resolved and proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

15 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2009 was based on the profit attributable to equity shareholders of the Company for the year of RMB31,706 million (2008: RMB26,641 million) and the number of shares in issue during the year ended 31 December 2009 of 19,890 million shares (2008: 19,890 million shares).

The amount of diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during both the current and prior years.

16 Property, plant and equipment, net

The Group

	Land and buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators and related machinery and equipment RMB million	Railway and port structures RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Cost/valuation:							
At 1 January 2008	16,737	17,684	23,925	56,601	48,637	4,700	168,284
Additions	692	2,387	737	42	721	466	5,045
Acquisition of a subsidiary	29	–	–	1,071	–	55	1,155
Transferred from construction in progress	2,313	992	8,441	3,604	2,084	1,286	18,720
Disposals	(151)	(33)	(644)	(104)	(407)	(142)	(1,481)
At 31 December 2008	19,620	21,030	32,459	61,214	51,035	6,365	191,723
Representing:							
Cost	11,862	14,448	25,627	39,270	20,945	4,556	116,708
Valuation – 2003 (Note (ii))	7,758	6,582	6,832	21,944	30,090	1,809	75,015
	19,620	21,030	32,459	61,214	51,035	6,365	191,723
Accumulated depreciation and impairment losses:							
At 1 January 2008	3,966	1,779	6,953	11,628	10,605	2,294	37,225
Charge for the year	838	555	2,498	2,923	2,289	652	9,755
Impairment losses (Note (vi))	1	–	113	331	–	2	447
Written back on disposals	(69)	(11)	(465)	(59)	(245)	(108)	(957)
At 31 December 2008	4,736	2,323	9,099	14,823	12,649	2,840	46,470
Net book value:							
At 31 December 2008	14,884	18,707	23,360	46,391	38,386	3,525	145,253
Cost/valuation:							
At 1 January 2009	**19,620**	**21,030**	**32,459**	**61,214**	**51,035**	**6,365**	**191,723**
Exchange adjustment	**46**	**–**	**–**	**–**	**–**	**–**	**46**
Additions	**530**	**576**	**661**	**81**	**691**	**666**	**3,205**
Transferred from construction in progress	**4,054**	**371**	**5,088**	**14,977**	**2,690**	**575**	**27,755**
Disposals	**(226)**	**(63)**	**(224)**	**(395)**	**(119)**	**(230)**	**(1,257)**
Reduction (Note (vii))	**–**	**(538)**	**–**	**–**	**–**	**–**	**(538)**
At 31 December 2009	**24,024**	**21,376**	**37,984**	**75,877**	**54,297**	**7,376**	**220,934**
Representing:							
Cost	**16,492**	**14,857**	**31,376**	**54,328**	**24,326**	**5,797**	**147,176**
Valuation – 2003 (Note (ii))	**7,532**	**6,519**	**6,608**	**21,549**	**29,971**	**1,579**	**73,758**
	24,024	**21,376**	**37,984**	**75,877**	**54,297**	**7,376**	**220,934**
Accumulated depreciation and impairment losses:							
At 1 January 2009	**4,736**	**2,323**	**9,099**	**14,823**	**12,649**	**2,840**	**46,470**
Charge for the year	**956**	**734**	**3,260**	**3,299**	**2,347**	**656**	**11,252**
Impairment losses (Note (vi))	**70**	**–**	**185**	**122**	**–**	**19**	**396**
Written back on disposals	**(154)**	**(11)**	**(121)**	**(294)**	**(66)**	**(183)**	**(829)**
At 31 December 2009	**5,608**	**3,046**	**12,423**	**17,950**	**14,930**	**3,332**	**57,289**
Net book value:							
At 31 December 2009	**18,416**	**18,330**	**25,561**	**57,927**	**39,367**	**4,044**	**163,645**

16 Property, plant and equipment, net (continued)

The Company

	Buildings *RMB million*	**Mining structures and mining rights** *RMB million*	**Mining related machinery and equipment** *RMB million*	**Railway and port structures** *RMB million*	**Furniture, fixtures, motor vehicles and other equipment** *RMB million*	**Total** *RMB million*
Cost/valuation:						
At 1 January 2008	2,964	13,787	18,305	13,097	1,237	49,390
Additions	648	2,344	598	337	417	4,344
Transferred from construction in progress	1,142	621	7,941	485	744	10,933
Disposals	(70)	(33)	(542)	(208)	(52)	(905)
At 31 December 2008	4,684	16,719	26,302	13,711	2,346	63,762
Representing:						
Cost	3,068	11,213	22,598	4,982	2,033	43,894
Valuation – 2003 (Note (ii))	1,616	5,506	3,704	8,729	313	19,868
	4,684	16,719	26,302	13,711	2,346	63,762
Accumulated depreciation and impairment losses:						
At 1 January 2008	579	1,612	4,514	3,887	551	11,143
Charge for the year	151	504	2,208	764	266	3,893
Impairment losses (Note (vi))	–	–	113	–	–	113
Written back on disposals	(12)	(11)	(416)	(125)	(39)	(603)
At 31 December 2008	718	2,105	6,419	4,526	778	14,546
Net book value:						
At 31 December 2008	3,966	14,614	19,883	9,185	1,568	49,216
Cost/valuation:						
At 1 January 2009	**4,684**	**16,719**	**26,302**	**13,711**	**2,346**	**63,762**
Additions	**242**	**551**	**532**	**31**	**455**	**1,811**
Transferred from construction in progress	**1,916**	**332**	**4,694**	**957**	**168**	**8,067**
Disposals	**(52)**	**(63)**	**(219)**	**(2)**	**(83)**	**(419)**
Reduction (Note (vii))	**–**	**(527)**	**–**	**–**	**–**	**(527)**
At 31 December 2009	**6,790**	**17,012**	**31,309**	**14,697**	**2,886**	**72,694**
Representing:						
Cost	**5,226**	**11,569**	**27,824**	**5,970**	**2,656**	**53,245**
Valuation – 2003 (Note (ii))	**1,564**	**5,443**	**3,485**	**8,727**	**230**	**19,449**
	6,790	**17,012**	**31,309**	**14,697**	**2,886**	**72,694**
Accumulated depreciation and impairment losses:						
At 1 January 2009	**718**	**2,105**	**6,419**	**4,526**	**778**	**14,546**
Charge for the year	**205**	**657**	**3,003**	**735**	**315**	**4,915**
Impairment losses (Note (vi))	**–**	**–**	**185**	**–**	**–**	**185**
Written back on disposals	**(9)**	**(11)**	**(118)**	**(2)**	**(55)**	**(195)**
At 31 December 2009	**914**	**2,751**	**9,489**	**5,259**	**1,038**	**19,451**
Net book value:						
At 31 December 2009	**5,876**	**14,261**	**21,820**	**9,438**	**1,848**	**53,243**

16 Property, plant and equipment, net (continued)

Notes:

(i) The Group's freehold land with a carrying amount of RMB285 million at 31 December 2009 (2008: Nil) is located in Australia. The Group's other property, plant and equipment are mainly located in the PRC.

(ii) As required by the relevant PRC rules and regulations with respect to the Restructuring, the property, plant and equipment of the Group as at 31 December 2003 were revalued for each asset class by China Enterprise Appraisal Co., Ltd. (the "PRC valuers"), independent valuers registered in the PRC, on a depreciated replacement cost basis. The value of property, plant and equipment was determined at RMB66,832 million. The net surplus on the revaluation of RMB8,260 million was recognised in the balance sheet as at 31 December 2003.

The Group's properties were also valued separately by American Appraisal China Limited, independent qualified valuers in Hong Kong, on a depreciated replacement cost basis, as at 15 March 2005. The value arrived at by these valuers is approximately the same as that arrived at by the PRC valuers as adjusted for the depreciation for the period from 1 January 2004 to 15 March 2005.

(iii) At 31 December 2009, the carrying amount of such revalued property, plant and equipment approximated the historical carrying amount of such assets had they been stated at cost less accumulated depreciation and impairment losses.

(iv) The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB2,256 million as at 31 December 2009 (2008: RMB1,080 million), of which RMB1,580 million related to newly acquired or constructed properties in 2009. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

(v) Certain power plants and mines of the Group were in the process of obtaining requisite permits from the relevant government authorities at 31 December 2009. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

(vi) Certain property, plant and equipment which were obsolete, damaged or that could not generate future economic benefits were provided against for impairment for the years ended 31 December 2009 and 2008 respectively.

(vii) Reduction of mining structures during the year mainly represents the reduction of accrued reclamation obligations as a result of reassessment of estimated costs.

17 Construction in progress

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
At the beginning of the year	**33,017**	22,358	**7,478**	9,134
Additions	**27,783**	29,328	**8,425**	9,277
Acquisition of a subsidiary	**–**	51	**–**	–
Transferred to property, plant and equipment	**(27,755)**	(18,720)	**(8,067)**	(10,933)
At the end of the year	**33,045**	33,017	**7,836**	7,478

The construction in progress as at 31 December 2009 is mainly related to power plants and mining related machinery and equipment.

Certain power plants were in the process of obtaining requisite permits from the relevant government authorities at 31 December 2009. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

18 Intangible assets

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Exploration rights	**2,084**	1,304	**–**	–
Railway route access	**301**	584	**128**	205
Others	**543**	547	**90**	97
	2,928	2,435	**218**	302

19 Investments in subsidiaries

	The Company	
	2009	*2008*
	RMB million	*RMB million*
Unlisted shares, at cost	**34,126**	30,541

(Expressed in Renminbi)

19 Investments in subsidiaries (continued)

The Company's subsidiaries are unlisted. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name of the Company	*Place of incorporation and operation*	*Type of legal entity*	*Particulars of registered capital*	*% held by the Company*	*Principal activities*
Shenhua Zhunge'er Energy Co., Ltd.	PRC	Limited company	RMB7,102 million	58%	Coal mining and development; generation and sale of electricity
Shaanxi Guohua Jinjie Energy Co., Ltd.	PRC	Limited company	RMB2,278 million	70%	Generation and sale of electricity; coal mining and development
Shenhua Guohua International Power Co., Ltd.	PRC	Limited company	RMB4,010 million	70%	Generation and sale of electricity
Zhejiang Guohua Zheneng Power Generation Co., Ltd.	PRC	Limited company	RMB3,036 million	60%	Generation and sale of electricity
Guangdong Guohua Yuedian Taishan Power Co., Ltd.	PRC	Limited company	RMB2,700 million	80%	Generation and sale of electricity
Suizhong Power Co., Ltd. (Note (i))	PRC	Limited company	RMB2,625 million	15%	Generation and sale of electricity
Shenhua Shendong Power Co., Ltd.	PRC	Limited company	RMB2,000 million	100%	Generation and sale of electricity
Hebei Guohua Cangdong Power Co., Ltd.	PRC	Limited company	RMB1,725 million	51%	Generation and sale of electricity
Sanhe Power Co., Ltd. (Note (ii))	PRC	Limited company	RMB1,333 million	–	Generation and sale of electricity
Hebei Guohua Dingzhou Power Generation Co., Ltd. (Note (iii))	PRC	Limited company	RMB1,508 million	41%	Generation and sale of electricity
Shuohuang Railway Development Co., Ltd.	PRC	Limited company	RMB5,880 million	53%	Provision of transportation services
Shenhua Baoshen Railway Co., Ltd.	PRC	Limited company	RMB1,004 million	88%	Provision of transportation services
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	Limited company	RMB3,253 million	70%	Provision of harbour and port services
Shenhua Shendong Coal Group Co., Ltd. (formerly Shenhua Shenfu Dongsheng Coal Co., Ltd.)	PRC	Limited company	RMB215 million	100%	Provision of integrated services
Shenhua Australia Holding Pty Ltd.	Australia	Limited company	AUD400 million	100%	Coal mining and development; generation and sale of electricity
Shenhua Watermark Coal Pty Ltd. (Note (iv))	Australia	Limited company	AUD350 million	–	Coal mining and development; generation and sale of electricity
PT GH EMM Indonesia	Indonesia	Limited company	USD63 million	70%	Coal mining and development; generation and sale of electricity

19 Investments in subsidiaries (continued)

Notes:

(i) In addition to 15% equity interest held by the Company, the Company's subsidiary owned 50% equity interest in Suizhong Power Co., Ltd.

(ii) The Company's subsidiary owned 55% equity interest in Sanhe Power Co., Ltd.

(iii) The shareholders of Hebei Guohua Dingzhou Power Generation Co., Ltd. ("Dingzhou Power") offered the Company for the right on appointment of the majority of the board of directors, which made the Company to obtain the control over Dingzhou Power through contractual agreement.

(iv) The Company's subsidiary owned 100% equity interest in Shenhua Watermark Coal Pty Ltd.

20 Interest in associates

	The Group		***The Company***	
	2009 ***RMB million***	*2008* *RMB million*	***2009*** ***RMB million***	*2008* *RMB million*
Unlisted shares, at cost	**–**	–	**1,526**	1,456
Share of net assets	**3,503**	3,045	**–**	–
	3,503	3,045	**1,526**	1,456

The Group's interests in associates are individually and in aggregate not material to the Group's financial condition or results of operations for the year. The Group's associates are unlisted and established in the PRC. The following list contains only the particulars of associates, which principally affected the results or assets of the Group:

Name of the Company	*Type of legal entity*	*Particulars of registered capital*	*% held by the Company*	*Principal activities*
Shendong Tianlong Group Co., Ltd. (Note (i))	Limited company	RMB272 million	–	Coal production
Zhejiang Zheneng Jiahua Power Co., Ltd.	Limited company	RMB2,425 million	20%	Generation and sale of electricity
Inner Mongolia Jingda Power Co., Ltd.	Limited company	RMB472 million	30%	Generation and sale of electricity
Inner Mongolia Menghua Haibowan Power Co., Ltd.	Limited company	RMB280 million	40%	Generation and sale of electricity
Zhuhai New Century Shipping Ltd.	Limited company	RMB682 million	50%	Provision of transportation services
Tianjin Yuanhua Shipping Co., Ltd.	Limited company	RMB360 million	44%	Provision of transportation services
Shenhua Finance Co., Ltd. ("Shenhua Finance") (Note (ii))	Limited company	RMB700 million	21%	Provision of financial services
Inner Mongolia Yili Chemical Industry Co., Ltd. (Note (iii))	Limited company	RMB1,139 million	–	Production and sale of chemicals

20 Interest in associates (continued)

Notes:

(i) The Company's subsidiary owned 21% equity interest in Shendong Tianlong Group Co., Ltd.

(ii) In addition to 21% equity interest held by the Company, the Company's subsidiary owned 19% equity interest in Shenhua Finance.

(iii) The Company's subsidiary owned 25% equity interest in Inner Mongolia Yili Chemical Industry Co., Ltd.

21 Other investments

Other investments comprise unlisted equity securities and certain subsidiaries which are individually and in aggregate not material to the Group's financial position and results of operations for the year. As there is no quoted market price in an active market for these investments, they are stated at cost less impairment losses.

22 Other non-current assets

	The Group		***The Company***	
	2009	*2008*	***2009***	*2008*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Prepayments in connection with construction work, equipment purchases and others	**3,206**	3,143	**1,987**	1,957
Prepayment for mining projects	**3,500**	2,500	**2,500**	2,500
Long-term entrusted loans	**729**	730	**1,276**	1,257
	7,435	6,373	**5,763**	5,714

At 31 December 2009, the Group had prepayments to an affiliate of Shenhua Group and an associate of the Group amounting to RMB8 million (2008: RMB11 million) and RMB6 million (2008: RMB2 million) respectively. At 31 December 2009, the Company had prepayments to an associate amounting to RMB6 million (2008: RMB2 million).

The Group had long-term entrusted loans to an associate through a PRC state-owned bank. The loans bear interest at rates ranging from 5.76% to 5.94% per annum (2008: 7.74% to 8.32% per annum) and are receivable within three years.

The Company had long-term entrusted loans to subsidiaries through PRC state-owned banks. The loans bear interest at rates ranging from 4.59% to 5.43% per annum (2008: 5.10% to 6.43% per annum) and are receivable within two to five years.

23 Lease prepayments

Lease prepayments represent land use rights paid to the PRC's governmental authorities. The Group was in the process of applying for the title certificates of certain land use rights with an aggregate carrying amount of RMB818 million as at 31 December 2009 (2008: RMB1,091 million), of which RMB407 million were newly acquired in 2009. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

Lease prepayments of the Group and the Company are with medium-term leases, which their remaining unexpired term as at 31 December 2009 is less than 50 years but more than 10 years.

24 Inventories

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Coal	**1,872**	1,621	**1,998**	1,344
Materials and supplies	**5,143**	5,220	**2,847**	3,187
Others (Note)	**712**	1,001	**–**	–
	7,727	7,842	**4,845**	4,531

Note: Others mainly represent properties under development.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2009	*2008*
	RMB million	*RMB million*
Carrying amount of inventories sold	**55,810**	50,157
Write down of inventories	**152**	505
	55,962	50,662

25 Accounts and bills receivable, net

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Accounts receivable				
Shenhua Group and its affiliates	**85**	200	**85**	148
Subsidiaries	**–**	–	**558**	535
Associates	**6**	2	**–**	–
Third parties	**7,535**	7,380	**1,868**	2,977
	7,626	7,582	**2,511**	3,660
Allowance for doubtful debts	**(55)**	(57)	**(3)**	(3)
	7,571	7,525	**2,508**	3,657
Bills receivable	**1,210**	711	**922**	488
	8,781	8,236	**3,430**	4,145

Accounts and bills receivable are expected to be recovered within one year.

Credit of up to 60 days is granted to customers with established trading history, otherwise sales on cash terms are required.

25 Accounts and bills receivable, net (continued)

The following is the ageing analysis of accounts and bills receivable, net of allowance for doubtful debts:

	The Group		***The Company***	
	2009	*2008*	***2009***	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Current	**8,767**	8,131	**3,430**	4,046
Less than one year past due	**14**	105	**–**	99
	8,781	8,236	**3,430**	4,145

The movement of allowance for doubtful debts was as follows:

	The Group		***The Company***	
	2009	*2008*	***2009***	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
At the beginning of the year	**57**	104	**3**	3
Impairment loss recognised	**1**	38	**–**	1
Impairment loss written back	**(3)**	(2)	**–**	(1)
Uncollectible amounts written off	**–**	(83)	**–**	–
At the end of the year	**55**	57	**3**	3

The ageing analysis of accounts and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		***The Company***	
	2009	*2008*	***2009***	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Neither past due nor impaired	**8,767**	8,131	**3,430**	4,046
Less than one year past due	**14**	105	**–**	99
	8,781	8,236	**3,430**	4,145

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Included in accounts and bills receivable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		***The Company***	
	2009	*2008*	***2009***	*2008*
	million	*million*	***million***	*million*
United States Dollars	**USD108**	USD317	**USD108**	USD317

for the year ended 31 December 2009
(Expressed in Renminbi)

26 Prepaid expenses and other current assets

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB million	RMB million	**RMB million**	RMB million
Fair value of derivative financial instruments	**331**	509	**331**	509
Prepaid expenses and deposits	**1,593**	1,338	**721**	589
Amounts due from Shenhua Group and its affiliates	**201**	70	**196**	30
Amounts due from subsidiaries	**–**	–	**18,387**	17,895
Amounts due from associates	**71**	49	**15**	13
Advances to staff	**46**	86	**23**	32
Other receivables	**242**	285	**137**	161
	2,484	2,337	**19,810**	19,229

In the Company's balance sheet, the balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

27 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

Cash and cash equivalents in the balance sheet and the consolidated statement of cash flows comprise cash at bank and in hand, and time deposits with original maturity within three months.

At 31 December 2009, the Group and the Company had placed deposits with an associate amounting to RMB629 million (2008: RMB385 million) and RMB457 million (2008: RMB216 million) respectively.

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2009	2008	**2009**	2008
	million	million	**million**	million
United States Dollars	**USD37**	USD69	–	–
Hong Kong Dollars	**HKD72**	HKD73	**HKD68**	HKD69
Australian Dollars	**AUD38**	AUD25	**–**	–
Indonesian Rupiah	**IDR90,435**	IDR25,850	**–**	–

27 Cash and cash equivalents (continued)

(b) Reconciliation of profit before income tax to cash generated from operations:

	2009 RMB million	*2008 RMB million*
Profit before income tax	**45,812**	36,975
Adjustments for:		
Depreciation and amortisation	**11,422**	9,893
Impairment losses on property, plant and equipment	**396**	447
Impairment losses on other investments	**1**	204
Net loss on disposal of property, plant and equipment	**287**	434
Investment income	**(11)**	(39)
Interest income	**(1,117)**	(816)
Share of profits less losses of associates	**(731)**	(654)
Net interest expense	**3,146**	3,786
Loss/(gain) on remeasurement of derivative financial instruments to fair value	**178**	(472)
Unrealised foreign exchange (gain)/loss	**(190)**	843
	59,193	50,601
Increase in accounts and bills receivable	**(545)**	(1,561)
Decrease/(increase) in inventories	**115**	(871)
(Increase)/decrease in prepaid expenses and other assets	**(208)**	730
Increase in accounts and bills payable	**1,470**	304
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**4,532**	1,960
Cash generated from operations	**64,557**	51,163

(c) Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary

On 29 February 2008, the Group acquired an additional 60% equity interest in Zhunge'er Coal Gangue Power at a cash consideration of RMB400 million. Prior to the acquisition, Zhunge'er Coal Gangue Power was an associate of the Group in which the Group held 40% equity interest.

Details of fair values of identifiable assets and liabilities of Zhunge'er Coal Gangue Power as at 29 February 2008 were as follows:

	RMB million
Other non-current assets	1,525
Cash and cash equivalents	33
Other current assets	84
Current liabilities	(441)
Non-current liabilities	(534)
Net assets	667

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	RMB million
Cash consideration	400
Cash and cash equivalents acquired	(33)
Net outflow of cash and cash equivalents	367

27 Cash and cash equivalents (continued)

(d) Major non-cash transactions

During the year ended 31 December 2009, a minority shareholder of the Company's subsidiary injected an exploration right of RMB129 million to that subsidiary with a corresponding increase in the minority interests of the Group.

During the year ended 31 December 2008, a payable to minority shareholder of RMB430 million was capitalised as a subsidiary's paid-in capital and, accordingly, the Group's minority interests were increased by the same amount.

28 Income tax in the balance sheet

(a) Current taxation in the balance sheet

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Provision for PRC income tax for the year (Note 9)	**9,257**	6,769	**5,437**	4,209
Provisional income tax paid	**(6,328)**	(4,642)	**(3,324)**	(2,586)
	2,929	2,127	**2,113**	1,623

(b) Deferred tax assets and liabilities

(i) The Group

	At 1 January 2009 RMB million	Recognised in profit or loss RMB million	At 31 December 2009 RMB million
Allowances, primarily for receivables and inventories	**98**	**9**	**107**
Property, plant and equipment	**(165)**	**63**	**(102)**
Lease prepayments	**644**	**(34)**	**610**
Tax losses carried forward, net of valuation allowances	**66**	**1**	**67**
Tax allowable expenses not yet incurred	**(748)**	**(430)**	**(1,178)**
Unrealised profits from sales within the Group	**74**	**(17)**	**57**
Accrued salaries and other expenses not yet paid	**218**	**(21)**	**197**
Pre-operating expenses written off	**58**	**(15)**	**43**
Others	**(38)**	**75**	**37**
Net deferred tax assets/(liabilities)	**207**	**(369)**	**(162)**

28 Income tax in the balance sheet (continued)

(b) Deferred tax assets and liabilities (continued)

(i) The Group (continued)

	At 1 January 2008 RMB million	*Recognised in profit or loss RMB million*	*At 31 December 2008 RMB million*
Allowances, primarily for receivables and inventories	69	29	98
Property, plant and equipment	(163)	(2)	(165)
Lease prepayments	655	(11)	644
Tax losses carried forward, net of valuation allowances	29	37	66
Tax allowable expenses not yet incurred	(508)	(240)	(748)
Unrealised profits from sales within the Group	113	(39)	74
Accrued salaries and other expenses not yet paid	194	24	218
Pre-operating expenses written off	47	11	58
Others	78	(116)	(38)
Net deferred tax assets/(liabilities)	514	(307)	207

(ii) The Company

	At 1 January 2009 RMB million	***Recognised in profit or loss RMB million***	***At 31 December 2009 RMB million***
Allowances, primarily for receivables and inventories	**55**	**(10)**	**45**
Property, plant and equipment	**(36)**	**53**	**17**
Lease prepayments	**423**	**(19)**	**404**
Tax allowable expenses not yet incurred	**(623)**	**(400)**	**(1,023)**
Accrued salaries and other expenses not yet paid	**146**	**(6)**	**140**
Others	**(112)**	**63**	**(49)**
Net deferred tax liabilities	**(147)**	**(319)**	**(466)**

	At 1 January 2008 RMB million	*Recognised in profit or loss RMB million*	*At 31 December 2008 RMB million*
Allowances, primarily for receivables and inventories	44	11	55
Property, plant and equipment	(22)	(14)	(36)
Lease prepayments	441	(18)	423
Tax allowable expenses not yet incurred	(426)	(197)	(623)
Unrealised profits from sales within the Company	46	(46)	–
Accrued salaries and other expenses not yet paid	115	31	146
Others	–	(112)	(112)
Net deferred tax assets/(liabilities)	198	(345)	(147)

28 Income tax in the balance sheet (continued)

(b) Deferred tax assets and liabilities (continued)

(iii) Reconciliation to the balance sheet

	The Group		***The Company***	
	2009	*2008*	***2009***	*2008*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Net deferred tax assets recognised on the balance sheet	**655**	669	**–**	–
Net deferred tax liabilities recognised on the balance sheet	**(817)**	(462)	**(466)**	(147)
	(162)	207	**(466)**	(147)

29 Borrowings

The Group's and the Company's short-term borrowings comprise:

	The Group		***The Company***	
	2009	*2008*	***2009***	*2008*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Borrowings from banks and other financial institutions	**16,147**	13,119	**650**	4,100
Current portion of long-term borrowings	**6,105**	5,094	**2,196**	941
	22,252	18,213	**2,846**	5,041

The Group's and the Company's short-term borrowings bear interest at rates ranging from 4.08% to 4.86% per annum (2008: 4.37% to 7.47% per annum) and 4.78% per annum (2008: 6.72% to 6.87% per annum) respectively.

The Group's and the Company's long-term borrowings comprise:

		The Group		***The Company***	
		2009	*2008*	***2009***	*2008*
		RMB million	*RMB million*	***RMB million***	*RMB million*
Loans from banks and other financial institutions *					
Renminbi denominated	Interest rates ranging from 3.60% to 5.94% per annum with maturities through 31 December 2027	**54,136**	55,156	**6,830**	8,080
United States Dollars denominated	Interest rate ranging from L+1.00% to L+2.80% per annum with maturities through 22 June 2023	**635**	294	**–**	–
Japanese Yen denominated	Interest rates ranging from 1.80% to 2.60% per annum with maturities through 20 March 2031	**5,265**	5,689	**5,265**	5,689
		60,036	61,139	**12,095**	13,769
Less: current portion of long-term borrowings		**(6,105)**	(5,094)	**(2,196)**	(941)
		53,931	56,045	**9,899**	12,828

29 Borrowings (continued)

* At 31 December 2009 and 2008, both the Group and the Company had an entrusted loan from Shenhua Group amounting to RMB1,000 million.

At 31 December 2009 and 2008, the Group had an entrusted loan from Shenhua Finance amounting to RMB1,147 million.

The above borrowings are unsecured.

The long-term borrowings were repayable as follows:

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Within one year	**6,105**	5,094	**2,196**	941
After one year but within two years	**10,354**	9,379	**1,042**	2,211
After two years but within five years	**18,926**	21,047	**4,262**	4,396
After five years	**24,651**	25,619	**4,595**	6,221
	60,036	61,139	**12,095**	13,769

Included in borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	million	*million*	**million**	*million*
United States Dollars	**USD93**	USD43	**–**	–
Japanese Yen	**JPY71,352**	JPY75,200	**JPY71,352**	JPY75,200

The Group had unsecured banking facilities amounting to RMB73,439 million as at 31 December 2009 (2008: RMB56,340 million). As at 31 December 2009, the unutilised banking facilities amounted to RMB33,763 million (2008: RMB26,834 million). Such banking facilities would be drawn down in accordance with the level of working capital and planned capital expenditure of the Company and its subsidiaries.

30 Accounts and bills payable

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Accounts payable				
Shenhua Group and its affiliates	**188**	208	**83**	67
Subsidiaries	**–**	–	**2,028**	1,106
Associates	**475**	336	**467**	278
Third parties	**12,737**	9,097	**5,601**	4,346
	13,400	9,641	**8,179**	5,797
Bills payable	**490**	1	**–**	–
	13,890	9,642	**8,179**	5,797

30 Accounts and bills payable (continued)

Accounts payable amounting to RMB95 million (2008: RMB90 million) are expected to be settled after one year.

Included in accounts and bills payable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		***The Company***	
	2009 million	*2008 million*	***2009 million***	*2008 million*
United States Dollars	**USD63**	USD53	**USD55**	USD51
Euros	**EUR11**	EUR17	**EUR11**	EUR17

31 Accrued expenses and other payables

	The Group		***The Company***	
	2009 RMB million	*2008 RMB million*	***2009 RMB million***	*2008 RMB million*
Accrued staff wages and welfare benefits	**2,541**	2,492	**1,686**	1,723
Financial liability for share appreciation rights	**95**	47	**95**	47
Accrued interest payable	**150**	179	**68**	83
Taxes payable other than income tax	**4,989**	3,626	**4,833**	3,013
Dividends payable to minority shareholders	**1,079**	143	**–**	–
Loans to subsidiaries	**–**	–	**4,008**	4,169
Receipts in advances	**2,579**	2,033	**2,031**	1,730
Other accrued expenses and payables	**4,905**	3,890	**3,772**	2,712
	16,338	12,410	**16,493**	13,477

At 31 December 2009, the Group and the Company had amounts payable to Shenhua Group and its affiliates amounting to RMB128 million (2008: RMB92 million) and RMB114 million (2008: RMB78 million) respectively and amounts payable to associates amounting to RMB29 million (2008: RMB29 million) and RMB29 million (2008: RMB27 million) respectively.

At 31 December 2009 and 2008, loans to subsidiaries are unsecured, bear interest at 1.17% per annum and repayable on demand.

32 Long-term payables

Long-term payables mainly represent payables for acquisition of mining rights which are to be settled over the period of production or under fixed payment schedules set out in the contracts on an annual basis. The annual payment is determined by fixed rates on a per tonne basis with reference to the annual production volume of the acquired mines or annual fixed amounts stipulated in the acquisition agreements.

33 Accrued reclamation obligations

The accrual for reclamation costs has been determined based on management's best estimates. However, so far as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. At the balance sheet date, the Group and the Company reassessed the estimated costs and reduced the accrued reclamation obligations accordingly (see Note 16). The Company's board of directors believes that the accrued reclamation obligations at 31 December 2009 are adequate and appropriate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

34 Share capital

	2009 **RMB million**	*2008 RMB million*
Registered, issued and fully paid:		
16,491,037,955 domestic listed A shares of RMB1.00 each	**16,491**	16,491
3,398,582,500 H shares of RMB1.00 each	**3,399**	3,399
	19,890	19,890

The Company was incorporated on 8 November 2004 with a registered share capital of 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each. Such shares were issued to Shenhua Group in consideration for the assets and liabilities transferred from Shenhua Group.

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

In 2007, the Company issued 1,800,000,000 A shares with a par value of RMB1.00 each at a price of RMB36.99 per A share in the PRC ("A Shares Issue").

Following the A Shares Issue and pursuant to the requirements of the relevant authorities, all the 14,691,037,955 domestic state-owned ordinary shares existing before the A Shares Issue (i.e. ordinary shares of the Company held by Shenhua Group) have become circulative. Shenhua Group has undertaken that for a period of 36 months commencing on the date on which the A shares are listed on the Shanghai Stock Exchange, it will not transfer, put on trust or allow any A shares to be repurchased by the Company.

Pursuant to CaiQi [2009] No.94 "Policy regarding transfer of certain state-owned shares to Social Security Fund in domestic securities market" and Pronouncement of 2009 No.63 "Notice of implementation of transfer of state-owned shares in domestic securities market" issued by the relevant government authorities on 19 June 2009, 180,000,000 A shares of the Company previously held by Shenhua Group have been transferred to the National Council for Social Security Fund.

All A shares and H shares rank pari passu in all material aspects.

35 Commitments and contingent liabilities

(a) Capital commitments

As at 31 December 2009, the Group and the Company had capital commitments for land and buildings, equipment and investments as follows:

	The Group		The Company	
	2009 RMB million	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*
Authorised and contracted for				
– Land and buildings	**16,008**	13,252	**6,970**	7,218
– Machinery and other equipment	**19,002**	18,708	**5,496**	6,106
– Investment in an associate	**244**	318	**244**	318
	35,254	32,278	**12,710**	13,642
Authorised but not contracted for				
– Land and buildings	**30,234**	23,472	**8,317**	8,218
– Machinery and other equipment	**22,967**	18,497	**5,817**	3,873
	53,201	41,969	**14,134**	12,091
	88,455	74,247	**26,844**	25,733

(b) Operating lease commitments

Operating lease commitments mainly represent business premises leased through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. As at 31 December 2009, future minimum lease payments under non-cancellable operating leases on business premises having initial or remaining lease terms of more than one year are payable as follows:

	The Group		The Company	
	2009 RMB million	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*
Within one year	**79**	77	**56**	54
After one year but within five years	**132**	131	**79**	81
After five years	**63**	44	**23**	33
	274	252	**158**	168

35 Commitments and contingent liabilities (continued)

(c) Financial guarantees issued

The Group had not issued guarantee to any third party as at 31 December 2009.

At 31 December 2009, the maximum liability of the Company under guarantees issued in respect of bank loans drawn by a domestic subsidiary of the Company was RMB1,086 million (2008: RMB1,256 million).

In addition to the above guarantees, the Company has issued a guarantee of USD162 million (approximately RMB1,108 million) to a bank in respect of a 70% owned overseas subsidiary of the Company. Under the guarantee arrangement, the bank provides guarantee to a group of financial institutions for the subsidiary. In addition, the subsidiary provides a counter guarantee to the Company by certain of its assets. At 31 December 2009, loan from the group of financial institutions drawn by the subsidiary amounted to USD50 million (approximately RMB341 million) (2008: Nil).

(d) Legal contingencies

The Group is the defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

(e) Environmental contingencies

To date, the Group has not incurred any significant expenditures for environmental remediation, is currently not involved in any environmental remediation, and apart from the provision for land reclamation costs, has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

36 Related party transactions

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group

The Group is controlled by Shenhua Group and has significant transactions and relationships with Shenhua Group and its affiliates. Related parties refer to enterprises over which Shenhua Group is able to exercise significant influence or control. The Group also has entered into transactions with its associates, over which the Group can exercise significant influence. Because of the above relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

(1) The Group had the following transactions with Shenhua Group and its affiliates, and the associates of the Group that were carried out in the normal course of business:

		2009 RMB million	*2008 RMB million*
Interest income	(i)	**4**	5
Income from entrusted loans	(ii)	**46**	32
Interest expense	(iii)	**136**	131
Purchases of ancillary materials and spare parts	(iv)	**1,328**	1,334
Ancillary and social services	(v)	**414**	517
Transportation service income	(vi)	**537**	412
Transportation service expense	(vii)	**800**	682
Sale of coal	(viii)	**2,043**	1,642
Purchase of coal	(ix)	**5,202**	5,326
Property leasing	(x)	**36**	51
Repairs and maintenance services expense	(xi)	**36**	19
Coal export agency expense	(xii)	**61**	96
Income from equipment installation and construction work	(xiii)	**30**	68
Purchase of equipment and construction work	(xiv)	**354**	384
Other income	(xv)	**118**	255

(i) Interest income represents interest earned from deposits placed with an associate of the Group. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by PBOC.

(ii) Income from entrusted loans represents interest earned from entrusted loans to the associates of the Group. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by PBOC.

(iii) Interest expense represents interest incurred in respect of borrowings from Shenhua Group and its affiliate. The applicable interest rate is determined in accordance with the prevailing borrowing rates published by PBOC.

(iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies from the affiliates of Shenhua Group and an associate of the Group related to the Group's operations.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group (continued)

(v) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to the affiliates of Shenhua Group and the associates of the Group.

(vi) Transportation service income represents income earned from the affiliates of Shenhua Group and the associates of the Group in respect of coal transportation services.

(vii) Transportation service expense represents expense related to coal transportation service provided by an affiliate of Shenhua Group and the associates of the Group.

(viii) Sale of coal represents income from sale of coal to the affiliates of Shenhua Group and the associates of the Group.

(ix) Purchase of coal represents coal purchased from the affiliates of Shenhua Group and the associates of the Group.

(x) Property leasing represents rental paid or payable in respect of properties leased from the affiliates of Shenhua Group.

(xi) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by the affiliates of Shenhua Group and an associate of the Group.

(xii) Coal export agency expense represents expense related to coal export agency services provided by an affiliate of Shenhua Group.

(xiii) Income from equipment installation and construction work represents equipment installation and construction service provided to an associate of the Group.

(xiv) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by the affiliates of Shenhua Group and an associate of the Group.

(xv) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, etc.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group (continued)

(2) The Group entered into a number of agreements with Shenhua Group and its affiliates, and associates of the Group. The terms of the principal agreements are summarised as follows:

(i) The Group has entered into a mutual supply agreement for the mutual provision of production supplies and ancillary services with the affiliates of Shenhua Group. Pursuant to the agreement, the affiliates of Shenhua Group provides the Company with the production supplies and services, ancillary production services including the use of the information network system and ancillary administrative services. On the other hand, the Company provides the affiliates of Shenhua Group with water supplies, rolling stock management, railway management, railway transportation and other related or similar production supplies or services and use of the information network system.

The products and services provided under the agreement, other than the sharing of use of the information network system which is free of charge, are provided in accordance with the following pricing policy:

- price prescribed by the state (including any price prescribed by any relevant local government), if applicable;
- where there is no state-prescribed price but where there is a state-guidance price, then the state-guidance price;
- where there is neither a state-prescribed price nor a state-guidance price, the market price; or
- where none of the above is applicable or where it is not practical to apply the above pricing policies in reality, the price to be agreed between the relevant parties shall be based on reasonable costs incurred in providing the goods or services plus a profit margin of 5% of such costs.

(ii) The Group has entered into coal supply agreements with the affiliates of Shenhua Group and the associates of the Group. The coal supplied is charged at the prevailing market price.

(iii) The Group has entered into a financial services agreement with Shenhua Finance. Pursuant to the agreement, Shenhua Finance provides financial services to the Group. The interest rate for the Group's deposits with Shenhua Finance should not be lower than the lowest limit published by the PBOC for the same type of deposit. The interest rate for loans made by Shenhua Finance to the Company should not be higher than the highest limit published by PBOC for the same type of loan. The fees charged by Shenhua Finance for the provision of other financial services shall be determined according to the rates chargeable by the PBOC or the China Banking Regulatory Commission.

(iv) The Group has entered into a property leasing agreement with the affiliates of Shenhua Group for leasing of certain properties to each other. No rent is payable by the Company before the affiliates of Shenhua Group obtains the relevant property ownership certificate. The rental charges are based on comparable market rates. If the affiliates of Shenhua Group negotiate to sell a leased property to a third party, the Company has a pre-emptive right to purchase such property under terms no less favourable than other third party.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group (continued)

(v) The Group has entered into a land leasing agreement with the affiliates of Shenhua Group. The annual rent is determined based on the local market rate. The Group is not allowed to sub-let the leased land.

(vi) The Group has entered into an agency agreement for the export of coal with an affiliate of Shenhua Group. The affiliate of Shenhua Group is appointed as a non-exclusive export agent of the Company and is entitled to receive an agency fee based on the relevant market rates or lower rates. Currently, the rate is 0.7% of the free on board sales price of price of coal exported.

(vii) The Group entered into an agency agreement for the sale of coal with the affiliates of Shenhua Group. The Group is appointed as the exclusive sales agent of the affiliates of Shenhua Group for thermal coal and non-exclusive sales agent for coking coal. The Group is entitled to receive an agency fee, which is based on its related costs incurred plus a profit margin of 5% for sales of coal outside the Inner Mongolia Autonomous Region. No agency fee is charged for sales of coal within the Inner Mongolia Autonomous Region.

(viii) The Group has entered into agreements with the affiliates of Shenhua Group under which the Group has been granted the right to use certain trademarks. The affiliates of Shenhua Group bear its own cost for the registration of such trademarks during the term of the trademarks license agreement and expenses for enforcement against any infringement of the licensed trademarks by third parties.

Amounts due from/to Shenhua Group and its affiliates, and the associates of the Group:

	Note	**2009 RMB million**	*2008 RMB million*
Cash and cash equivalents	27(a)	**629**	385
Accounts receivable	25	**91**	202
Prepaid expenses and other current assets	26	**272**	119
Other non-current assets	22	**743**	743
Total amounts due from Shenhua Group and its affiliates, and the associates of the Group		**1,735**	1,449
Borrowings	29	**2,147**	2,147
Accounts payable	30	**663**	544
Accrued expenses and other payables	31	**157**	121
Total amounts due to Shenhua Group and its affiliates, and the associates of the Group		**2,967**	2,812

Other than those disclosed in Notes (1)(i), (1)(ii) and (1)(iii) above, amounts due from/to Shenhua Group and its affiliates, and the associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

36 Related party transactions (continued)

(b) Key management personnel emoluments

Key management personnel receive compensation in the form of fees, basic salaries, housing and other allowances, benefits in kind, discretionary bonuses, share appreciation rights and retirement scheme contributions.

Key management personnel compensation of the Group is summarised as follows:

	2009 **RMB million**	*2008* *RMB million*
Short-term employee benefits	**6**	5
Post-employment benefits	**1**	1
	7	6
Fair value loss/(gain) on revaluation of share appreciation rights	**22**	(32)

Total remuneration is included in "personnel expenses" as disclosed in Note 7.

(c) Contributions to post-employment benefit plans

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 37.

(d) Transactions with other state-controlled entities in the PRC

The Company is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions with Shenhua Group and its affiliates, and the associates of the Group as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

- Power sales;
- Sales and purchases of coal;
- Transportation services;
- Construction work;
- Purchases of ancillary materials and spare parts;
- Ancillary and social services; and
- Financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

36 Related party transactions (continued)

(d) Transactions with other state-controlled entities in the PRC (continued)

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) Transactions with other state-controlled entities, including state-controlled banks in the PRC

	2009 **RMB million**	*2008* *RMB million*
Coal revenue	**37,777**	39,918
Power revenue	**32,807**	29,141
Transportation costs	**5,999**	4,828
Interest income	**1,113**	811
Interest expenses	**3,716**	4,426

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	2009 **RMB million**	*2008* *RMB million*
Accounts receivable	**5,082**	4,660
Cash and time deposits at banks	**72,181**	58,667
Borrowings	**74,036**	72,111
Accrued expenses and other payables	**304**	542

37 Employee benefits plan

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the year ended 31 December 2009 were RMB1,014 million (2008: RMB871 million).

On 19 November 2005, the Company's Board of Directors approved a scheme of share appreciation rights for the senior management of the Group with a term of 10 years with effect from 15 June 2005. No shares will be issued under this scheme. The rights were granted in units with each unit representing one H share of the Company.

The rights to the units will have an exercise period of six years from the date of grant and can be exercised after the second, third and fourth anniversary of the date of grant and the total number of the rights exercised by an individual may not in aggregate exceed one-third, two-thirds and 100% respectively, of the total rights granted to the individual.

(Expressed in Renminbi)

37 Employee benefits plan (continued)

Upon exercise of the said rights, the exercising participant will, subject to the restrictions under the scheme, receive a payment in RMB, after deducting any applicable withholding tax, equal to the product of the number of rights exercised and the difference between the exercise price and market price of the H shares of the Company at the time of exercise. The exercise prices of granted share appreciation rights as approved by the Board of Directors are HKD7.90, HKD11.80 or HKD33.80 depending on the grant date. The weighted average difference between the exercise price for share appreciation rights exercised during the year and the share price at the date of exercise was RMB16 (2008: RMB20).

The fair value of the financial liability for share appreciation rights was remeasured as at 31 December 2009 of RMB95 million (2008: RMB47 million) and an expense of RMB63 million (2008: an income of RMB52 million) was recognised for the year ended 31 December 2009.

The number of granted share appreciation rights outstanding is set out below:

	2009 **Million shares**	*2008* *Million shares*
At the beginning of the year	**6.7**	7.8
Exercised during the year	**(0.5)**	(1.1)
Forfeited during the year	**(0.1)**	–
At the end of the year	**6.1**	6.7

38 Segment and other information

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(1) Coal operations – which produces coal from surface and underground mines, and the sale of coal to external customers and the power segment. The Group primarily sells its coal under long-term coal supply contracts which typically allow the parties to make annual price adjustments.

(2) Railway operations – which provides railway transportation services to the coal mining segment and external customers. The rates of freight charges billed to the coal mining segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.

(3) Port operations – which provides loading, transportation and storage services to the coal mining segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.

(4) Power operations – which uses coal, sourced from the coal mining segment and purchased from external suppliers, to generate electric power for sale to external power grid companies and to the coal segment. Electric power is sold to the power grid companies in accordance with planned power output at the tariff rates as approved by the relevant government authorities. Electric power produced in excess of the planned power output is sold at the tariff rate as agreed upon with the respective power grid companies which are generally lower than the tariff rates for planned power output.

38 Segment and other information (continued)

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment based on profit before income tax ("reportable segment profit").

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

	Coal		Railway		Port		Power		Total	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million
Revenue from external customers	**85,754**	75,215	**2,003**	1,950	**148**	82	**33,407**	29,886	**121,312**	107,133
Inter-segment revenue	**14,142**	13,619	**17,555**	15,576	**1,859**	1,856	**387**	108	**33,943**	31,159
Reportable segment revenue	**99,896**	88,834	**19,558**	17,526	**2,007**	1,938	**33,794**	29,994	**155,255**	138,292
Reportable segment profit/(loss) before income tax	**31,149**	26,995	**8,613**	6,532	**73**	(20)	**5,242**	2,694	**45,077**	36,201
Including:										
Net interest expense	**(547)**	(453)	**(372)**	(439)	**(290)**	(341)	**(2,051)**	(2,450)	**(3,260)**	(3,683)
Depreciation and amortisation	**(4,721)**	(3,597)	**(1,791)**	(1,775)	**(672)**	(636)	**(4,221)**	(3,876)	**(11,405)**	(9,884)
Share of profits less losses of associates	**526**	597	**35**	30	**4**	3	**166**	24	**731**	654

(b) Reconciliations of reportable segment revenues and profit or loss

	2009 RMB million	2008 RMB million
Revenues		
Reportable segment revenue	**155,255**	138,292
Elimination of inter-segment revenue	**(33,943)**	(31,159)
Consolidated revenues	**121,312**	107,133
Profit		
Reportable segment profit	**45,077**	36,201
Elimination of inter-segment profits	**(57)**	(155)
Unallocated head office and corporate expenses	**792**	929
Consolidated profit before income tax	**45,812**	36,975

38 Segment and other information (continued)

(c) Geographical information

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

	Revenues from external customers		***Specified non-current assets***	
	2009	*2008*	***2009***	*2008*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Asia Pacific markets				
– PRC (place of domicile)	**113,795**	94,924	**215,463**	195,521
– Other Asia Pacific markets	**7,475**	11,987	**3,100**	1,444
Other markets	**42**	222	**–**	–
	121,312	107,133	**218,563**	196,965

For the purpose of revenues from external customers, other Asia Pacific markets represent customers which are located outside the PRC and primarily to customers in Korea and Japan. Other markets represent customers which are located outside the PRC and the Asia Pacific region.

(d) Major customer

Revenue from any individual customer of the Group does not exceed 10% of the Group's total operating revenues. Certain of the Group's customers are state-controlled entities in the PRC and collectively considered as the Group's major customer. Revenue from major customer of the Group's coal and power segments represents RMB70,584 million (2008: RMB69,059 million) of the Group's total operating revenues.

38 Segment and other information (continued)

(e) Other information

Certain other information of the Group's segments for the years ended 31 December 2009 and 2008 is set out below:

	Coal		Railway		Port		Power		Unallocated items		Eliminations		Total	
	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million
Coal purchased from third parties	**14,187**	15,585	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**14,187**	15,585
Cost of coal production	**21,168**	17,702	**–**	–	**–**	–	**–**	–	**–**	–	**(5,628)**	(5,534)	**15,540**	12,168
Cost of coal transportation	**27,017**	23,253	**8,711**	7,804	**1,321**	1,259	**–**	–	**–**	–	**(21,850)**	(19,328)	**15,199**	12,988
Power cost	**–**	–	**–**	–	**–**	–	**24,143**	22,310	**–**	–	**(6,553)**	(6,126)	**17,590**	16,184
Others	**1,028**	600	**1,251**	1,271	**113**	64	**584**	518	**–**	–	**–**	–	**2,976**	2,453
Total cost of revenues	**63,400**	57,140	**9,962**	9,075	**1,434**	1,323	**24,727**	22,828	**–**	–	**(34,031)**	(30,988)	**65,492**	59,378
Profit/(loss) from operations	**31,133**	26,818	**8,801**	7,758	**348**	348	**7,106**	5,088	**(16)**	(182)	**(264)**	(155)	**47,108**	39,675
Capital expenditure (Note (i))	**7,983**	14,521	**3,842**	2,501	**400**	388	**18,502**	17,813	**313**	561	**–**	–	**31,040**	35,784
Total assets (Note (ii))	**111,993**	96,522	**41,668**	38,782	**10,129**	10,266	**112,540**	94,232	**155,827**	151,203	**(120,480)**	(115,465)	**311,677**	275,540
Total liabilities (Note (ii))	**(74,413)**	(61,782)	**(20,263)**	(20,091)	**(5,235)**	(5,547)	**(79,986)**	(71,231)	**(54,333)**	(60,158)	**119,971**	115,012	**(114,259)**	(103,797)

Notes:

(i) Segment capital expenditure is the total cost incurred during the year to acquire and construct segment assets that are expected to be used for more than one year.

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

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39 Capital and reserves

(a) Shareholders' equity of the Company

	Share capital RMB million (Note 34)	Share premium RMB million	Statutory reserves RMB million	Capital and other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2008	19,890	85,001	6,263	352	12,631	124,137
Total comprehensive income:						
Profit for the year	–	–	–	–	22,805	22,805
Total comprehensive income for the year	–	–	–	–	22,805	22,805
Other movements:						
Dividend declared (Note 14(a))	–	–	–	–	(9,325)	(9,325)
Adjustment of profit appropriations for prior years (Note)	–	–	278	–	(278)	–
Appropriation of profits	–	–	2,274	–	(2,274)	–
Appropriation of maintenance and production funds (Note)	–	–	3,368	–	(3,368)	–
Utilisation of maintenance and production funds (Note)	–	–	(2,119)	–	2,119	–
Realisation of deferred tax	–	–	–	(18)	18	–
Realisation of revaluation reserve	–	–	–	(20)	20	–
Sub-total	–	–	3,801	(38)	(13,088)	(9,325)
At 31 December 2008	19,890	85,001	10,064	314	22,348	137,617
At 1 January 2009	**19,890**	**85,001**	**10,064**	**314**	**22,348**	**137,617**
Total comprehensive income:						
Profit for the year	**–**	**–**	**–**	**–**	**30,529**	**30,529**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**30,529**	**30,529**
Other movements:						
Dividend declared (Note 14(a))	**–**	**–**	**–**	**–**	**(9,149)**	**(9,149)**
Adjustment of profit appropriations for prior years (Note)	**–**	**–**	**(339)**	**–**	**339**	**–**
Appropriation of profits	**–**	**–**	**2,957**	**–**	**(2,957)**	**–**
Appropriation of maintenance and production funds (Note)	**–**	**–**	**2,566**	**–**	**(2,566)**	**–**
Utilisation of maintenance and production funds (Note)	**–**	**–**	**(1,894)**	**–**	**1,894**	**–**
Realisation of deferred tax	**–**	**–**	**–**	**(19)**	**19**	**–**
Realisation of revaluation reserve	**–**	**–**	**–**	**(25)**	**25**	**–**
Sub-total	**–**	**–**	**3,290**	**(44)**	**(12,395)**	**(9,149)**
At 31 December 2009	**19,890**	**85,001**	**13,354**	**270**	**40,482**	**158,997**

Note: Please refer to Note (iv) to consolidated statement of changes in equity for details.

39 Capital and reserves (continued)

(a) Shareholders' equity of the Company (continued)

According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity shareholders of the Company is the lower of the amount determined in accordance with the China Accounting Standards and the amount determined in accordance with IFRSs after the appropriation to reserves as detailed in Note (iv) to the consolidated statement of changes in equity.

At 31 December 2009, the aggregate amount of retained earnings determined in accordance with the China Accounting Standards available for distribution to equity shareholders of the Company was RMB37,935 million (2008: RMB20,470 million). After the balance sheet date the directors proposed a final dividend of RMB0.53 per share (2008: RMB0.46 per share), amounting to RMB10,541 million (2008: RMB9,149 million) (Note 14(b)). This dividend has not been recognised as a liability at the balance sheet date.

(b) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2009 was 37% (2008: 38%).

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group and the Company are also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's and the Company's exposure to these risks and the financial risk management policies and practices used by the Group and the Company to manage these risks are described below.

40 Financial risk management and fair values (continued)

(a) Credit risk

The carrying amounts of cash and cash equivalents, time deposits, restricted bank deposits, accounts and bills receivable, other receivables and other non-current assets represent the Group's and the Company's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's and the Company's cash and cash equivalents and deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group's and the Company's major customers are power plants, metallurgical companies and power grid companies, which accounted for significant amounts of the Group's and the Company's total operating revenues during the year. The Group and the Company have no significant credit risk with any of these customers since the Group and the Company maintain long-term and stable business relationships with these large customers in the coal and power industries. The Group and the Company perform ongoing individual credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable. The allowance for doubtful debts has been within management's expectations.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Company as set out in Note 35(c), the Group and the Company do not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note 35(c).

(b) Currency risk

(i) Exposure

The Group and the Company incur foreign currency risk on borrowings that are denominated in a currency other than RMB. The currency giving rise to this risk is primarily Japanese Yen. The Group's and the Company's Japanese Yen borrowings are disclosed in Note 29.

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease in Japanese Yen foreign exchange rate by 2%, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB79 million (2008: RMB85 million).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2008.

40 Financial risk management and fair values (continued)

(c) Interest rate risk

(i) Exposure

The interest rates and terms of repayment of the Group's and the Company's loan receivables and borrowings are disclosed in Notes 22 and 29. Most of the borrowings are variable rate borrowings.

(ii) Sensitivity analysis

Financial assets

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained earnings by approximately RMB385 million (2008: RMB448 million).

Financial liabilities

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB542 million (2008: RMB502 million).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and retained earnings is estimated as an annualised impact on interest income or expense of such a change in the interest rates. The analysis is performed on the same basis for 2008.

(d) Fair values

(i) Financial instruments carried at fair value

Financial asset for interest rate swaps and financial liability for share appreciation rights are carried at fair value.

The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group and the Company could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value of the interest rate swaps are based on discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument having a similar maturity at the balance sheet date.

40 Financial risk management and fair values (continued)

(d) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The fair value of the financial liability for share appreciation rights are measured by using the Black-Scholes option pricing model. The risk free rate, dividend yield and volatility of share price are used as the inputs into this model.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008.

The fair values of long-term borrowings and long-term payables are estimated by discounting future cash flows using current market interest rates offered to the Group and the Company for borrowings with substantially the same characteristics and maturities.

The fair values of all other financial assets and liabilities approximate their carrying amounts due to the nature or short-term maturity of these instruments.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

40 Financial risk management and fair values (continued)

(e) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2009					
	Carrying amount RMB million	**Total contractual undiscounted cash flow RMB million**	**Within 1 year or on demand RMB million**	**More than 1 year but less than 2 years RMB million**	**More than 2 years but less than 5 years RMB million**	**More than 5 years RMB million**
Borrowings	**76,183**	**89,188**	**25,666**	**13,019**	**24,085**	**26,418**
Accounts and bills payable, accrued expenses and other payables	**22,660**	**22,660**	**22,565**	**59**	**36**	**–**
	98,843	**111,848**	**48,231**	**13,078**	**24,121**	**26,418**

	2008					
	Carrying amount RMB million	*Total contractual undiscounted cash flow RMB million*	*Within 1 year or on demand RMB million*	*More than 1 year but less than 2 years RMB million*	*More than 2 years but less than 5 years RMB million*	*More than 5 years RMB million*
Borrowings	74,258	90,916	22,368	12,932	28,416	27,200
Accounts and bills payable, accrued expenses and other payables	16,393	16,393	16,303	90	–	–
	90,651	107,309	38,671	13,022	28,416	27,200

(f) Equity price risk

All of the Group's and the Company's unquoted investment are held for long-term strategic purposes. Their performance is assessed at least annually based on the information available to the Group and the Company, together with an assessment of their relevance to the Group's long-term strategic plans.

41 Accounting judgements and estimates

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

Coal reserves

Engineering estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated coal reserves can be designated as "proved" and "probable". Proved and probable coal reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable coal reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. Depreciation rates are determined based on estimated proved and probable coal reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are amortised based on the units of coal produced.

Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, construction in progress, intangible assets, investments in subsidiaries and associates, lease prepayments and other investments (Note 2(n)(ii)), the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

In considering the impairment losses that may be required for current receivables and other financial assets, future cashflows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

41 Accounting judgements and estimates (continued)

Depreciation

Other than the mining structures and mining rights, property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Obligations for land reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

Derivative financial instruments and share appreciation rights

In determining the fair value of the derivative financial instruments and share appreciation rights, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

42 Subsequent events

The following significant transactions took place subsequent to 31 December 2009:

On 12 March 2010, the Board of Directors proposed a final dividend of RMB0.53 per share totalling RMB10,541 million to the equity shareholders of the Company. Further details are disclosed in Note 14(b).

43 Immediate and ultimate controlling party

At 31 December 2009, the directors consider the immediate parent and ultimate controlling party of the Group to be Shenhua Group Corporation Limited, a state-owned enterprise established in the PRC.

(Expressed in Renminbi)

44 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting year ended 31 December 2009

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
IFRS 3 (Revised), *Business combinations*	1 July 2009
Amendments to IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendments to IAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009
IFRIC 17, *Distributions of non-cash assets to owners*	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Additional exemptions for first-time adopters*	1 January 2010
Amendments to IFRS 2, *Share-based payment – Group cash-settled share-based payment transactions*	1 January 2010
Amendment to IAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
IAS 24 (Revised), *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
IFRS 9, *Financial instruments*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's or the Company's results of operations and financial position.

45 Comparative figures

As a result of the application of IAS 1 (revised 2007), *Presentation of financial statements*, and IFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 3.

Documents Available for Inspection

1. The annual report for the year 2009 signed by the legal representative;

2. The financial statements signed and sealed by the legal representative, the person in charge of accounting affairs and the person in charge of the accounting department;

3. The original document of the auditors' report sealed by the accounting firm and signed and sealed by the certified public accountants;

4. The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the China Securities Regulatory Commission during the reporting period;

5. The annual report for the year 2009 published on the website of the Hong Kong Stock Exchange.

China Shenhua Energy Company Limited
Zhang Xiwu
Chairman

12 March 2010

Signing Page for Opinions

Written Confirmation to the 2009 Annual Report

Article 68 of the Securities Law of the People's Republic of China requires that directors of a listed company shall sign a written confirmation to its regular report, and guarantee the truthfulness, accuracy and completeness of the information disclosed by the listed company.

Article 15 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 – The Contents and Formats of Annual Report (Revised edition 2008) requires that the board of directors of a listed company and its directors shall guarantee the truthfulness, accuracy and completeness of the information disclosed in its annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any director who is unable to guarantee the truthfulness, accuracy and completeness of the annual report or disagrees with the content of the annual report, his reasons and opinion shall be stated separately. The name of any absent director shall be listed separately.

Having fully understood and reviewed the 2009 Annual Report of the Company, the Board and all Directors are of the opinion that the information disclosed in the 2009 Annual Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information disclosed in the report.

Signature of all Directors of the Company:

Zhang Xiwu

Zhang Yuzhuo

Ling Wen

Han Jianguo

Huang Yicheng

Neoh Anthony Francis

Chen Xiaoyue

Gong Huazhang

China Shenhua Energy Company Limited
12 March 2010

Written Review Opinion on the 2009 Annual Report

Article 68 of the Securities Law of the People's Republic of China requires that the supervisory committee of a listed company shall review the regular report prepared by the board of directors and provide a written review opinion.

Article 15 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 – The Contents and Formats of Annual Report (Revised edition 2008) requires that the supervisory committee of a listed company and its supervisors shall guarantee the truthfulness, accuracy and completeness of the information disclosed in its annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any supervisor who is unable to confirm the truthfulness, accuracy and completeness of the annual report or disagrees with the content of the annual report, his reasons and opinion shall be stated separately.

Having fully understood and reviewed the 2009 Annual Report of the Company, the supervisory committee and all supervisors are of the opinion that information disclosed in the 2009 Annual Report is true, accurate and complete, and hereby warrant that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information disclosed in the report.

Signature of all supervisors of the Company:

Xu Zufa

Wu Gaoqian

Li Jianshe

China Shenhua Energy Company Limited
12 March 2010

Written Confirmation to 2009 Annual Report

Article 68 of the Securities Law of the People's Republic of China requires that senior management of a listed company shall sign a written confirmation to its regular report, and guarantee the truthfulness, accuracy and completeness of the information disclosed by the listed company.

Article 15 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.2 – The Contents and Formats of Annual Report (Revised edition 2008) requires that senior management of a listed company shall guarantee the truthfulness, accuracy and completeness of the information disclosed in its annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any senior management member who is unable to confirm the truthfulness, accuracy and completeness of the annual report or disagrees with the content of the annual report, his reasons and opinion shall be stated separately.

Having fully understood and reviewed the 2009 Annual Report of the Company, all senior management members of the Company are of the opinion that information disclosed in the 2009 Annual Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information disclosed in the report.

Signature of all senior management members of the Company:

Ling Wen

Hao Gui

Wang Jinli

Xue Jilian

Hua Zeqiao

Wang Pingang

Huang Qing

Zhang Kehui

China Shenhua Energy Company Limited
12 March 2010

Definitions

Abbreviation	Full name
Shenhua Group	Shenhua Group Corporation Limited
China Shenhua	China Shenhua Energy Company Limited
Shendong Coal Branch	China Shenhua Energy Company Limited Shendong Coal Branch
Wanli Coal Branch	China Shenhua Energy Company Limited Wanli Coal Branch
Jinfeng Coal Branch	China Shenhua Energy Company Limited Jinfeng Coal Branch
Ha'erwusu Coal Branch	China Shenhua Energy Company Limited Ha'erwusu Coal Branch
Zhunge'er Energy	Shenhua Zhunge'er Energy Co., Ltd.
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.
Shendong Coal	Shenhua Shendong Coal Group Co., Ltd. (formerly known as Shenhua Shenfu Dongsheng Coal Co., Ltd.)
Shendong Power	Shenhua Shendong Power Co., Ltd.
Shenhua Xinjie	Shenhua Xinjie Energy Co., Ltd.
Shenshuo Railway Branch	China Shenhua Energy Company Limited Shenshuo Railway Branch
Rolling Stock Branch	China Shenhua Energy Company Limited Rolling Stock Branch
Shuohuang Railway	Shuohuang Railway Development Co., Ltd.
Baoshen Railway	Shenhua Baoshen Railway Co., Ltd.
Shenhua Xinzhun	Shenhua Xinzhun Railway Co., Ltd.
Huanghua Port	Shenhua Huanghua Harbour Administration Co., Ltd.
Shenhua Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co., Ltd
Guohua Power Branch	China Shenhua Energy Company Limited Guohua Power Branch
Guohua International	Shenhua Guohua International Power Co., Ltd.
Beijing Thermal	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Sanhe Power	Sanhe Power Co., Ltd.
Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.
Ninghai Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yuedian Taishan Electric Power Co., Ltd.
Huanghua Power	Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co.,Ltd.

Abbreviation	Full name
Zhunge'er Power	Power-generating arm controlled and operated by Shenhua Zhunge'er Energy Company Limited
Zhunge'er Energy and Gangue Power	Inner Mongolia Zhunge'er Energy and Gangue Power Co., Ltd.
Australia Holdings	Shenhua Australia Holding Pty Limited
Watermark	Shenhua Watermark Coal Pty Limited
EMM Indonesia	PT.GH EMM Indonesia (國華(印尼)南蘇發電有限公司)
Wuhai Energy	Shenhua Wuhai Energy Company Limited
Shenhua Finance	Shenhua Finance Co., Ltd.
Shenhua Trading	Shenhua Coal Trading Co., Ltd.
Jiahua Power	Zhejiang Zheneng Jiahua Power Co., Ltd.
Branches and Subsidiaries	Branches and subsidiaries of the Company, unless otherwise specified
Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises – Basic Standard and 38 specific accounting standards issued by the Ministry of Finance of the People's Republic of China on 15 February 2006 and the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently issued
Shanghai Listing Rules	Rules Governing the Listing of Shares on the Shanghai Stock Exchange
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited

Five Years
Financial Summary

The following financial information is extracted from the consolidated financial statements of the Group prepared in accordance with International Financial Reporting Standards:

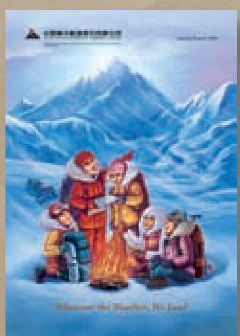
Consolidated Results

	Years ended 31 December				
	2005	*2006*	*2007*	*2008*	**2009**
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
Revenues					
Coal revenue	39,926	45,948	55,741	74,572	**84,618**
Power revenue	11,086	17,056	23,922	29,393	**33,157**
Other revenues	1,976	2,182	2,444	3,168	**3,537**
Total operating revenues	52,988	65,186	82,107	107,133	**121,312**
Cost of revenues					
Coal purchased from third parties	(4,339)	(6,935)	(10,719)	(15,585)	**(14,187)**
Materials, fuel and power	(3,050)	(3,764)	(6,276)	(8,433)	**(9,513)**
Personnel expenses	(2,180)	(2,677)	(3,960)	(5,343)	**(5,727)**
Depreciation and amortisation	(5,283)	(6,456)	(7,785)	(9,396)	**(10,624)**
Repairs and maintenance	(2,701)	(3,187)	(3,612)	(4,717)	**(5,035)**
Transportation charges	(5,152)	(6,259)	(6,845)	(7,227)	**(9,273)**
Others	(2,865)	(3,777)	(4,576)	(8,677)	**(11,133)**
Total cost of revenues	(25,570)	(33,055)	(43,773)	(59,378)	**(65,492)**
Selling, general and administrative expenses	(3,540)	(4,359)	(5,144)	(6,961)	**(8,055)**
Other operating expenses, net	(335)	(281)	(693)	(1,119)	**(657)**
Total operating expenses	(29,445)	(37,695)	(49,610)	(67,458)	**(74,204)**
Profit from operations	23,543	27,491	32,497	39,675	**47,108**
Finance income	895	521	1,034	1,288	**1,286**
Finance expenses	(2,955)	(2,658)	(3,417)	(4,681)	**(3,324)**
Net finance costs	(2,060)	(2,137)	(2,383)	(3,393)	**(2,038)**
Investment income/(loss)	23	(1)	38	39	**11**
Share of profits less losses of associates	461	564	627	654	**731**
Profit before income tax	21,967	25,917	30,779	36,975	**45,812**
Income tax	(4,082)	(5,394)	(6,742)	(7,076)	**(9,626)**
Profit for the year	17,885	20,523	24,037	29,899	**36,186**
Profit attributable to:					
Equity shareholders of the Company	15,489	17,644	20,581	26,641	**31,706**
Minority interests	2,396	2,879	3,456	3,258	**4,480**
Profit for the year	17,885	20,523	24,037	29,899	**36,186**
Basic earnings per share (RMB)	0.929	0.975	1.110	1.339	**1.594**
Diluted earnings per share (RMB)	0.929	0.975	1.110	1.339	**1.594**

Condensed Consolidated Balance Sheet

	As at 31 December				
	2005	*2006*	*2007*	*2008*	**2009**
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
Property, plant and equipment, net	85,802	113,371	131,059	145,253	**163,645**
Total non-current assets	120,729	142,005	168,341	197,634	**219,218**
Total current assets	28,495	29,994	70,186	77,906	**92,459**
Total current liabilities	(25,988)	(36,124)	(33,371)	(42,656)	**(55,684)**
Total non-current liabilities	(46,894)	(46,644)	(55,352)	(61,141)	**(58,575)**
Net assets	76,342	89,231	149,804	171,743	**197,418**
Equity attributable to equity shareholders of the Company	60,042	69,784	129,788	147,432	**170,661**
Minority interests	16,300	19,447	20,016	24,311	**26,757**
Total equity	76,342	89,231	149,804	171,743	**197,418**

2008 Annual Report



2007 Annual Report

2006 Annual Report

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