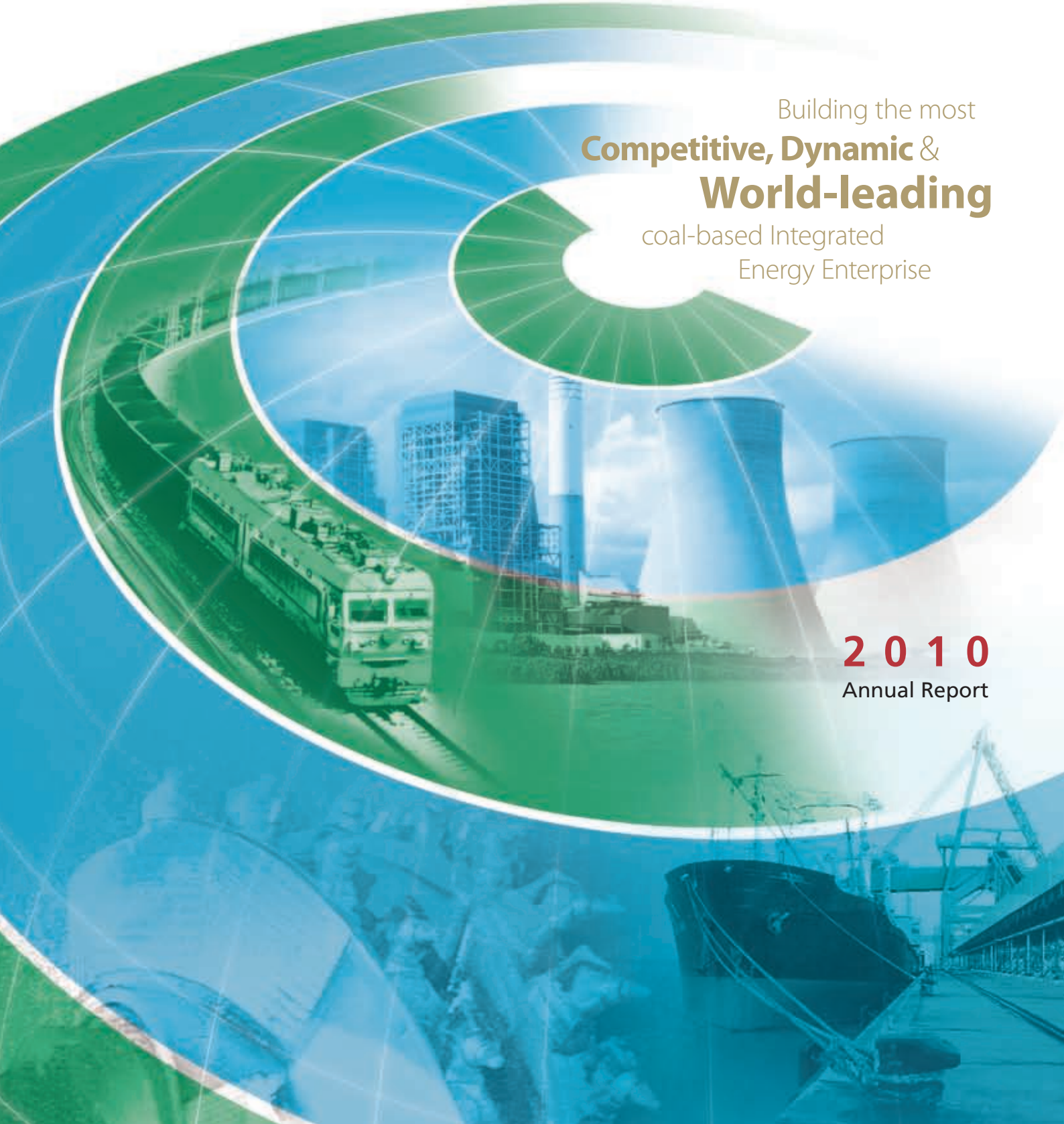
中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

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



Building the most
Competitive, Dynamic &
World-leading
coal-based Integrated
Energy Enterprise

2010
Annual Report

Cover Story:

With the strategic goal of "building the Group into a worldwide first-class coal-based integrated energy enterprise with global competitiveness", China Shenhua will further strengthen and improve the integrated industry chain of coal, power, railway, port and shipping, enhance its brand influence, strengthen its core competitiveness, and endeavor to expand both international and domestic markets. It will also actively push forward mega-sales strategy and the "going overseas" strategy. With the breakthrough in the projects in Australia, Indonesia and Mongolia, the Group will take an aggressive attitude in grasping any business opportunities by means of investment and merger and acquisition and stepping up efforts to establish a worldwide first-class coal-based energy enterprise with low cost, quality products, good services, rapid response, high efficiency and sound reputation.

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Important Notice

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

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 under the China's Auditing Standards and the Hong Kong Standards of Auditing respectively.

There is no appropriation of the Company's funds for non-operational purpose by any controlling shareholders or its subsidiaries.

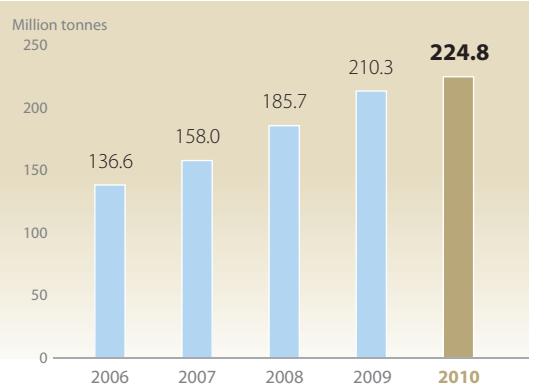
There is no violation of decision-making procedures by the Company in providing external guarantees.

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

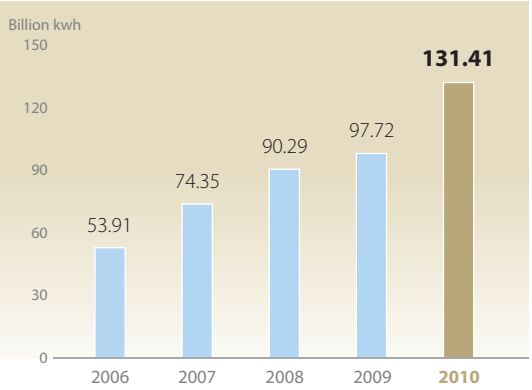
There are certain forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policy and economy, which are subject to risks, uncertainties and assumptions. Actual outcome may differ materially from the above-mentioned forward-looking statements. Investors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

Results
Highlights

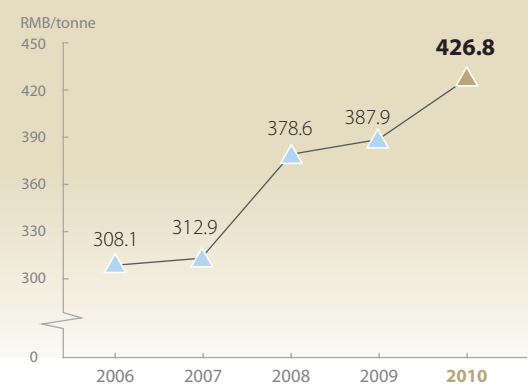
Commercial Coal Production



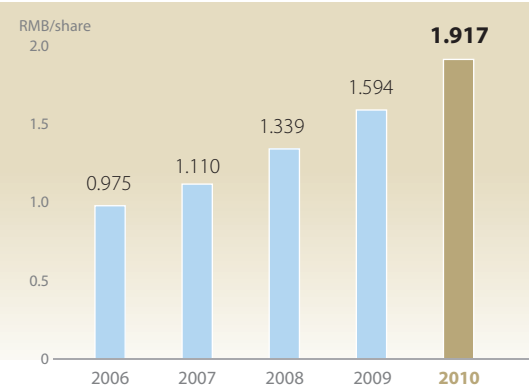
Total Power Output Dispatch



Average Coal Sales Price



Earnings Per Share



Operational

		2010	2009	Percentage change %
Commercial coal production	(Million tonnes)	**224.8**	210.3	6.9
Coal sales	(Million tonnes)	**292.6**	254.3	15.1
Of which: Export	(Million tonnes)	**10.3**	13.6	(24.3)
Turnover of self-owned railway transportation	(Billion tonne km)	**150.3**	138.2	8.8
Seaborne coal	(Million tonnes)	**169.9**	159.2	6.7
Of which: Huanghua Port	(Million tonnes)	**87.2**	77.8	12.1
Shenhua Tianjin Coal Dock	(Million tonnes)	**22.5**	21.7	3.7
Shipping volume	(Million tonnes)	**25.9**	N/A	N/A
Shipment turnover	(Billion tonne nautical miles)	**21.9**	N/A	N/A
Gross power generation	(Billion kwh)	**141.15**	105.09	34.3
Total power output dispatch	(Billion kwh)	**131.41**	97.72	34.5

		As at 31 December 2010	As at 31 December 2009	Percentage change %
Recoverable coal reserve (under PRC standard)	(100 million tonnes)	**114.73**	113.06	1.5
Marketable coal reserve (under JORC standard)	(100 million tonnes)	**72.82**	69.27	5.1

Financial

		2010	2009	Percentage change %
Revenues	(RMB million)	**152,063**	121,312	25.3
Profit for the year	(RMB million)	**43,569**	36,186	20.4
Profit attributable to equity shareholders of the Company for the year	(RMB million)	**38,132**	31,706	20.3
Basic earnings per share	(RMB per share)	**1.917**	1.594	20.3
Final dividend for the year (inclusive of tax)	(RMB per share)	**0.75**	0.53	41.5

		As at 31 December 2010	As at 31 December 2009	Percentage change %
Total assets	(RMB million)	**340,860**	311,677	9.4
Total liabilities	(RMB million)	**112,072**	114,259	(1.9)
Total equity	(RMB million)	**228,788**	197,418	15.9
Of which: Equity attributable to equity shareholders of the Company	(RMB million)	**198,325**	170,661	16.2
Equity attributable to equity shareholders per share	(RMB per share)	**9.97**	8.58	16.2

Unless otherwise specified, in this report:

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

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
   Address: Block B, Shenhua Tower, 22 Andingmen Xibinhe Road, Dongcheng District, Beijing

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

4. Registered and Office Address: 22 Andingmen Xibinhe Road, Dongcheng District, Beijing
   Postal 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, Securities Times and Securities Daily
   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 are available at: Block B, Shenhua Tower, 22 Andingmen Xibinhe Road, Dongcheng District, Beijing

6. A shares listed on: 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 on: 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 latest change in business registration: 17 June 2009
   Location of latest change in business registration: Beijing
   Registration Number of Corporate Business Licence: 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. Authorised Representatives
   Ling Wen, Huang Qing

10. Company Secretary
    Huang Qing

11. Investor Contacts
    Investor Relations Department, China Shenhua Energy Company Limited
    Address: Block B, Shenhua Tower, 22 Andingmen Xibinhe Road, Dongcheng District, Beijing
    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
    Address: 40th Floor, Office Tower A, Beijing Fortune Plaza, 7 Dongsanhuan Zhonglu, Chaoyang District, Beijing

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

13. Hong Kong Representative Office
    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

Chairman's Statement

Zhang Xiwu
Chairman

Dear Shareholders,

On behalf of the board of directors, I am delighted to present the 2010 annual report of China Shenhua and report to all shareholders on the Company's performance for the period.

In 2010, on the basis of steady growth of China's overall economy, China Shenhua continued to achieve healthy growth. The board of directors of China Shenhua pursued its core philosophy of value creation and led all employees to implement the development strategy of "pursue scientific development, rebuild Shenhua and double economic aggregate output within five years". Moreover, focusing on its growth target of building up a "five-model enterprise", the board of directors of China Shenhua further consolidated the corporate management foundation and achieved growth in results of the Company through strengthening technological innovation, talent-prone strategy, cooperation and low-cost operation.

As at 31 December 2010, the market capitalization of China Shenhua reached US$76.003 billion, ranking the first among listed coal companies worldwide and the fourth among listed integrated mining companies worldwide.

Continued to Achieve Satisfactory Results both in Production and Operation and created More Returns for All Shareholders

In 2010, the Company established the shipping segment to do shipping business. Under the balanced development of the five business segments, namely coal, power, railway, port and shipping, the Company hit new record high in operation results:

- the production volume of commercial coal reached 224.8 million tonnes and sales volume reached 292.6 million tonnes, representing a year-on-year growth of 6.9% and 15.1% respectively;

- the turnover of self-owned railway transportation was 150.3 billion tonne km, representing a year-on-year increase of 8.8%, and the seaborne coal sales volume reached 169.9 million tonnes, representing a year-on-year increase of 6.7%; shipping segment commenced a promising year with shipping volume of 25.9 million tonnes and shipment turnover of 21.9 billion tonne nautical miles for the period from July to December;

- the total installed capacity of power plants reached 27,433 MW, representing a year-on-year growth of 16.6%; the total power output dispatch reached 131.41 billion kwh, representing a year-on-year increase of 34.5%;

- Revenues amounted to RMB152.063 billion, representing a year-on-year increase of 25.3%;

- Profit attributable to equity shareholders of the Company was RMB38.132 billion, representing a year-on-year increase of 20.3%;

- Basic earnings per share was RMB1.917, representing a year-on-year increase of 20.3%;

- Net cash generated from operating activities was RMB57.209 billion, representing a year-on-year increase of 7.2%;

- The board of directors has recommended the distribution of final dividend for the year of RMB0.75 per share (inclusive of tax), accounting for 39.1% of basic earnings per share.

Further Enhanced Core Competitiveness with Balanced Development of Businesses

In 2010, with balanced development of each business segment, the business layout of the Company was further optimized, and a more comprehensive industrial chain was formed through integration of coal, power, railway, port and shipping segments after the successful establishment of Shenhua Shipping Company. The core competitiveness of the Company was consistently enhanced accordingly.

Continued growth of coal segment. With a goal to achieve balanced and highly efficient coal production, the Company optimized the production organization and expanded the production capacity of the existing mines. During the year, the production volume of commercial coal reached 224.8 million tonnes, representing a year-on-year increase of 6.9%. The technological and equipment upgrade for coal mining were proceeding continuously. With the completion of the first 7-meter height fully-mechanized working face in the world at Shendong Mines, the production of unit shaft and recovery rate of resources have been significantly enhanced. Further improvement of the throw-blasting explosive process with dragline excavators in Heidaigou open-cut mine has enhanced the production efficiency and capacity. Other projects including the technological upgrade and capacity expansion project for Daliuta coal selecting plant were proceeding steadily.

Advancing its mega-sales strategy, the Company was committed to becoming "Walmart" of the coal industry in China. Principally based on self-produced coal, the Company stepped up its efforts in coal purchasement from third parties. During the year, the sales volume of commercial coal reached 292.6 million tonnes, of which, the sales volume of coal purchased from third parties amounted to 72.4 million tonnes, representing a year-on-year increase of 61.6%. The Company focused on the development of high-end users market of metallurgy, construction materials, chemical and coal slurry, and improved the profitability per tonne of coal by adjusting product structure and developing high value-added products. The average sales price of commercial coal for 2010 was RMB426.8/tonne, representing a year-on-year increase of 10.0%. By leveraging on its integrated logistics comprising self-owned railways, port and shipping, the customer base and marketing model of the Company were further broadened.

The Company continued to promote its internationalization process. In Australia, work related to Watermark Project, including the exploration, feasibility study and environmental assessment has made smooth progress. The integrated coal and power project in South Sumatra, Indonesia is anticipated to be put into operation in 2011.

Highly-efficient operation of transportation segment. The Company took various steps to tap the potential of the existing railway system, optimized the transportation organization, launched heavy-loaded trains with capacity of 10,000 tonnes and increased the number of return empty self-owned wagons. In addition, the Company accelerated the loading and unloading process and throughput capacity expansion for stations in order to further enhance the transportation capacity of railway. During the year, the renovation work of Shuohuang Railway were carried out progressively. The electrification of Baoshen Railway was completed and Shenshuo Railway completed capacity expansion for its four stations while Dazhun Railway completed the capacity expansion for its critical five stations. The capacity expansion project of Phase II of Huanghua Port was also completed with the seaborne capacity exceeding 100 million tonnes. The establishment of Shenhua Shipping Company input momentum to Shenhua's integrated model, which generated greater synergy for the Company.

Rapid development of power segment. In 2010, the Company continued to develop clean coal-fired power projects, such as large-scale generators, high parameter, low coal consumption and comprehensive utilization of gangue, with installed capacity of coal-fired generator increased by 3,913 MW during the year. In order to increase the average utilization hours of power generators, the Company fully leveraged on its role as the marketing centre and actively promoted the development of direct power supply, substituted power generation and inter-grid power transactions. The total power output dispatch for the year reached 131.41 billion kwh, representing a year-on-year increase of 34.5%. The standard coal consumption for power output dispatch of coal-fired generators for the year was 327 g/kwh, 8 g/kwh below the average level in China.

The Company pursued the philosophy of value creation and low cost operation, continued to strengthen its refined management and accelerated the informationization and the development of the economic value added (EVA)-based performance appraisal system, resulting in further enhancement of quality of operation. Indicators, including return on net assets and turnover of total assets and accounts receivable, were further improved compared with those of the previous year. Capital management level and centralized management control capabilities continued to improve.

Actively Performing Social Responsibility, Promoting Sustainable Development

As always, the Company pursued its philosophy of corporate social responsibility as "Energy Contribution, Scientific Development and Mutual Success in Harmony" and realized growth consistently with the environment and society.

The Company actively carried out ecological management, emission treatment and integrated utilization at mining areas, enhanced the research and promotion in energy conservation and emission reduction technology, and continued to increase its resources utilization rate and reduce emission of pollutants, steadily implemented its strategy of safe, environment-friendly and sustainable development.

The Company persisted with its people-oriented and safety development policies. Through intensive promotion of the campaign "Year for comprehensive implementation of intrinsic-safety management system", the Company strengthened the potential risk inspection and remediation at mines as well as their site production safety management at a leading standard. Focusing on enhancing our employees' quality, the Company organized various training seminars and technological exchange as scheduled, creating a promising career development environment for employees whose professional quality has thus been further improved.

Through continuous improvement in corporate governance, strengthening internal control, adhering to operation in good faith and committing to public welfare, we achieved a win-win result in harmony with our relevant stakeholders, such as shareholders, customers, employees, suppliers, creditors, community and regulatory authorities.

Accelerate the Progress of Building Worldwide First-class Coal-based Integrated Energy Enterprise with Global Competitiveness

It is expected that the global economy will recover slowly while the economy of China is expected to maintain a steady and relatively fast growth in 2011, which will boost more demand for energies including coal. China Shenhua will accelerate its development to become a worldwide first-class coal-based integrated energy enterprise with strong global competitiveness by continuously facilitating the development strategy of "pursue scientific development, rebuild Shenhua and double economic aggregate output within 5 years".

In 2011, the Company will focus on the following aspects in relation to its development:

- To accelerate the transition of economy development pattern. The Company will press ahead the clean coal utilization program to improve resource utilization rate, so as to realize highly efficient reduction of emission. In addition, the Company will intensify the assessment based on economic value added (EVA) and incorporate the value management into the whole course of corporate management, so as to improve the operating efficiency of the Company and shareholders' return.

- To continue to enrich and improve Shenhua model. The Company will further promote the in-depth cooperation and resources sharing based on the integrated industry chain of coal, power, railway, port and shipping, in order to maximize the synergy and intensify the competitive edge of the Company.

- To persist in organic growth and external expansion simultaneously. The Company will accelerate the development of new mines, expand capacities and tap potential at the existing coal mines, actively promote strategic cooperation in form of joint-ventures or reorganization, optimize resource allocation and strengthen market competitive edge.

- To press forward the transition from a production-based enterprise to a marketing-oriented enterprise of coal. The Company will continue to implement the mega-sales strategy, strengthen and improve the brand image and servicing system of Shenhua. In addition, it will make market segmentation and product series and further optimize its marketing system in order to position China Shenhua as a coal energy distributor with low cost, quality products, good services, rapid response, high efficiency and sound reputation.

- To enhance the capability of independent innovation. The Company will unremittingly improve the innovation system for science and technology, ensure the successful implementation of high-tech research and development projects as well as the strategy of absorbing high-level talents, and promote the strategic cooperation in the globalization context in terms of products, knowledge, research and application.

- To boost the internationalization process. The Company will not only actively participate in international cooperation and competition, but also manage to expand markets and gain resources both at home and abroad. The Company will accelerate the progress of current international projects in Australia, Indonesia and etc.

Faced with new development trend in 2011, we are confident to achieve our new objectives. With firm and strong confidence, China Shenhua will implement its development strategies steadily and actively promote reform with an aim to build China Shenhua into a worldwide first-class coal-based integrated energy enterprise with strong global competitiveness and create more value for all shareholders.

Chairman
Zhang Xiwu

Beijing, PRC
25 March 2011

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Overview of the Company's Operating Results for 2010

Business Data Master Table

		2010	2009	Percentage change %
Commercial coal production	(million tonnes)	**224.8**	210.3	6.9
Commercial coal sales	(million tonnes)	**292.6**	254.3	15.1
Of which: Export	(million tonnes)	**10.3**	13.6	(24.3)
Turnover of self-owned railway transportation	(billion tonne km)	**150.3**	138.2	8.8
Seaborne coal	(million tonnes)	**169.9**	159.2	6.7
Of which: Huanghua Port	(million tonnes)	**87.2**	77.8	12.1
Shenhua Tianjin Coal Dock	(million tonnes)	**22.5**	21.7	3.7
Shipping volume[1]	(million tonnes)	**25.9**	–	N//A
Shipment turnover[1]	(billion tonne nm)	**21.9**	–	N//A
Gross power generation[2]	(billion kwh)	**141.15**	105.09	34.3
Total power output dispatch[2]	(billion kwh)	**131.41**	97.72	34.5

Breakdown of Shipping Volume[1]

	2010 million tonnes	2009 million tonnes	Percentage change %
The Group's internal customers	**7.8**	–	N/A
External customers	**18.1**	–	N/A
Total of shipping volume	**25.9**	–	N/A

Breakdown of Coal Resources/Reserve

	As at 31 December 2010	As at 31 December 2009	Percentage change %
Recoverable coal reserve (100 million tonnes)			
(under PRC standard)	**114.73**	113.06	1.5
Of which: Shendong Mines[3]	**74.23**	75.37	(1.5)
Zhunge'er Mines	**25.77**	26.15	(1.5)
Shengli Mines	**14.73**	11.54	27.6
Marketable coal reserve (100 million tonnes)			
(under JORC standard)	**72.82**	69.27	5.1
Of which: Shendong Mines	**45.87**	41.73	9.9
Zhunge'er Mines	**18.67**	19.12	(2.4)
Shengli Mines	**8.28**	8.42	(1.7)
Coal resources (100 million tonnes)	**175.32**	177.65	(1.3)
Of which: Shendong Mines	**126.85**	128.60	(1.4)
Zhunge'er Mines	**27.57**	28.00	(1.5)
Shengli Mines	**20.90**	21.05	(0.7)

Breakdown of Coal Sales

	2010 million tonnes	Proportion of domestic sales %	2009 million tonnes	Percentage change %
Domestic sales	**282.3**	100.0	240.7	17.3
By contract type				
Long-term contract	**154.5**	54.7	171.6	(10.0)
Spot market sales	**127.8**	45.3	69.1	84.9
By transportation mode				
Mine mouth	**29.9**	10.6	21.2	41.0
Direct arrival (along railway)	**92.8**	32.9	73.9	25.6
Seaborne	**159.6**	56.5	145.6	9.6
By customers				
External customers	**223.4**	79.1	199.3	12.1
Power segment of the Group	**58.9**	20.9	41.4	42.3
By region				
Northern China	**135.5**	48.0	106.6	27.1
Eastern China	**102.7**	36.4	90.7	13.2
Central China and Southern China	**37.8**	13.4	37.7	0.3
Northeast China	**2.5**	0.9	2.1	19.0
Others	**3.8**	1.3	3.6	5.6
By usage				
Thermal coal	**221.6**	78.5	192.2	15.3
Metallurgy	**6.2**	2.2	7.3	(15.1)
Chemical (including coal slurry)	**11.8**	4.2	7.5	57.3
Others	**42.7**	15.1	33.7	26.7
,	**2010 million tonnes**	**Proportion of export sales %**	**2009 million tonnes**	**Percentage change %**
Export Sales	**10.3**	100.0	13.6	(24.3)
South Korea	**3.2**	31.1	5.8	(44.8)
China Taiwan	**3.0**	29.1	3.5	(14.3)
Japan	**3.6**	35.0	3.5	2.9
Others	**0.5**	4.8	0.8	(37.5)
Total coal sales	**292.6**		**254.3**	15.1

Breakdown of Commercial Coal Production

	2010 million tonnes	2009 million tonnes	Percentage change %
Total comercial coal production	**224.8**	210.3	6.9
By Mines			
Shendong Coal Group	**151.4**	149.9	1.0
Bulianta	**24.3**	22.5	8.0
Daliuta-Huojitu	**21.1**	19.8	6.6
Yujialiang	**17.1**	16.9	1.2
Shangwan	**13.8**	13.0	6.2
Halagou	**12.9**	12.5	3.2
Baode (Kangjiatan)	**9.5**	11.9	(20.2)
Shigetai	**11.1**	9.9	12.1
Wulanmulun	**6.6**	6.4	3.1
Buer'tai	**9.2**	9.4	(2.1)
Wanli No.1 mine (ChangHangou)	**9.6**	9.8	(2.0)
Liuta mine	**6.4**	5.5	16.4
Cuncaota No. 1 mine	**3.4**	2.9	17.2
Cuncaota No. 2 mine	**3.7**	3.0	23.3
Tanggonggou mine	**2.2**	4.7	(53.2)
Others	**0.5**	1.7	(70.6)
Zhunge'er Energy	**25.3**	23.1	9.5
Heidaigou	**25.3**	23.1	9.5
Ha'erwusu Branch	**19.3**	14.1	36.9
Beidian Shengli Energy	**14.3**	10.5	36.2
Jinjie Energy	**14.5**	12.7	14.2
By Regions			
Inner Mongolia Autonomous Region	**138.6**	126.6	9.5
Shaanxi	**76.7**	71.8	6.8
Shanxi	**9.5**	11.9	(20.2)

Breakdown of Railway Turnover

	2010 billion tonne km	2009 billion tonne km	Percentage change %
Self-owned railways	**150.3**	138.2	8.8
Shenshuo Railway	**37.1**	35.5	4.5
Shuohuang-Huangwan Railway	**88.8**	81.3	9.2
Dazhun Railway	**16.2**	15.1	7.3
Baoshen Railway	**8.2**	6.3	30.2
State-owned railways	**41.8**	40.8	2.5
Total railway turnover	**192.1**	179.0	7.3

Breakdown of Seabone Coal in Port

	2010 million tonnes	2009 million tonnes	Percentage change %
Self-owned ports	**109.7**	99.5	10.3
Huanghua Port	**87.2**	77.8	12.1
Shenhua Tianjin Coal Dock	**22.5**	21.7	3.7
Third-party ports	**60.2**	59.7	0.8
Qinhuangdao Port	**38.6**	41.2	(6.3)
Tianjin Port	**10.1**	14.2	(28.9)
Others	**11.5**	4.3	167.4
Total seaborne coal in port	**169.9**	159.2	6.7

Breakdown of Coal-fired Generation Business

Power plants	Regional grid	Location	Gross power generation 100 million kwh	Total power output dispatch 100 million kwh	Average utilisation hours hours	Standard coal consumption rate for power output dispatch g/kwh	Power tariff RMB/mwh	Total installed capacity as at 31 December 2010 MW
Huanghua Power	North China Power Grid	Hebei	131.4	125.0	5,216	318	309	2,520
Sanhe Power	North China Power Grid	Hebei	74.9	69.9	5,761	327	337	1,300
Dingzhou Power	North China Power Grid	Hebei	130.7	121.2	5,186	325	294	2,520
Panshan Power	North China Power Grid	Tianjin	62.1	57.8	6,033	331	361	1,030
Zhunge'er Power	North China Power Grid/ Northwest /North China	Inner Mongolia	21.5	19.0	5,062	427	208	400
Shendong Power	Shaanxi Provincial Local Power Grid	Inner Mongolia	94.0	83.7	4,675	386	244	2,867
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	71.8	65.3	5,436	326	235	1,320
Beijing Thermal	North China Power Grid	Beijing	24.2	21.4	6,043	265	393	400
Suizhong Power	Northeast Power Grid	Liaoning	150.9	141.4	4,857	320	330	3,600
Ninghai Power	East China Power Grid	Zhejiang	256.2	242.9	5,824	306	392	4,400
Jinjie Energy	North China Power Grid	Shaanxi	143.6	131.7	5,982	334	265	2,400
Shenmu Power	Northwest Power Grid	Shaanxi	13.7	12.3	6,233	379	287	220
Taishan Power	South China Power Grid	Guangdong	196.1	185.0	6,535	316	419	3,000
Huizhou Thermal	South China Power Grid	Guangdong	27.1	24.8	5,801	327	420	660
Total/Weighted average			1,398.2	1,301.4	5,566	327	334	26,637

Notes: (1) The indicators for shipping referred to the period from July to December 2010.
(2) The figures include the operating results of coal-fired power generation business and other power generation businesses.
(3) Shendong Mines is formed through the consolidation of original Shendong Mines and Wanli Mines.

Overview of Consolidated Operating Results for 2010

Consolidated income statement

	2010 RMB million	2009 RMB million	Percentage change %
Revenues	**152,063**	121,312	25.3
Less: Cost of revenues	**86,838**	65,492	32.6
Selling, general and administrative expenses	**8,143**	8,055	1.1
Other operating expenses, net	**631**	657	(4.0)
Profit from operations	**56,451**	47,108	19.8
Less: Net finance costs	**2,313**	2,038	13.5
Add: Investment income	**-**	11	(100.0)
Share of profits less losses of associates	**615**	731	(15.9)
Profit before income tax	**54,753**	45,812	19.5
Less: Income tax	**11,184**	9,626	16.2
Profit for the year	**43,569**	36,186	20.4
Equity shareholders of the Company	**38,132**	31,706	20.3
Non-controlling interests	**5,437**	4,480	21.4
Basic earnings per share (RMB/share)	**1.917**	1.594	20.3

Breakdown of revenues

	2010 RMB million	2009 RMB million	Percentage change %
Revenues			
Coal revenue	**102,791**	84,618	21.5
Power revenue	**44,733**	33,157	34.9
Transportation revenue	**3,136**	2,010	56.0
Sub-total	**150,660**	119,785	25.8
Other revenues	**1,403**	1,527	(8.1)
Total operating revenues	**152,063**	121,312	25.3

Breakdown of coal sales price

	2010 Sales volume million tonnes	2010 Sales price RMB/tonne	2009 Sales volume million tonnes	2009 Sales price RMB/tonne	Percentage change in sales price %
Domestic sales	**282.3**	**421.7**	240.7	378.7	11.4
Long-term contract sales	**154.5**	**385.3**	171.6	361.8	6.5
Mine mouth	**6.2**	**162.9**	13.5	105.1	55.0
Direct arrival (along railway line)	**61.1**	**297.6**	55.8	277.7	7.2
Seaborne	**87.2**	**462.4**	102.3	441.4	4.8
Spot market sales	**127.8**	**465.7**	69.1	420.7	10.7
Mine mouth	**23.7**	**130.9**	7.7	177.8	(26.4)
Direct arrival (along railway line)	**31.7**	**433.4**	18.1	400.8	8.1
Seaborne	**72.4**	**589.3**	43.3	472.7	24.7
Export sales	**10.3**	**566.5**	13.6	551.5	2.7
Total	**292.6**	**426.8**	254.3	387.9	10.0
Of which: Sales to internal power segment	**58.9**	**374.7**	41.4	339.4	10.4
Sales to external customers	**233.7**	**439.9**	212.9	397.4	10.7

Breakdown of cost of revenues

	2010 RMB million	2009 RMB million	Percentage change %
Coal purchased from third parties	**26,499**	14,187	86.8
Materials, fuel and power	**12,079**	9,513	27.0
Personnel expenses	**6,958**	5,727	21.5
Depreciation and amortisation	**12,394**	10,624	16.7
Repairs and maintenance	**5,719**	5,035	13.6
Transportation charges	**10,343**	9,273	11.5
Others	**12,846**	11,133	15.4
Total cost of revenues	**86,838**	65,492	32.6

Cost of revenues – Breakdown of others

	2010 RMB million	2009 RMB million	Percentage change %
Coal selection and minery fees	**4,908**	3,606	36.1
Coal extraction service costs	**252**	263	(4.2)
Taxes and surcharges	**1,422**	1,197	18.8
Dredging expenses	**555**	233	138.2
Relocation compensation expenses	**565**	997	(43.3)
Operating lease charges	**247**	203	21.7
Resources compensation fees	**415**	392	5.9
Pollutants discharge expenses	**755**	1,064	(29.0)
Cost of sale of ancillary materials and other goods, and provision of other services	**1,149**	1,379	(16.7)
Others	**2,578**	1,799	43.3
Total cost of revenues-others	**12,846**	11,133	15.4

Statement of cash flows from operating activities

	2010 RMB million	2009 RMB million	Percentage change %
Profit before income tax	**54,753**	45,812	19.5
Adjustments for: Depreciation and amortisation	**13,329**	11,422	16.7
Impairment losses on property, plant and equipment	**184**	396	(53.5)
Impairment losses on other investments	**120**	1	11,900.0
Net loss on disposal of property, plant and equipment	**85**	287	(70.4)
Investment income	**-**	(11)	(100.0)
Interest income	**(1,174)**	(1,117)	5.1
Share of profits less losses of associates	**(615)**	(731)	(15.9)
Net interest expense	**3,171**	3,146	0.8
(Gain)/loss on remeasurement of derivative financial instruments to fair value	**(149)**	178	(183.7)
Unrealised foreign exchange loss/(gain)	**464**	(190)	(344.2)
Increase in accounts and bills receivable	**(1,751)**	(545)	221.3
(Increase)/decrease in inventories	**(3,420)**	115	(3,073.9)
Increase in prepaid expenses and other current assets	**(852)**	(208)	309.6
Increase in accounts and bills payable	**1,005**	1,470	(31.6)
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**3,923**	4,532	(13.4)
Interest received	**1,174**	1,117	5.1
Interest paid	**(3,566)**	(3,874)	(8.0)
Income tax paid	**(9,472)**	(8,455)	12.0
Net cash generated from operating activities	**57,209**	53,345	7.2

Overview of Operating Conditions by Segment for 2010

Segment results

	Coal		Power		Railway		Port		Shipping[2]		Unallocated items		Eliminations		Total	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million
Revenue from external customers	**103,579**	85,754	**45,127**	33,407	**2,303**	2,003	**152**	148	**902**	–	**–**	–	**–**	–	**152,063**	121,312
Revenue from inter-segment transactions	**22,296**	14,142	**336**	387	**19,003**	17,555	**2,448**	1,859	**659**	–	**–**	–	**(44,742)**	(33,943)	**–**	–
Sub-total of segment revenue	**125,875**	99,896	**45,463**	33,794	**21,306**	19,558	**2,600**	2,007	**1,561**	–	**–**	–	**(44,742)**	(33,943)	**152,063**	121,312
Segment cost of revenues	**(82,324)**	(63,400)	**(35,195)**	(24,727)	**(10,851)**	(9,962)	**(1,835)**	(1,434)	**(1,353)**	–	**–**	–	**44,720**	34,031	**(86,838)**	(65,492)
Segment profit/(loss) from operations	**38,156**	31,133	**8,353**	7,106	**9,712**	8,801	**514**	348	**150**	–	**(112)**	(16)	**(322)**	(264)	**56,451**	47,108
	As at 31 December 2010 RMB million	As at 31 December 2009 RMB million	**As at 31 December 2010 RMB million**	As at 31 December 2009 RMB million	**As at 31 December 2010 RMB million**	As at 31 December 2009 RMB million	**As at 31 December 2010 RMB million**	As at 31 December 2009 RMB million	**As at 31 December 2010 RMB million**	As at 31 December 2009 RMB million	**As at 31 December 2010 RMB million**	As at 31 December 2009 RMB million	**As at 31 December 2010 RMB million**	As at 31 December 2009 RMB million	**As at 31 December 2010 RMB million**	As at 31 December 2009 RMB million
Segment total assets	**158,321**	111,993	**114,380**	112,540	**47,136**	41,668	**10,273**	10,129	**2,159**	–	**182,779**	155,827	**(174,188)**	(120,480)	**340,860**	311,677
Segment total liabilities	**(90,995)**	(74,413)	**(79,953)**	(79,986)	**(21,559)**	(20,263)	**(4,981)**	(5,235)	**(534)**	–	**(86,384)**	(54,333)	**172,334**	119,971	**(112,072)**	(114,259)

Cost of revenues of coal segment

	Cost RMB million	**2010 Volume million tonnes**	**Unit cost RMB/tonne**	Cost RMB million	2009 Volume million tonnes	Unit cost RMB/tonne	Percentage change in unit cost %
Cost of coal purchased from third parties	**26,499**	**72.4**	**366.0**	14,187	44.8	316.7	15.6
Cost of coal production	**25,430**	**220.2**	**115.5**	21,168	209.5	101.0	14.4
Materials, fuel and power	**5,060**	**220.2**	**23.0**	4,536	209.5	21.7	6.0
Personnel expenses	**3,095**	**220.2**	**14.1**	2,374	209.5	11.3	24.8
Depreciation and amortisation	**4,905**	**220.2**	**22.3**	4,242	209.5	20.2	10.4
Repairs and maintenance	**2,348**	**220.2**	**10.7**	1,788	209.5	8.5	25.9
Others	**10,022**	**220.2**	**45.4**	8,228	209.5	39.3	15.5
Cost of coal transportation	**29,337**	**292.6**	**100.3**	27,017	254.3	106.2	(5.6)
Other costs	**1,058**			1,028			
Total cost of revenues of coal segment	**82,324**			63,400			

Cost of revenues of power segment

	2010 Power output dispatch Cost RMB million	**2010 Power output dispatch 100 million kwh**	**Unit cost RMB/mwh**	2009 Power output dispatch Cost RMB million	2009 Power output dispatch 100 million kwh	Unit cost RMB/mwh	Percentage change of unit cost %
Cost of power output dispatch	**34,720**	**1,314.1**	**264.2**	24,143	977.2	247.1	6.9
Materials, fuel and power	**25,661**	**1,314.1**	**195.3**	16,834	977.2	172.3	13.3
Personnel expenses	**1,672**	**1,314.1**	**12.7**	1,406	977.2	14.4	(11.8)
Depreciation and amortisation	**4,850**	**1,314.1**	**36.9**	3,984	977.2	40.8	(9.6)
Repairs and maintenance	**1,386**	**1,314.1**	**10.5**	1,076	977.2	11.0	(4.5)
Others	**1,151**	**1,314.1**	**8.8**	843	977.2	8.6	2.3
Other costs	**475**			584			
Total cost of revenues of power segment	**35,195**			24,727			

Cost of revenues of railway segment

	2010 Cost RMB million	2009 Cost RMB million	Percentage change %
Cost of internal transportation business	**9,462**	8,711	8.6
Materials, fuel and power	**2,258**	1,980	14.0
Personnel expenses	**1,755**	1,547	13.4
Depreciation and amortisation	**1,818**	1,608	13.1
Repairs and maintenance	**1,736**	1,949	(10.9)
Transportation charges	**338**	282	19.9
Others	**1,557**	1,345	15.8
Cost of external transportation	**1,250**	1,122	11.4
Sub-total	**10,712**	9,833	8.9
Other costs	**139**	129	7.8
Total cost of revenues of railway segment	**10,851**	9,962	8.9

Cost of revenues of port segment

	2010 Cost RMB million	2009 Cost RMB million	Percentage change %
Cost of internal transportation business	**1,714**	1,321	29.8
Materials, fuel and power	**224**	189	18.5
Personnel expenses	**116**	102	13.7
Depreciation and amortisation	**586**	605	(3.1)
Repairs and maintenance	**99**	80	23.8
Others	**689**	345	99.7
Cost of external transportation	**107**	103	3.9
Sub-total	**1,821**	1,424	27.9
Other costs	**14**	10	40.0
Total cost of revenues of port segment	**1,835**	1,434	28.0

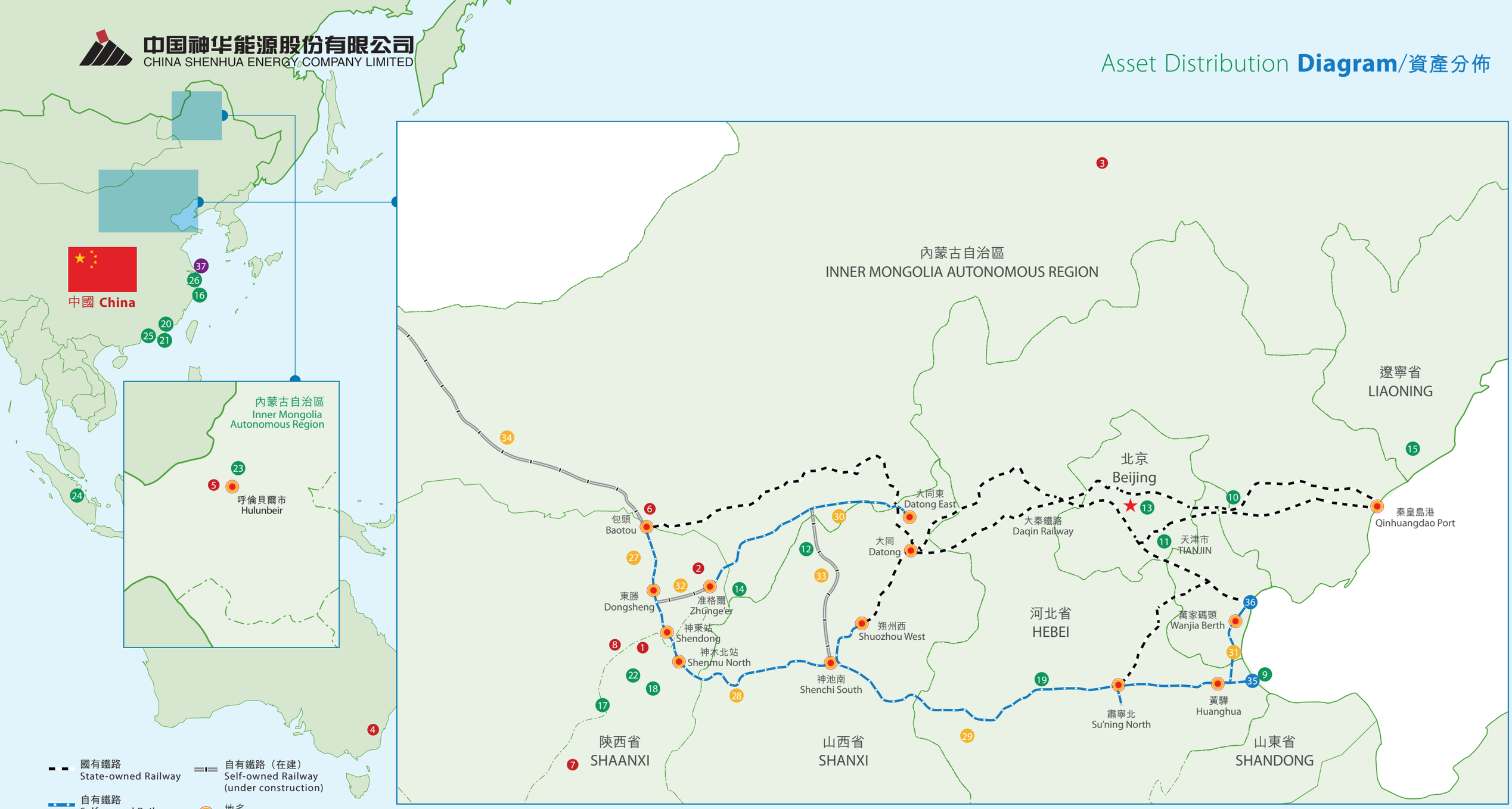
Cost of revenues of shipping segment

	2010 Cost RMB million	2009 Cost RMB million	Percentage change %
Cost of internal transportation	**571**	–	N/A
Materials, fuel and power	**43**	–	N/A
Personnel expenses	**6**	–	N/A
Depreciation and amortisation	**16**	–	N/A
Repairs and maintenance	**7**	–	N/A
Transportation charges	**485**	–	N/A
Others	**14**	–	N/A
Cost of external transportation	**782**	–	N/A
Sub-total	**1,353**	–	N/A
Other costs	**–**	–	N/A
Total cost of revenues of shipping segment	**1,353**	–	N/A

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

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

Asset Distribution **Diagram**/資產分佈



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. 澳大利亞沃特馬克煤礦項目 Australia Watermark Coal Project
5. 神寶煤礦 Shenbao Mines
6. 包頭礦業 Baotou Mines
7. 柴家溝礦業 Chaijiagou Mine
8. 新街台格廟勘查區（權證申請中） Xinjie Taigemiao Exploration Area (Mining licences and permits application in progress)

電廠 Power

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

鐵路 Railway

27. 包神鐵路 Baoshen Railway
28. 神朔鐵路 Shenshuo Railway
29. 朔黃鐵路 Shuohuang Railway
30. 大准鐵路 Dazhun Railway
31. 黃萬鐵路 Huangwan Railway
32. 巴准鐵路（在建） Bazhun Railway (under construction)
33. 准池鐵路（在建） Zhunchi Railway (under construction)
34. 甘泉鐵路（在建） Ganquan Railway (under construction)

港口 Port

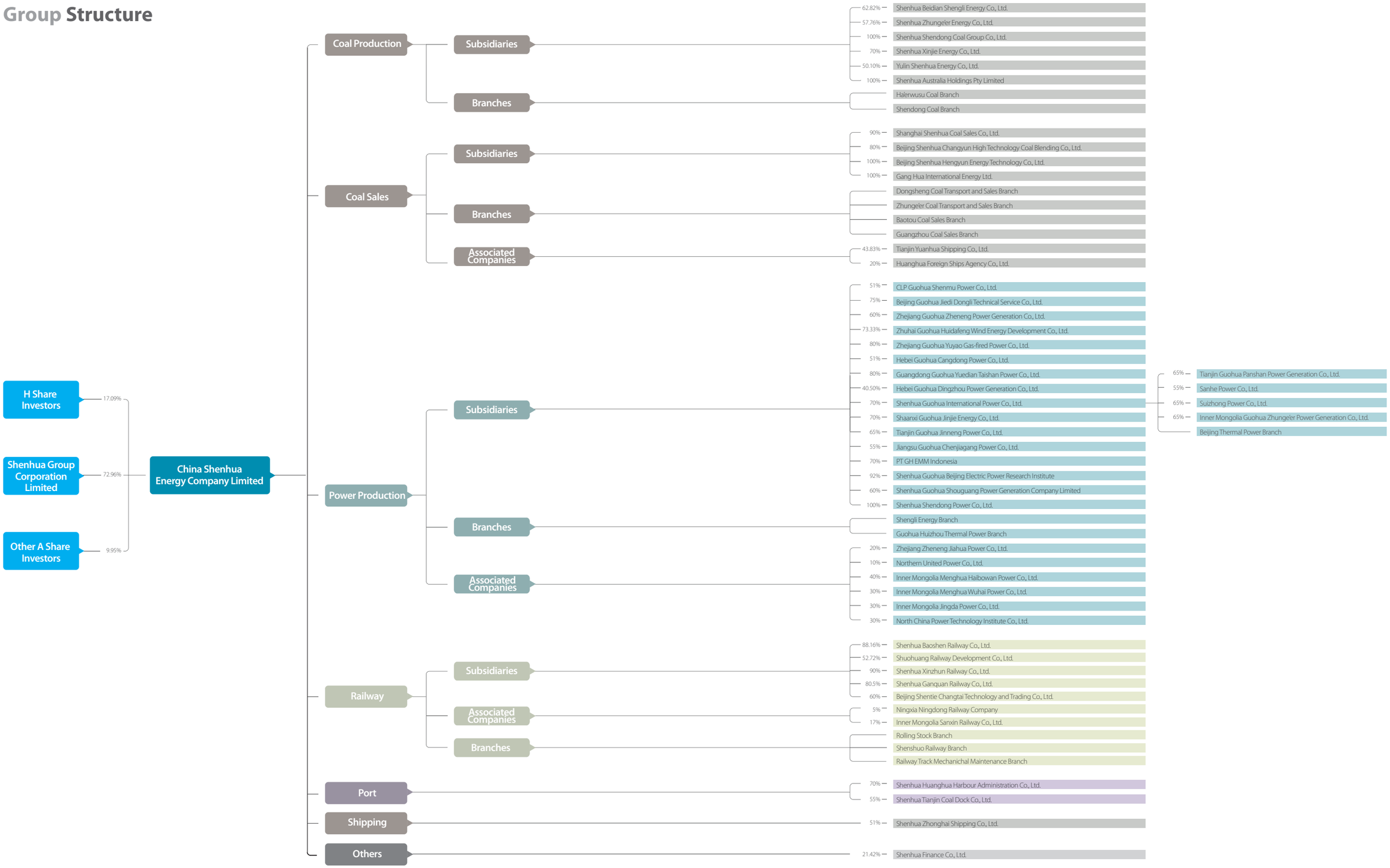
35. 黃驊港 Huanghua Port
36. 神華天津煤碼頭 Shenhua Tianjin Coal Dock

航運 Shipping

37. 神華航運 Shenhua Shipping

註： 於2011年3月25日之分佈圖，僅做示意。
Note: This map as at 25 March 2011 is for illustrative purpose only.

Group Structure



Note: The Group structure of China Shenhua (including major branches and subsidiaries) as at 31 December 2010 is for illustrative purpose only.

Balanced Business Development Further Enhancement of Core Competitiveness

Overview of operating conditions in 2010

In 2010, the management of China Shenhua continued improving and innovating its operating management as well as optimizing its industrial distribution through implementation of the development strategy of "pursue scientific development, rebuild Shenhua and double economic aggregate output within five years" with a commitment to building "five-model enterprise" and focus on the improvement of safety, scale of economies and synergy. With the joint efforts of all the staff, the results of the Company achieved continual growth.

I. The operating indicators hit a new record high

In 2010, commercial coal production volume of the Company amounted to 224.8 million tonnes, representing a year-on-year increase of 6.9%; sales volume of coal reached 292.6 million tonnes, representing a year-on-year increase of 15.1%; turnover of self-owned railway transportation reached 150.3 billion tonne kilometers, representing a year-on-year increase of 8.8%; seaborne coal sales volume reached 169.9 million tonnes, representing a year-on-year increase of 6.7%; gross power generation and total power output dispatch reached 141.15 billion kwh and 131.41 billion kwh respectively, representing a year-on-year increase of 34.3% and 34.5% respectively. During the period from July to December, the shipping volume amounted to 25.9 million tonnes and shipment turnover reached 21.9 billion tonne nautical miles respectively.

II. Steadily improved Operating Results and Efficiency

The Company has always been operating under the core principle of value creation, with focus on the balanced growth of the scale of development and the financial results. In 2010, the Company further enhanced its operation efficiency and profitability through further improvement of synergy among various business segments, strengthening low-cost operation, establishing economic value added (EVA)-based performance appraisal system and identifying new sources of value and growth.

According to the International Financial Reporting Standards, during the year 2010, the revenue of the Group was RMB152.063 billion (2009: RMB121.312 billion), representing a year-on-year increase of 25.3%; the profit attributable to equity shareholders of the Company for the year was RMB38.132 billion (2009: RMB31.706 billion), representing a year-on-year increase of 20.3%; basic earnings per share[1] of the Group were RMB1.917 (2009: RMB1.594), representing a year-on-year increase of 20.3%.

As at 31 December 2010, the equity attributable to equity shareholders of the Group per share was RMB9.97 (2009: RMB8.58), representing a year-on-year increase of 16.2%. As of 31 December 2010, the Group's return on total assets[2] was 12.8%; the return on net assets[3] of 2010 was 19.2% (2009: 18.6%), representing a year-on-year increase of 0.6 percentage point; EBITDA[4] was RMB69.780 billion (2009: RMB58.530 billion), representing a year-on-year increase of 19.2%. As at 31 December 2010, total debt to equity ratio[5] of the Group was 22.0%, representing a decrease of 6.0 percentage points as compared with 28.0% as at 31 December 2009.

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

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

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

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

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

Production Safety and Efficiency Active Implementation of Mega-sales Strategy

III. Continuous improvement of the integrated model with balanced production and operation

Operation in coal segment

1. Coal production and operation

The Company owns three major mines, namely Shendong Mines, Zhunge'er Mines and Beidian Shengli Mines. In 2010, the Company continued to promote the safe and efficient construction of mines and expand the capacity of coal mines through technological upgrade and optimization of production organization, and thus realized a steady growth of coal production. The commercial coal production for 2010 reached 224.8 million tonnes, representing a year-on-year increase of 6.9%.

Shendong Mines comprises original Shendong Mines and Wanli Mines. In 2010, various specialized service centers including Production Service Center, Equipment Repair Center and Exploitation and Preparation Center were set up in Shendong Mines to build up its specialized service system. This has significantly improved its service efficiency and the level of specialization. Shendong Mines overcame the unfavourable impact arising from the production restriction of certain mines through scientific arrangement for continuous mining, team allocation and necessary installation of equipment. The commercial coal production for the year reached 165.9 million tonnes, accounting for 73.8% of the total commercial coal production of the Group during the same period. Technological upgrade and capacity expansion of the mines were proceeding steadily.

The commercial coal production of Zhunge'er Mines reached 44.6 million tonnes, representing a year-on-year increase of 19.9%. Targeting at building a mine with 100-million tonnes capacity, the Company continued to proceed with the capacity expansion in Heidaigou open-cut mine and Ha'erwusu open-cut mine. Production efficiency of the throw-blasting explosive process with dragline excavators used in Heidaigou open-cut mine was improved significantly, and has met the international standard.

The commercial coal production of Shengli Mines reached 14.3 million tonnes, representing a year-on-year increase of 36.2%. Phase II of Shengli No.1 open-cut mine commenced its construction in mid 2010. Upon full completion of the project, its coal production capacity will reach 20 million tonnes per year.

2. Coal production technology and equipment

In 2010, the Company enhanced the construction on the institutionalization, standardization and informationization of coal production, and formulated a number of rules and standards relating to production technology and equipment, mining equipment overhaul, equipment disposal and mining equipment optimal allocation to be adapted for the introduction of new technologies and equipment such as the fully-mechanized working face, fully-mechanized super-thick coal mining seam and the automatic working face for medium and thin coal seams. As a result, the level of production and equipment technologies were improved. The 7-meter height fully-mechanized working face, which is the first one in the world, was completed at Shendong Mines and the project for tackling the technological problems in mining technology of thin coal seam was accelerated and certain progress have been attained.

3. Production safety in coal mine

The Company kept on pursuing the principle of safe development and adopted various measures, which include raising employees' safety awareness and providing skill training to employees, increasing expenditure on safety and adopting security measures using high technology to strengthen the safety management, identify and eliminate potential risks and enhance risk control. In 2010, the fatality rate per million tonnes of raw coal production of the Company was 0.0123, which continued to be in the leading position in the international coal industry.

4. Coal resources

As at 31 December 2010, the Group had coal resource reserve of 17.532 billion tonnes and recoverable coal reserve of 11.473 billion tonnes under the PRC Standard; the Group's marketable coal reserve was 7.282 billion tonnes under the JORC Standard.

In 2010, the Company completed its coal resource explorations as scheduled and the exploration expenses[1] amounted to approximately RMB1.1 billion. The exploration work of Watermark Project in Australia was in smooth progress, with completion of almost 400 drill holes such as geology holes, shallow holes and coal holes and cumulative footage of more than 25,000 meters.

In 2010, the Company's development and mining works of coal mines were proceeding in an orderly manner, relevant capital expenditure of which amounted to approximately RMB10.3 billion. Reconstruction and capacity expansion of certain mines of Shendong Mines, Heidaigou and Ha'erwusu open-cut mines and Shengli No. 1 open-cut mine as well as the development and construction works of new mines were carried out as scheduled. Mining work of each mine was proceeding as scheduled.

1 Exploration expenses were incurred before the completion of feasibility study, which were related to coal resource exploration and assessment.

Characteristics of major commercial coal products produced by each mine of the Company are as follows:

No.	Mines	Major types of coal	Calorific value range of major commercial coal products	Sulphur content range
1	Shendong Mines	Long flame coal/ non-caking coal	>5,200 kcal/kg	0-0.5%
2	Zhunge'er Mines	Long flame coal	>4,600 kcal/kg	0-0.5%
3	Shengli Mines	Lignite	>3,050 kcal/kg	0-1.0%

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

In 2010, the Company successfully carried out the assets acquisition from Shenhua Group comprising seven mining rights and a designated mining area. The acquisition further enhanced the Company's resource reserve. The acquisition had been passed by resolutions of the shareholders at the first extraordinary general meeting of the Company in 2011. The coal reserve of the acquired assets are as follow: as of 30 June 2010, the recoverable coal reserve under the PRC Standard amounted to 2.428 billion tonnes and the marketable coal reserve under the JORC Standard amounted to 1.754 billion tonnes.

Developing Clean Power Generation with Large-scale Units and Low Coal Consumption Advancing Integrated Resources Utilization

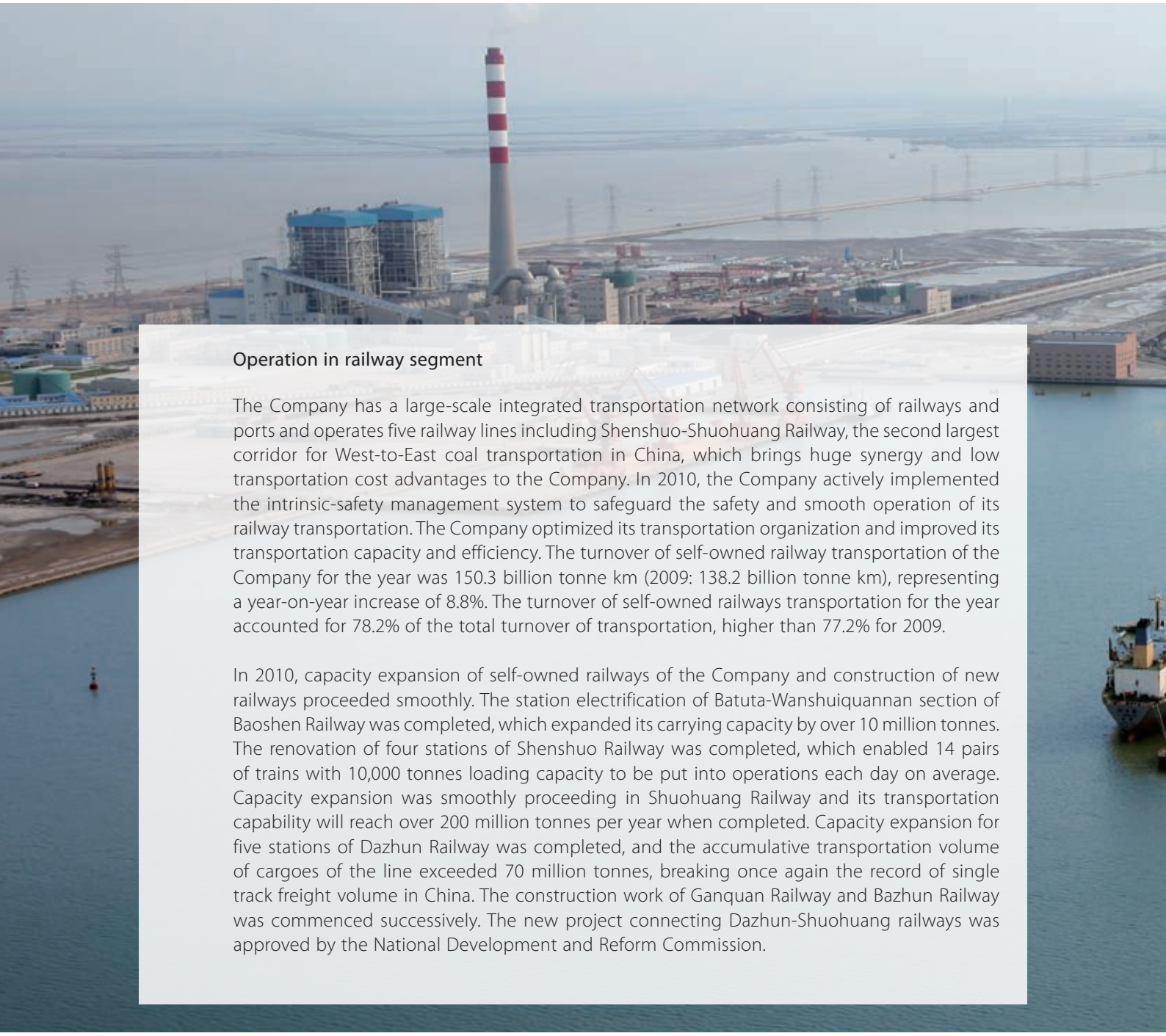
Operation in power segment

During 2010, the total installed capacity of the Company increased by 3,913 MW to 27,433 MW as at the end of the year, representing a year-on-year growth of 16.6%. Gross power generation of the Company was 141.15 billion kwh, representing a year-on-year increase of 34.3%. As at 31 December 2010, the Company controlled and operated 63 units of coal-fired generator and the average unit capacity was 423 MW. In 2010, the coal consumption of the power segment of the Company in 2010 was 60.5 million tonnes, of which 58.2 million tonnes were from internal coal segment, accounting for 96.2%.

The Company implemented measures including "Replacement of Small Units with Larger Units" and heat and power co-generation and continued to develop clean coal-fired power projects, such as large generators, high parameter, low coal consumption and comprehensive utilization of gangue, in order to increase energy conversion efficiency and decrease coal consumption rate. The standard coal consumption for power output dispatch of coal-fired generators of the Company for 2010 was 327 g/kwh, 8 g/kwh below the average level in China (the standard coal consumption for power supply of power plants with capacity of above 6,000 KW in China was 335 g/kwh). In 2010, 2 x 1,000 MW generators of Suizhong Power, 2 x 330 MW generators of Huizhou Thermal and 4 x 300 MW gangue-fired generators were successfully put into operation. Shendong Baode gangue-fired power plant project was approved by the National Development and Reform Commission.

In order to increase the utilization rate of generators, the Company built up a sound marketing network, expanded its professional marketing team and set up marketing centers in key sales regions. The Company also encouraged direct power supply, substituted power generation and inter-grid power transactions by taking advantage of its large-capacity and high-parameter generation units and its competitive edge in resources. The total power output dispatch for the year was 131.41 billion kwh, representing a year-on-year growth of 34.5%. In 2010, the Company's average utilization hours of coal-fired generation units of the power segment amounted to 5,566 hours, which was 535 hours more than the national average utilization hours of 5,031 hours for coal-fired generators in China with capacity of 6,000 kw or above for the same period. The power tariff of the Company's coal-fired power plant in 2010 was RMB334/mwh, representing a year-on-year decrease of RMB2/mwh.

Large-scale Transportation and Logistics Ever Increasing Advantages in the Integration of Railway, Port and Shipping Businesses



Operation in railway segment

The Company has a large-scale integrated transportation network consisting of railways and ports and operates five railway lines including Shenshuo-Shuohuang Railway, the second largest corridor for West-to-East coal transportation in China, which brings huge synergy and low transportation cost advantages to the Company. In 2010, the Company actively implemented the intrinsic-safety management system to safeguard the safety and smooth operation of its railway transportation. The Company optimized its transportation organization and improved its transportation capacity and efficiency. The turnover of self-owned railway transportation of the Company for the year was 150.3 billion tonne km (2009: 138.2 billion tonne km), representing a year-on-year increase of 8.8%. The turnover of self-owned railways transportation for the year accounted for 78.2% of the total turnover of transportation, higher than 77.2% for 2009.

In 2010, capacity expansion of self-owned railways of the Company and construction of new railways proceeded smoothly. The station electrification of Batuta-Wanshuiquannan section of Baoshen Railway was completed, which expanded its carrying capacity by over 10 million tonnes. The renovation of four stations of Shenshuo Railway was completed, which enabled 14 pairs of trains with 10,000 tonnes loading capacity to be put into operations each day on average. Capacity expansion was smoothly proceeding in Shuohuang Railway and its transportation capability will reach over 200 million tonnes per year when completed. Capacity expansion for five stations of Dazhun Railway was completed, and the accumulative transportation volume of cargoes of the line exceeded 70 million tonnes, breaking once again the record of single track freight volume in China. The construction work of Ganquan Railway and Bazhun Railway was commenced successively. The new project connecting Dazhun-Shuohuang railways was approved by the National Development and Reform Commission.

Operation in 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. In 2010, seaborne coal volume of the Company for the year was 169.9 million tonnes, accounting for 58.1% of total commercial coal sales, of which, Huanghua Port and Shenhua Tianjin Coal Dock completed seaborne coal sales of 109.7 million tonnes, accounting for 64.6% of the total seaborne coal sales of the Company.

In 2010, Huanghua Port and Shenhua Tianjin Coal Dock overcame the fallout of adverse factors such as bad weather and strengthened the coordination with the railway and shipping operations, resulting in a year-on-year increase of seaborne coal sales by 10.3%. The capacity expansion and renovation of the Phase II project of Huanghua Port was completed, which increased its capacity up to 100 million tonnes. The Phase III project of Huanghua Port was commenced and its capacity will reach 150 million tonnes upon completion. Application for approval of Phase II project of Shenhua Tianjin Coal Dock was proceeding in an orderly manner.

Operation in shipping segment

In the first half of 2010, the Company acquired the control of Shenhua Shipping Company with 51% shareholding through capital injection and registered capital increase, which marked the commencement of operation of the Company's shipping segment and further extended the Company's industrial chain comprising coal, power, railway, port and shipping businesses. Shenhua Shipping Company fully leveraged on the integrated synergy of China Shenhua to expand its fleet, improve the composition of the fleet and strengthen the cooperation with major users of power. As a result, the shipping volume completed by it amounted to 25.9 million tonnes during the second half of 2010.

The Company has incorporated Shenhua Shipping Company into its consolidated financial statement since 25 June 2010, details of which are set out in note 27(c) to the financial statements in this report.

Sales of coal

In 2010, the Company proactively responded to market changes by speeding up the transition of marketing mode, making full use of Shenhua brands and transportation advantages, optimizing product structure and strengthening user management to actively explore markets for its products such as feed coal, coal slurry, chemical coal, metallurgical coal and lump coal. Its sales volume of commercial coal reached 292.6 million tonnes. The Company further developed coal purchasing business from third parties in order to meet the demand of coal blending, to expand its market share and to fully utilize its self-owned railways, ports and shipping resources. The volume of coal purchased from third parties for the year amounted to 72.4 million tonnes, accounting for 24.7% of the total sales volume of coal.

1. Domestic and export sales

	2010			2009			
	Sales volume	**Proportion to total sales**	**Price**	Sales volume	Proportion to total sales	Price	Change in price
	Million tonnes	**%**	**RMB/ tonne**	Million tonnes	%	RMB/ tonne	%
Domestic sales	**282.3**	**96.5**	**421.7**	240.7	94.7	378.7	11.4
Long-term contract sales	**154.5**	**52.8**	**385.3**	171.6	67.5	361.8	6.5
Mine mouth	**6.2**	**2.1**	**162.9**	13.5	5.3	105.1	55.0
Direct arrival (along railway line)	**61.1**	**20.9**	**297.6**	55.8	22.0	277.7	7.2
Seaborne	**87.2**	**29.8**	**462.4**	102.3	40.2	441.4	4.8
Spot sales	**127.8**	**43.7**	**465.7**	69.1	27.2	420.7	10.7
Mine mouth	**23.7**	**8.1**	**130.9**	7.7	3.1	177.8	(26.4)
Direct arrival (along railway line)	**31.7**	**10.8**	**433.4**	18.1	7.1	400.8	8.1
Seaborne	**72.4**	**24.8**	**589.3**	43.3	17.0	472.7	24.7
Export sales	**10.3**	**3.5**	**566.5**	13.6	5.3	551.5	2.7
Total sales volume/weighted average price	**292.6**	**100.0**	**426.8**	254.3	100.0	387.9	10.0

In 2010, domestic sales volume of the Company was 282.3 million tonnes (2009: 240.7 million tonnes), representing a year-on-year increase of 17.3% and accounting for 96.5% to the total coal sales volume, among which, the spot coal sales volume was 127.8 million tonnes (2009: 69.1 million tonnes), representing an increase of proportion to total sales volume from 27.2% in 2009 to 43.7% in 2010. In 2010, the Company's domestic seaborne coal sales volume was 159.6 million tonnes while the national coal transshipment volume for domestic coal sales through domestic ports was 556 million tonnes, based on which the market share of China Shenhua in coastal coal markets was estimated at approximately 28.7%. In 2010, the weighted average domestic coal sales price of the Company was RMB421.7/tonne (2009: RMB378.7/tonne), representing a year-on-year increase of 11.4%.

In 2010, the sales volume of the Company to the top five domestic coal customers was 36.2 million tonnes, which accounted for 12.8% of the total domestic sales volume, of which, the sales volume to the largest customer was 10.8 million tonnes, which accounted for 3.8% of total domestic sales volume. The top five domestic customers were either power generation companies or fuel companies.

In 2010, the coal export volume of the Company was 10.3 million tonnes (2009: 13.6 million tonnes), representing a year-on-year decrease of 24.3%. The proportion of export sales to total sales volume of coal decreased to 3.5% from 5.3%. In 2010, the coal export sales price was RMB566.5/tonne (2009: RMB551.5/tonne), representing a year-on-year increase of 2.7%. The change in export coal price was primarily due to the facts that: (1) positive factors: the rising international thermal coal price boosted by surging coal demand from Asia-Pacific countries resulted in a higher export price under long-term contract signed by the Company for 2010; (2) negative factors: in 2010, RMB appreciated over USD and the applicable weighted average exchange rate of USD for settlement of export sales was 6.7616 (2009: 6.8182), with RMB appreciating by 0.8%; and application of a lower contract price for 2009 in the first quarter of 2010.

In 2010, the sales volume of the Company to the top five export coal customers was 6.7 million tonnes, which accounted for 65.0% of the total export sales volume, of which, the sales volume to the largest customer was 1.9 million tonnes, which accounted for 18.4% of total export sales volume. The top five export customers were mainly either energy companies or chemical companies.

2. Sales to external customers and internal power segment

	2010			2009			
	Sales volume	**Proportion to total sales**	**Price**	Sales volume	Proportion to total sales	Price	Change in price
	Million tonnes	**%**	**RMB/ tonne**	Million tonnes	%	RMB/ tonne	%
Sales to external customers	**233.7**	**79.9**	**439.9**	212.9	83.7	397.4	10.7
Sales to internal power segment	**58.9**	**20.1**	**374.7**	41.4	16.3	339.4	10.4
Total sales volume/weighted average price	**292.6**	**100.0**	**426.8**	254.3	100.0	387.9	10.0

In 2010, coal sales volume of the Company to external customers was 233.7 million tonnes (2009: 212.9 million tonnes), representing a year-on-year increase of 9.8%. Coal sales price to external customers increased by 10.7% to RMB439.9/tonne from RMB397.4/tonne. In 2010, the sales volume of the Company to the top five external coal customers was 36.2 million tonnes, which accounted for 12.4% of the total sales volume.

Sales of coal to internal power segment is a unique model of integrated operation of the Group. In 2010, the volume of coal sales of the Company to the power segment of the Group was 58.9 million tonnes (2009: 41.4 million tonnes), its proportion to total sales volume of coal increased to 20.1% from 16.3%; the sales price increased by 10.4% to RMB374.7/tonne from RMB339.4/tonne; and was mainly conducted under long-term contracts. The Company adopts the same pricing policy for the sales of coal to internal power segment and external customers.

Business plan for 2011

In 2011, the management team of the Company will proactively push forward its strategy of building itself into a worldwide first-class coal-based integrated energy enterprise with global competitiveness; speed up the transition of the mode of development; push forward implementation of strategies; stick to transformation and innovation; and roll out the enhancement of management in accordance with the targets set by the Board. Some of the targets for the principal businesses set by the Company for 2011 are as follows:

Item	Unit	Accomplishment in 2010	Target of 2011	Percentage change of the target of 2011 to the accomplishment in 2010
Commercial coal production volume	million tonnes	224.8	258	14.8%
Coal sales volume	million tonnes	292.6	350	19.6%
Power output dispatch	billion kwh	131.41	152.0	15.7%

Note: Business target for 2011 includes the targeted production and sales volume of commercial coal products and power output dispatch for 2011 attributable to the acquisition of equity interests or assets, which was approved by shareholders at the first extraordinary general meeting of the Company in 2011.

The Company's commercial coal production volume in 2010 was 224.8 million tonnes, accomplishing 98.2% of the targeted volume for the year, mainly due to production restriction of certain mines in the first half year. In 2011, the Company will strive to realize each target for 2011 by taking measures such as further intensifying production organization, transportation coordination, and accelerating the reconstruction and capacity expansion schedule of coal mines.

The driving force of the rise in commercial coal production for 2011 is mainly attributable to the facts: (1) increased commercial coal production volume attributable to acquisition of equity interests or assets; and (2) the increased output of Ha'erwusu, Heidaigou and Jinjie mines.

Review on consolidated operating results

A. Consolidated results of operations

In 2010, the operating results of each business segment of the Company before elimination on consolidation are set out below:

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	%	%	%	
Coal segment	125,875	82,324	34.6	26.0	29.8	Decreased by 1.9 percentage points
Power segment	45,463	35,195	22.6	34.5	42.3	Decreased by 4.2 percentage points
Railway segment	21,306	10,851	49.1	8.9	8.9	Leveled out
Port segment	2,600	1,835	29.4	29.5	28.0	Increased by 0.8 percentage point
Shipping segment	1,561	1,353	13.3	N/A	N/A	N/A

Note: The data and indicators for shipping segment referred to the period from July to December 2010.

Region	Revenues for 2010	Revenues for 2009	Increase/decrease in revenues over the same period of last year
	RMB million	RMB million	%
Domestic market	**146,251**	113,795	28.5
Asia Pacific market	**5,732**	7,475	(23.3)
Other markets	**80**	42	90.5
Total	**152,063**	121,312	25.3

I. Revenues

In 2010, revenues of the Group were RMB152.063 billion (2009: RMB121.312 billion), representing a year-on-year increase of 25.3%. The increase was mainly due to the rise in coal sales price and increase in coal sales volume and power output dispatch. During the same period, the proportion of coal sales revenue to the total revenues decreased from 69.8% to 67.6% and the proportion of power sales revenue to the total revenues increased from 27.3% to 29.4%.

In 2010, the total sales revenues from the top five customers of the Group were RMB35.877 billion, accounting for 23.6% of the Group's total revenues.

II. Cost of revenues

In 2010, the Group's cost of revenues amounted to RMB86.838 billion (2009: RMB65.492 billion), representing a year-on-year increase of 32.6%. The increase was mainly attributed to the reasons, including: the increase in commercial coal production; the rise in unit production cost of self-produced coal; the rise in volume and price of coal purchased from third parties; and the increase in power generation. In 2010, the amount of purchases from the top five suppliers reached RMB13.948 billion, accounting for 17.2% of the total annual purchases.

III. Other operating expenses, net

Other operating expenses, net of the Group for 2010 amounted to RMB631 million (2009: RMB657 million), including RMB356 million donated to Shenhua Public Welfare Foundation[1].

IV. Profit from operations

In 2010, profit from operations of the Group was RMB56.451 billion (2009: RMB47.108 billion), representing a year-on-year increase of 19.8%.

V. Income tax

In 2010, income tax expense of the Group was RMB11.184 billion (2009: RMB9.626 billion), representing a year-on-year increase of 16.2%. The effective income tax rate was 20.4% (2009: 21.0%), representing a year-on-year decrease of 0.6 percentage point.

B. Consolidated financial position

I. Property, plant and equipment, net

As at 31 December 2010, the property, plant and equipment, net of the Group amounted to RMB179.434 billion (31 December 2009: RMB163.645 billion), representing a year-on-year increase of 9.6%. The increase was mainly attributed to the increase in relevant machinery and equipment transferred from power segment and coal segment's construction in progress and newly added during the period. As at 31 December 2010, the proportion of the property, plant and equipment, net of the Group to the total assets was 52.6% (31 December 2009: 52.5%), which was basically flat with that of last year.

II. Inventories

As at 31 December 2010, the Group's inventories amounted to RMB11.167 billion (31 December 2009: RMB7.727 billion), representing a year-on-year increase of 44.5%. The main reason was the increase in coal inventories.

III. Accounts and bills receivable, net

As at 31 December 2010, the accounts and bills receivable, net of the Group was RMB10.645 billion (31 December 2009: RMB8.781 billion), representing a year-on-year increase of 21.2%, which was mainly due to the increase of balance of accounts receivable as a result of the increase in coal and power sales volume.

1 The use of fund of Shenhua Public Welfare Foundation, which was founded by Shenhua Group, is strictly in accordance with the relevant regulations of the Ministry of Civil Affairs and the articles of Shenhua Public Welfare Foundation. The fund is mainly used for public welfare activities such as helping people suffering from poverty and disasters and promoting education and environment protection. According to the articles of Shenhua Public Welfare Foundation, the connected persons and related parties were not entitled to the relevant donation made by the Foundation at anytime and anywhere.

IV. Accounts and bills payable

As at 31 December 2010, the balance of accounts and bills payable of the Group was RMB18.264 billion (31 December 2009: RMB13.890 billion), representing a year-on-year increase of 31.5%, which was mainly due to the increase in payables for materials and the construction works.

V. Borrowings

As at 31 December 2010, the Group had borrowings of RMB57.585 billion denominated in Renminbi, borrowings denominated in Japanese Yen equivalent to RMB5.486 billion, borrowings denominated in US Dollars equivalent to RMB1.557 billion.

VI. Capital structure

As at 31 December 2010, the gearing ratio (total liabilities/total assets) of the Group was 32.9% (31 December 2009: 36.7%), representing a year-on-year decrease of 3.8 percentage points. The interest cover ratio (profit before interest and tax/interest expenses) was 15.1 times (2009: 11.7 times).

C. Consolidated cash flows

As at 31 December 2010, the Group's cash and cash equivalents amounted to RMB73.345 billion (31 December 2009: RMB65.944 billion), representing an increase of 11.2%. Net cash generated from operating activities increased from RMB53.345 billion for the year ended 31 December 2009 to RMB57.209 billion for the year ended 31 December 2010, representing an increase of 7.2%.

Review on operating results by segment

A. Coal segment

The operating results of the coal segment of the Company before elimination on consolidation in 2010 were as follows:

		2010	2009	Change
Revenues	RMB million	**125,875**	99,896	26.0%
Cost of revenues	RMB million	**82,324**	63,400	29.8%
Profit from operations	RMB million	**38,156**	31,133	22.6%
Margin of profit from operations	%	**30.3**	31.2	Decreased by 0.9 percentage point
Profit from operations/ average total assets during the reporting period	%	**28.2**	29.9	Decreased by 1.7 percentage points

I. Revenues in coal segment

In 2010, benefiting from the increase in the sales volume and price of coal, revenues in coal segment of the Group before elimination on consolidation were RMB125.875 billion (2009: RMB99.896 billion), representing a year-on-year increase of 26.0%.

II. Cost of revenues in coal segment

In 2010, cost of revenues in coal segment of the Group before elimination on consolidation was RMB82.324 billion (2009: RMB63.400 billion), representing a year-on-year increase of 29.8%. 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 2010, cost of coal purchased from third parties was RMB26.499 billion (2009: RMB14.187 billion), representing a year-on-year increase of 86.8%. The increase was mainly due to: (1) the substantial increase in the Company's sales volume of coal purchased from third parties, representing a year-on-year increase of 27.6 million tonnes or 61.6%; (2) increase in unit purchasing cost of coal purchased from third parties, which was RMB366.0/tonne in 2010 (2009: RMB316.7/tonne), representing a year-on-year increase of RMB49.3/tonne or 15.6%.

Production cost of self-produced coal was RMB25.430 billion (2009: RMB21.168 billion), representing a year-on-year increase of 20.1%. The increase was mainly due to the increase in coal production volume and the increase in unit production cost of self-produced coal.

In 2010, unit production cost of self-produced coal in coal segment was RMB115.5/tonne (2009: RMB101.0/tonne), representing a year-on-year increase of 14.4%. The reasons that affect the unit production cost are mainly as follows:

1. Personnel expenses were RMB14.1/tonne (2009: RMB11.3/tonne), representing a year-on-year increase of 24.8%, which was mainly due to the increase in the number of employees and the increase in wages;

2. Depreciation and amortisation were RMB22.3/tonne (2009: RMB20.2/tonne), representing a year-on-year increase of 10.4%, which was mainly attributable to the year-on-year increase of depreciation resulting from increase in acquisition of mining facilities;

3. Repairs and maintenance were RMB10.7/tonne (2009: RMB8.5/tonne), representing a year-on-year increase of 25.9%, which was mainly due to the simultaneous maintenance of certain equipments in Shendong Mines;

4. Others were RMB45.4/tonne (2009: RMB39.3/tonne), representing a year-on-year increase of RMB6.1 or 15.5%, which was mainly attributable to the factors: increase in mining engineering expenses of RMB4.4/tonne resulting from the extension of downward mining and the increasing workload of stripping; as well as the increase in selecting and processing expenses and relevant taxes and fees and etc.

Cost of coal transportation was RMB29.337 billion (2009: RMB27.017 billion), representing a year-on-year increase of 8.6%. The total unit cost of coal transportation was RMB100.3/tonne (2009: RMB106.2/tonne), representing a year-on-year decrease of 5.6%, which was attributable to the decrease in average transportation cost as a result of the increase in sales volume by mine mouth and direct arrival and the decrease in average transportation distance.

III. Profit from operations in coal segment

In 2010, the profit from operations of the Group's coal segment before elimination on consolidation was RMB38.156 billion (2009: RMB31.133 billion), representing a year-on-year increase of 22.6%, while margin of profit from operations of coal segment decreased from 31.2% to 30.3%.

B. Power segment

In 2010, the operating results of the power segment of the Company before elimination on consolidation were as follows:

		2010	2009	Change
Revenues	RMB million	**45,463**	33,794	34.5%
Cost of revenues	RMB million	**35,195**	24,727	42.3%
Profit from operations	RMB million	**8,353**	7,106	17.5%
Margin of profit from operations	%	**18.4**	21.0	Decreased by 2.6 percentage points
Profit from operations/ average total assets during the reporting period	%	**7.4**	6.9	Increased by 0.5 percentage point

I. Revenues in power segment

In 2010, the revenues of the Group's power segment before elimination on consolidation were RMB45.463 billion (2009: RMB33.794 billion), representing a year-on-year increase of 34.5%, which was mainly attributable to the increase in power output dispatch.

Installed capacity of coal-fired power plants in 2010

Power plants	Grid location	Geographic location	Total installed capacity as at 31 December 2009	Increase in installed capacity for 2010	Total installed capacity as at 31 December 2010	Equity installed capacity as at 31 December 2010
			MW	MW	MW	MW
Huanghua Power	North China Power Grid	Hebei	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	1,300	–	1,300	501
Dingzhou Power	North China Power Grid	Hebei	2,520	–	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	1,000	30	1,030	469
Zhunge'er Power	North China Power Grid	Inner Mongolia	500	(100)	400	232
Shendong Power	Northwest/ North China/ Shaanxi Province Power Grid	Inner Mongolia	1,544	1,323	2,867	2,357
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	1,320	–	1,320	601
Beijing Thermal	North China Power Grid	Beijing	400	–	400	280
Suizhong Power	Northeast Power Grid	Liaoning	1,600	2,000	3,600	1,800
Ninghai Power	East China Power Grid	Zhejiang	4,400	–	4,400	2,640
Jinjie Energy	North China Power Grid	Shaanxi	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	3,000	–	3,000	2,400
Huizhou Thermal	South China Power Grid	Guangdong	–	660	660	660
Total installed capacity			**22,724**	**3,913**	**26,637**	**16,038**

II. Cost of revenues in power segment

In 2010, the cost of revenues of the Group's power segment before elimination on consolidation was RMB35.195 billion (2009: RMB24.727 billion), representing a year-on-year increase of 42.3%.

The unit cost of power output dispatch was RMB264.2/mwh (2009: RMB247.1/mwh), representing a year-on-year increase of 6.9%, which was mainly attributable to the increase in the cost of raw materials, fuels and power as a result of the increase in coal price.

III. Profit from operations in power segment

In 2010, the profit from operations of the Group's power segment was RMB8.353 billion (2009: RMB7.106 billion), representing a year-on-year increase of 17.5%, while the margin of profit from operations in power segment decreased from 21.0% to 18.4%.

C. Railway segment

In 2010, the operating results of the railway segment of the Company before elimination on consolidation were as follows:

		2010	2009	Change
Revenues	RMB million	**21,306**	19,558	8.9%
Cost of revenues	RMB million	**10,851**	9,962	8.9%
Profit from operations	RMB million	**9,712**	8,801	10.4%
Margin of profit from operations	%	**45.6**	45.0	Increased by 0.6 percentage point
Profit from operations/ average total assets during the reporting period	%	**21.9**	21.9	Leveled out

I. Revenues in railway segment

In 2010, the revenues of the Group's railway segment before elimination on consolidation were RMB21.306 billion (2009: RMB19.558 billion), representing a year-on-year increase of 8.9%, of which, the revenues from internal coal transportation in the railway segment were RMB19.003 billion (2009: RMB17.555 billion), representing a year-on-year increase of 8.2% and accounting for 89.2% of revenues in railway segment. Meanwhile, by utilizing their excessive transportation capacity to provide transportation service to third parties, certain railways of the Group generated transportation revenue.

II. Cost of revenues in railway segment

In 2010, the cost of revenues of the Group's railway segment was RMB10.851 billion (2009: RMB9.962 billion), representing a year-on-year increase of 8.9%, which was mainly attributable to the increase in transportation volume.

Unit cost of transportation in railway segment was RMB0.071/tonne km (2009: RMB0.071/tonne km), which was flat with that of last year.

III. Profit from operations in railway segment

In 2010, the profit from operations of the Group's railway segment before elimination on consolidation was RMB9.712 billion (2009: RMB8.801 billion), representing a year-on-year increase of 10.4%, while margin of profit from operations of railway segment increased from 45.0% to 45.6%.

D. Port segment

In 2010, the operating results of the port segment of the Company before elimination on consolidation were as follows:

		2010	2009	Change
Revenues	RMB million	**2,600**	2,007	29.5%
Cost of revenues	RMB million	**1,835**	1,434	28.0%
Profit from operations	RMB million	**514**	348	47.7%
Margin of profit from operations	%	**19.8**	17.3	Increased by 2.5 percentage points
Profit from operations/ average total assets during the reporting period	%	**5.0**	3.4	Increased by 1.6 percentage points

I. Revenues in port segment

In 2010, the revenues of the Group's port segment before elimination on consolidation were RMB2.600 billion (2009: RMB2.007 billion), representing a year-on-year increase of 29.5%, of which, revenues from internal coal transportation in the port segment were RMB2.448 billion (2009: RMB1.859 billion), representing a year-on-year increase of 31.7%, which accounted for 94.2% of revenues in port segment.

II. Cost of revenues in port segment

In 2010, the cost of revenues of the Group's port segment was RMB1.835 billion (2009: RMB1.434 billion), representing a year-on-year increase of 28.0%. The unit cost of internal coal transportation in the port segment was RMB15.6/tonne (2009: RMB13.3/tonne), representing a year-on-year increase of 17.3%, which was mainly attributable to a year-on-year increase of port dredging expenses and repairs and maintenance expenses.

III. Profit from operations in port segment

In 2010, the profit from operations of the Group's port segment was RMB0.514 billion (2009: RMB0.348 billion), representing a year-on-year increase of 47.7%, while margin of profit from operations increased from 17.3% to 19.8%.

E. Shipping segment

In 2010, the operating results of the shipping segment of the Company before elimination on consolidation were as follows:

		2010[Note]	2009	Change
Revenues	RMB million	**1,561**	–	N/A
Cost of revenues	RMB million	**1,353**	–	N/A
Profit from operations	RMB million	**150**	–	N/A
Margin of profit from operations	%	**9.6**	–	N/A
Profit from operations/ average total assets during the reporting period	%	**6.9**	–	N/A

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

I. Revenues in shipping segment

From July to December 2010, the revenues of the Group's shipping segment before elimination on consolidation were RMB1.561 billion.

II. Cost of revenues in shipping segment

From July to December 2010, the cost of revenues of the Group's shipping segment was RMB1.353 billion. The unit cost of transportation of the shipping segment was RMB0.062/tonne nautical miles.

III. Profit from operations in shipping segment

For the period from July to December 2010, the profit from operations of the Group's shipping segment was RMB0.150 billion.

The Company's Investments

A. Capital expenditure plan

		Plan in 2011	Accomplishment in 2010	Percentage change of plan in 2011 to accomplishment in 2010	Percentage of each business plan to total plan in 2011
		RMB 100 million	RMB 100 million	%	%
Capital expenditure plan	Coal business	155	120.04	29.1	42.8
	Power business	46	83.77	(45.1)	12.7
	Transportation business	159	63.17	151.7	43.9
	Others	2	3.98	(49.7)	0.6
Total		362	270.96	33.6	100.0

Notes: (1) Capital expenditure of shipping of the transportation segment in 2010 refers to the amount recorded during the period from July to December 2010.

(2) Capital expenditure plan for 2011 includes the planned capital expenditure for 2011 attributable to acquisition of equity interests or assets which was approved by shareholders at the first extraordinary general meeting of the Company in 2011.

Total capital expenditure for 2010 was RMB27.096 billion, mainly used for capacity expansion of Ha'erwusu Open-cut Mine, Phase II of Shengli No. 1 open-cut mine, integrated coal and power project in South Sumatra, Indonesia, Phase II of Zhunge'er coal gangue power plant, capacity expansion of Shuohuang Railway, construction of Ganquan Railway and payment for resources acquired.

In 2011, capital expenditure will be used mainly for procurement of mining equipment in Shendong Mines, capacity expansion project in Ha'erwusu Open-cut Mine, construction of Huangyuchuan coal mine and Shenhua Watermark project, construction of 6 x 300 MW generators of Shendong Power and integrated coal and power project in South Sumatra, Indonesia, capacity expansion project of Shuohuang and Shenshuo Railway and construction of Bazhun Railway and Ganquan Railway.

The current plans of the Company in relation to capital expenditures in 2011 are subject to development of business plans (including potential acquisitions), progress of investment projects, market conditions, outlook for future operation conditions and obtaining of the requisite permissions and regulatory approvals. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance capital expenditures by cash generated from operating activities, short-term and long-term borrowings, part of the proceeds from the initial public offering and other debt and equity financing.

B. Use of proceeds

In September 2007, the Company issued 1.8 billion A shares at the price of RMB36.99 per share in its initial public offering. The net amount of proceeds was RMB65.988 billion and was duly received on 28 September 2007.As of 31 December 2010, the accumulated amount of proceeds used was RMB33.780 billion, of which the amount of proceeds used in 2010 was RMB0.874 billion and an accumulated amount of RMB17.780 billion was used for investments. As of 31 December 2010, the balance of proceeds was RMB32.208 billion.

The Company approved the temporary use of RMB6.500 billion of the proceeds for liquidity replenishment for a period of six months starting from 26 July 2010 at the 3rd meeting of the second session of Board of Directors. The balance of proceeds (net of the proceeds temporarily used for liquidity replenishment) was RMB25.708 billion (balance in the designated account of the proceeds was RMB27.828 billion, the difference being the interest income of the bank deposit). The unused proceeds are deposited to the designated account for the proceeds.

Name of project committed (including the projects committed for proceeds in the prospectus 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 2010	Return (total profits) generated in 2010	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
		RMB ten thousand	RMB ten thousand	RMB ten thousand	RMB ten thousand	%		
I. Investments and renovation of coal, power and transportation system	No	1,668,875	1,537,819	37,000	N/A	N/A	Yes	
Of which: Halagou Mine project	No	169,300	169,300	–	103,308	1.9	Yes	Yes
Buertai mine construction project	No	344,815	344,815	–	99,531	1.9	Yes	Yes
Ha'erwusu open-cut mine project	No	538,600	538,600	97	108,579	2.0	Yes	Yes
Baoshen Railway TDCS Dispatching Command System	No	2,028	2,028	2,028	N/A	N/A	Yes	
The 2nd extension line of Baoshen Railway, from Shigetai to Ciyaowan	No	4,553	4,553	–	N/A	N/A	Yes	
The 2nd extension line of Baoshen Railway, from Dongsheng to Shigetai	No	5,311	5,311	5,311	N/A	N/A	Yes	
Purchase of locomotives	No	16,800	16,800	–	N/A	N/A	Yes	
Yijing substation, treatment of pollution by power generation	No	3,649	3,649	–	N/A	N/A	Yes	
Truck management information system	No	547	547	–	N/A	N/A	Yes	
Shenshuo Railway infrared detecting encryption works	No	300	300	–	N/A	N/A	Yes	
Purchase coal gondola car C70	No	160,000	159,200	–	N/A	N/A	Yes	
Huanghua Port cargo dumper improvement works	No	4,426	–	–	N/A	N/A		
Hebei Sanhe power plant phase II	No	31,602	–	–	N/A	N/A		
Inner Mongolia Guohua Zhunge'er power plant expansion project	No	35,400	33,394	–	N/A	N/A		
Zhejiang Ninghai power plant phase II	No	105,822	91,883	3,798	70,670	1.3	Yes	Yes
Phase II of Shaanxi Jinjie coal and power integration project	No	64,050	64,050	19,950	75,974	1.4	Yes	Yes
Hebei Huanghua power plant phase II	No	48,690	40,824	–	9,217	0.2	Yes	Yes
Hebei Dingzhou power plant phase II	No	45,500	41,493	–	10,748	0.2	Yes	Yes
Liaoning Suizhong power plant phase II	No	87,482	21,072	5,816	N/A	N/A		
II. Supplement working capital of the Company and for general business purpose	No	1,600,000	1,600,000	–	N/A	N/A	N/A	N/A
III. Acquisition of strategic assets	No	3,329,963	240,202	50,434	N/A	N/A	N/A	N/A
Total		6,598,838	3,378,021	87,434	–	–	–	–

For progress of projects funded by the proceeds, please refer to "Special Report on Deposit and Use of Proceeds of China Shenhua Energy Company Limited" published on the website of Shanghai Stock Exchange on 26 March 2011.

On 20 December 2010, at the 9th meeting of the second session of the Board of Directors of the Company, the Board of Directors reviewed and approved the submission of resolution on the following matter for approval at the Extraordinary General Meeting of the Company: the Company proposed to acquire equity interests or assets of 10 companies, which were engaged in coal, power and relevant businesses, from Shenhua Group Corporation (being the controlling shareholder of the Company), and its subsidiaries by using the proceeds of RMB8,702,159,322.81 from the issue of A shares in its initial public offering. Please refer to the "Announcement of China Shenhua Energy Company Limited's Assets Acquisition and Connected Transactions (Lin 2010-043)" dated 21 December 2010 for details.

At the first Extraordinary General Meeting of 2011of the Company held on 25 February 2011, the above resolution was approved. Please refer to the section of "Significant Events" in this report for details.

Review and prospect of business environment[1]

(I) Macroeconomic conditions

In 2010, the central government further reinforced and improved the macroeconomic measures, effectively improved the general operation of the national economy with a rapid growth in total investment, consumption, import and export. In 2010, GDP grew by 10.3% on a year-on-year basis, representing an increase of 1.1 percentage points as compared with 9.2% in 2009.

In 2011, the global economy is expected to continue its slow recovery, and the central government will maintain the continuity and stability of its macroeconomic policies and continue to implement a proactive financial policy and a prudent monetary policy. 2011 is expected to achieve a 8% growth in GDP. China's economy is expected to grow fast and steadily in 2011, which in turn will boost the demand for energy such as coal.

(II) Market environment of the coal industry

1. Thermal coal market in China

Item	2010	2009
Coal consumption (100 million tonnes)	**31.8**	30.2
Raw coal output (100 million tonnes)	**32.4**	29.8
Coal transportation by railway (100 million tonnes)	**15.5**	13.3
Coal import (100 million tonnes)	**1.65**	1.26
Coal export (100 million tonnes)	**0.19**	0.22

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

1 This section is for information only and does not constitute any investment advice. The Company has used its best endeavors to ensure the accuracy and reliability of information in this section, but does not assume any liability or provide any form of guarantee for the accuracy, completeness or effectiveness of all or part of its content. If there is any error or omission, the Company does not assume any liability. The content in this section may contain certain forward looking statements based on subjective assumptions and judgments of future political and economic developments; therefore there may exist uncertainties in these statements. The Company does not undertake any responsibility in updating the information or correcting any subsequent error that may appear. The data contained in this section is mainly derived from sources such as the National Bureau of Statistics, China Coal Market Network, China Coal Resource and China Electricity Council.

Review for 2010

Major coal consuming industries achieved relatively fast growth in 2010, which drove the relatively fast growth in coal demand. The national thermal power generation, steel and cement production volumes grew by 10.0%, 14.7% and 15.5% year-on-year, respectively, meanwhile the national coal consumption was 3.18 billion tonnes, representing a year-on-year increase of 5.3%.

In 2010, China's raw coal output was 3.24 billion tonnes, representing a year-on-year increase of 8.9%, basically flat as compared with that of 2009. In 2010, China closed a total of 1,693 small coal mines and eliminated 155 million tonnes of outdated production capacity.

In 2010, the national volume of coal transported by railway was 1.55 billion tonnes, representing a year-on-year increase of 16.9%. However, the increase in railway transportation capacity could not meet the overall coal transportation demand. As a result, some coal needed to transport by road at a higher cost.

During 2010, the prices of coal in the Asia Pacific market were lower than that in domestic market, resulting in further increase in coal import and decrease in export in China. China became a net importer of coal for 2 consecutive years with net import volume of coal of 146 million tonnes for the year, representing a year-on-year increase of 40.9%.

In 2010, the supply and demand in China's thermal coal market was balanced in general. The spot price for thermal coal increased significantly as compared with that of 2009. Given the impact of seasonal factor, the spot price for thermal coal fluctuated significantly in peak and weak seasons. The close-out spot price of Qinhuangdao thermal coal (5,500 kcal/kg) bottomed at RMB670-680/tonne and peaked at RMB800-810/tonne.

Prospect for 2011

It is expected to see a steady growth in major coal consuming industries in China such as power, iron and steel, construction materials. The national coal demand in 2011 is expected to grow steadily, but relatively stable as compared to that of 2010.

Coal production capacity of China will further increase. The continuous consolidation of coal resources in various provinces and regions will restrain the growth in coal production volume. As major coal producing areas are moving to the western part of China gradually, it is expected that the phenomenon of slightly tight railway transportation capacity will still appear during the peak season for coal consumption in 2011. 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.

Thermal coal spot price in the Asia Pacific area is expected to remain high, and will thus weaken the relative price advantage of imported coal over the self-produced coal of China. In 2011, China's thermal coal import volume is estimated to reduce on a year-on-year basis.

It is expected that the overall supply and demand of the national thermal coal market will be balanced in 2011, and given the impact of seasonal factor and others, a situation of slightly tight or surplus supply may appear in different regions in certain periods of time. The major contract prices for coal in China remain the same as last year, and other contract prices have increased to a certain extent, coal spot prices will fluctuated at high levels.

2. Thermal coal market in Asia Pacific

Review for 2010

The economic recovery in Asia Pacific area was the driver of the increase in coal demand in 2010. The thermal coal imports of Japan and South Korea recorded a year-on-year increase of 10.7% to 125 million tonnes and 10.2% to 89 million tonnes respectively; and the thermal coal imports of China amounted to 51 million tonnes, representing a year-on-year increase of 34.3%; and the thermal coal imports of India amounted to 60 million tonnes, representing a year-on-year increase of 24.0%.

The exports of major coal exporting countries increased slightly. The thermal coal exports of Australia amounted to 141 million tonnes, representing a year-on-year increase of 1.6% and the coal exports of Indonesia was 163 million tonnes, representing a year-on-year increase of 4.4%. Exports of countries such as South Africa and Russia to the Asia Pacific regions increased.

There emerged in the Asia Pacific thermal coal market a change from a basically balanced situation of supply and demand to slightly tight supply. The spot price of thermal coal rebounded significantly as compared with that of 2009. Spot price of Australia BJ thermal coal rose from US$90.6/tonne at the beginning of 2010 to US$124.8/tonne by the end of December 2010.

Prospect for 2011

The demand for thermal coal in the Asia Pacific market is expected to increase. The re-construction of Japan after earthquake and economic growth in South Korea will increase the imports of thermal coal. India's thermal coal import volume will continue its increase at a relatively fast pace and the net imports of thermal coal of China will fall.

The growth in thermal coal supply for the Asia Pacific market is expected to be lower than that of last year. Due to factor such as floods in Australia, the exports year-on-year will remain the same as that of last year or decrease slightly. The growth in coal exports of Indonesia will be restrained by factors such as insufficient railway and port transportation facilities and bad weather. Given coal price is higher in Asian market than that of Europe, the thermal coal export from South Africa to Asian market is expected to increase.

It is expected that the supply in the Asia Pacific thermal coal market will be slightly tight and the spot price for thermal coal will fluctuate at high levels.

3. Market environment of the power industry

Review for 2010

Power consumption in China increased by 14.6% on a year-on-year basis. Given the impact of factors such as the monthly increase in base for the same period of last year, there was a steady monthly decline in the growth of power consumption. The growth of power consumption in China decreased from 26.0% in January and February to 5.4% in December of the year.

The power supply capacity further increased. As at the end of 2010, national installed power generating capacity reached 960 million KW, representing a year-on-year net increase of 88.09 million KW.

The closure of small coal-fired power generation units was in smooth progress. As at the end of 2010, small coal-fired power generation units with an aggregate capacity of 72.10 million KW were shut down during the "Eleventh Five-year Plan" period, which outperformed the target of elimination of capacity of 50.00 million KW of the "Eleventh Five-year Plan" period.

The supply and demand of power in China was balanced in general in 2010. The national average utilization hours of coal-fired power generating equipments was 5,031 hours, representing a year-on-year increase of 166 hours. Given the impact of factors such as the rise in the spot price of thermal coal, the year-on-year profitability of the power industry declined.

Prospect for 2011

China's economy is expected to achieve a relatively fast and steady growth. Power consumption for 2011 is expected to grow slower than that in 2010.

China's installed capacity of power generation will continue to expand. Among which, the expansion of the installed capacity of coal-fired generators will slow down, while that of new energy and clean energy generators such as wind power generators will further increase. Meanwhile, the closure of small coal-fired power generation units will continue.

It is expected that the supply and demand of power in China will be balanced in general in 2011. The average utilization hours of power generating equipments will remain basically the same on a year-on-year basis. Given the impact of seasonal factor, surplus of supply or tight supply may appear in some regions and periods.

Major risk exposures and their effects

I. Risk of macroeconomic cyclical fluctuations

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

II. Risks of competition in the coal and power industries

The Company's coal business faces competition from other coal producers both in the domestic and international markets. In the domestic market, certain rivals in the coal industry are located closely to the coastal regions and therefore have 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 competition in various areas, such as acquiring more coal resources, securing favourable dispatch of power and higher on-grid power tariffs, etc. Such competition may adversely affect the business operations of the Company.

III. Risk of insufficient transportation capacity

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

IV. Risk of increasing cost

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

V. Risk of foreign exchange rates

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

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

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

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

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

VIII. Environmental protection responsibility

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

IX. Group insurance

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

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 Shendong Coal Group Co., Ltd.	21,500	3,064,221	1,946,054	1,736,642
2	Shuohuang Railway Development Co., Ltd.	588,000	2,061,922	1,445,683	414,538
3	Shenhua Zhunge'er Energy Co., Ltd.	710,234	1,742,372	1,217,417	233,797
4	Shaanxi Guohua Jinjie Energy Co., Ltd.	227,800	1,060,202	465,972	205,041
5	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	318,911	1,574,988	482,050	130,170
6	Guangdong Guohua Yuedian Taishan Power Co., Ltd.	270,000	1,558,425	455,324	124,921
7	Beijing Shenhua Hengyun Energy Technology Co., Ltd.	5,000	57,668	39,663	112,912
8	Yulin Shenhua Energy Co., Ltd.	100,000	287,509	177,912	72,454
9	Shenhua Zhonghai Shipping Company Limited	100,000	226,699	170,968	29,451
10	Shenhua Guohua International Power Co., Ltd.	400,997	2,705,178	983,105	24,541

Notes:
1. The financial information in the above table was prepared in accordance with the Accounting Standards for Business Enterprises.
2. "Net profit" refers to net profit attributable to the owners of parent.
3. Shenhua Shendong Coal Group Co., Ltd. recorded operating income of RMB51,645.76 million and operating profit of RMB20,402.32 million in 2010.
4. Shuohuang Railway Development Co., Ltd. recorded operating income of RMB9,859.22 million and operating profit of RMB5,513.82 million in 2010.
5. The financial information of the major subsidiaries and associated companies disclosed above has not been audited or reviewed.

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

During the reporting period, the Group changed certain accounting policies of the Company according to the requirements of IFRS 3 (revised 2008), "Business combinations" and amendments to IAS 27, "Consolidated and separate financial statements". Please refer to 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 with that of 2009.

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 that (1) the profit distribution of the Company should focus on reasonable investment returns for the investors and maintain sustainability and stability; (2) the Company may distribute an interim cash dividend. Pursuant to the Articles of Association, the profit distribution of the Company shall be made based on the distributable profits in the financial statements prepared under the Accounting Standards for Business Enterprises or the International Financial Reporting Standards, whichever is lower.

Dividend	Distribution date	Dividend per share (inclusive of tax)	Total dividend (inclusive of tax)	Net profit attributable to equity shareholders of the Company for the indicated year (Not restated)	Ratio
		RMB/share	RMB million	RMB million	%
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
Final dividend for 2009	July 2010	0.53	10,541	30,276	34.8

Please refer to the 2009 Annual Report of the Company and the "Announcement on the Distribution of Final Dividend of China Shenhua Energy Company Limited for 2009"(Lin 2010-025) on 29 June 2010 for details of the distribution of the final dividend for 2009 during the reporting period.

Profit distribution plan for the reporting period

Net profit attributable to equity shareholders of the Company for 2010 under the Accounting Standards for Business Enterprises amounted to RMB37.187 billion, representing basic earnings per share of RMB1.870. The Board recommends payment of a final dividend for 2010 of RMB0.75 per share (inclusive of tax), totalling approximately RMB14.917 billion (inclusive of tax), which represents 40.1% of net profit attributable to equity shareholders of the Company.

Dividend distributed by the Company will be denominated and declared in Renminbi ("RMB") and paid to holders of domestic shares in RMB and to holders of foreign shares in Hong Kong dollars ("HKD"). The dividend paid in HKD is calculated according to the exchange rate based on the average benchmark rate of RMB against HKD as published by the Bank of China on the five business days preceding the date of declaration of such dividend.

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 2010 after the Annual General Meeting of 2010 to determine the record date and ex-rights date for dividend distribution to holders of A shares for the year 2010.

The final dividend for H shares for this reporting period will be paid by the Company to the holders of H shares whose names appear on the register of members of the Company on 27 April 2011. The record date for the payment of dividends for H shares will be 27 April 2011.

The register of members for H shares of the Company will be closed from 27 April 2011 to 27 May 2011 (both days inclusive). To be qualified for the final dividend for 2010, the holders of H shares shall lodge their share certificates and instruments of transfer with the Company's H share registrar and transfer office, Computershare Hong Kong Investor Services Limited for registration no later than 4:30 p.m. on Tuesday, 26 April 2011.

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 shareholders. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders. After receiving dividends, non-resident enterprise shareholders may apply, personally or by proxy, to the competent taxation authorities to enjoy the treatment under taxation agreements/arrangement, and provide materials proving their eligibility to be the actual beneficiaries under the taxation agreements/arrangement for tax refund.

Investors should read and consider the above carefully. If any investor intends to have his name registered under the name of an individual shareholder 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 obligation 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 6.8% and 23.6% of the Group's revenues for the year ended 31 December 2010, respectively.

For the year ended 31 December 2010, the total purchases from the top five suppliers of the Company amounted to RMB13.948 billion, accounting for 17.2% of the total purchases for the year. The total purchases from the largest supplier were RMB5.36 billion, accounting for 6.6% of the total purchases for the year.

Retained earnings available for distribution to shareholders of the Company

As at 31 December 2010, the retained earnings which is available for distribution to shareholders of the Company was RMB44.701 billion.

Employee retirement plan and remuneration policies

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

Subsidiaries

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

Pre-emptive rights

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

Taxation

According to the Letter regarding Taxation of Dividends Obtained by Foreign Citizens Holding Shares of Companies Listed in China (Guo Shui Han Fa [1994] No. 440) published by the State Administration of Taxation, foreign individuals holding H shares are exempted from paying individual income tax for dividends (bonuses) obtained from companies in the PRC issuing the H shares. However, they may be subject to individual withholding income tax of 20% according to the PRC Individual Income Tax Law if these exemptions were revoked.

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 [2008] No. 897), 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 of assets of the Group

For the year ended 31 December 2010, the Company did not have charges on the assets of the Group.

Material acquisitions and disposals

For the year ended 31 December 2010, there was not any material acquisition and disposal by the subsidiaries and associated companies of the Company.

Major Financial Data and Indicators

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

Major Financial Data for the Reporting Period

Unit: RMB million

Items	Amount
Operating profit	53,634
Profit before income tax	53,304
Net profit attributable to equity shareholders of the Company	37,187
Net profit attributable to holders of ordinary shares of the Company net of extraordinary gain and loss	37,525
Net cash flow from operating activities	59,377

Differences between Domestic and International Accounting Standards

Unit: RMB million

Items	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	2010	2009	**2010**	2009
Under Accounting Standards for Business Enterprises	**37,187**	30,276	**196,917**	169,326
Adjustments:				
Adjustment for production maintenance, production safety and other related expenditures	**784**	1,311	**2,874**	2,841
Revaluation of land use rights and others	**161**	119	**(1,466)**	(1,506)
Under International Financial Reporting Standards	**38,132**	31,706	**198,325**	170,661

Explanations for the differences between domestic and international accounting standards:

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.

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 net 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	Amounts
Non-operating income	
– Subsidy income	203
– Others	185
Investment income	
– Income from entrusted loans	51
Non-operating expenses	(728)
Tax effect in respect of the above items	(34)
Total	(323)
Of which: Extraordinary gain and loss that affect net profit attributable to equity shareholders of the Company	(338)
Extraordinary gain and loss that affect net profit attributable to minority shareholders	15

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

Major financial data	**2010**	2009	Increase/ decrease over last year (%)	2008	
				After restatement	Before restatement
Operating income (RMB million)	**152,063**	121,312	25.3	107,133	107,133
Profit before income tax (RMB million)	**53,304**	43,901	21.4	35,971	36,871
Net profit attributable to equity shareholders of the Company (RMB million)	**37,187**	30,276	22.8	25,959	26,588
Net profit attributable to holders of ordinary shares of the Company net of extraordinary gain and loss (RMB million)	**37,525**	30,439	23.3	26,356	26,985
Basic earnings per share (RMB)	**1.870**	1.522	22.8	1.305	1.337
Diluted earnings per share (RMB)	**1.870**	1.522	22.8	1.305	1.337
Basic earnings per share net of extraordinary gain and loss (RMB)	**1.887**	1.530	23.3	1.325	1.357
Fully diluted return on net assets (%)	**18.88**	17.88	Increased by 1.00 percentage point	17.70	17.85
Weighted average return on net assets (%)	**20.31**	19.16	Increased by 1.15 percentage points	18.81	18.97
Fully diluted return on net assets net of extraordinary gain and loss (%)	**19.06**	17.98	Increased by 1.08 percentage points	17.98	18.11
Weighted average return on net assets net of extraordinary gain and loss (%)	**20.49**	19.27	Increased by 1.22 percentage points	19.10	19.25
Net cash flow from operating activities (RMB million)	**59,377**	55,927	6.2	44,226	44,226
Net cash flow from operating activities per share (RMB)	**2.99**	2.81	6.2	2.22	2.22
	As at 31 December 2010	As at 31 December 2009	Increase/ decrease over the end of last year (%)	As at 31 December 2008	
				After restatement	Before restatement
Total assets (RMB million)	**339,268**	310,514	9.3	275,182	278,407
Equity attributable to equity shareholders of the Company (RMB million)	**196,917**	169,326	16.3	146,625	148,967
Net assets per share attributable to equity shareholders of the Company (RMB)	**9.90**	8.51	16.3	7.37	7.49

Changes in Equity and Shareholdings of Substantial Shareholders

Changes in equity

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

Unit: Shares

	Before change		Increase/decrease (+/-)					After change	
	Number of Shares	Percentage (%)	Issue of new shares	Bonus issue	Conversion from surplus reserve	Others	Sub-total	Number	Percentage (%)
I. Shares with selling restrictions									
1. State-owned shares	14,691,037,955	73.86	-	-	-	-14,511,037,955	-14,511,037,955	180,000,000	0.90
2. Domestic legal person shares	-	-	-	-	-	-	-	-	-
Total number of shares with selling restrictions	14,691,037,955	73.86	-	-	-	-14,511,037,955	-14,511,037,955	180,000,000	0.90
II. Shares without selling restrictions									
1. RMB ordinary shares	1,800,000,000	9.05	-	-	-	+14,511,037,955	+14,511,037,955	16,311,037,955	82.01
2. Foreign shares listed overseas	3,398,582,500	17.09	-	-	-	-	-	3,398,582,500	17.09
Total number of shares without selling restrictions	5,198,582,500	26.14	-	-	-	+14,511,037,955	+14,511,037,955	19,709,620,455	99.10
III. Total number of shares	19,889,620,455	100.00	-	-	-	-	-	19,889,620,455	100.00

14,511,037,955 A shares of the Company held by Shenhua Group Corporation Limited were released from selling restrictions and available for listing and trading from 11 October 2010, details of which were set out in the Indicative Announcement on Listing and Trading of Shares with Selling Restrictions Held by Controlling Shareholder of China Shenhua Energy Company Limited dated 28 September 2010 (Lin 2010-036).

Changes in shares with selling restrictions

Unit: Shares

Name of shareholder	Number of shares with selling restrictions at the beginning of the year	Number of shares released from 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 Corporation	14,511,037,955	14,511,037,955	–	–	Commitments made in the initial public offering of A Shares	11 October 2010
Total	14,511,037,955	14,511,037,955	–	–	–	–

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

For the year ended 31 December 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities as defined in the Hong Kong Listing Rules.

The "Resolution on Granting a General Mandate to the Board of Directors to Repurchase A shares and H shares of the Company" was considered and approved at the annual general meeting for the year 2009, the 2010 first class meeting of the holders of A shares and the 2010 first class meeting of the holders of H shares of the Company held on 18 June 2010, details of which were set out in Announcement on Resolutions Passed at 2009 Annual General Meeting of China Shenhua Energy Company Limited (Lin 2010-019) and Announcement on Resolutions Passed at 2010 First Class Meeting of the Holders of A Shares and 2010 First Class Meeting of the Holders of H Shares of China Shenhua Energy Company Limited (Lin 2010-020) dated 19 June 2010.

Issuance and listing of securities

I. Issuance of securities in the last three years

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

II. Changes in total number of shares and shareholding structure

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

III. Shares held by internal employees

During the reporting period, the Company did not issue any shares to internal employees and there were no existing 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 426,644 shareholders of the Company, of which 423,896 are holders of A shares (including Shenhua Group Corporation) and 2,748 are registered holders of H shares.

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

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

Statement on the connected relationships and whether they are parties acting in concert are as follows: the fund trustee for Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund, Industrial & Commercial Bank of China – Lion Value Growth Securities Investment Fund and Industrial & Commercial Bank of China – Hua Xia Hu Shen 300 Index Securities Investment Fund is Industrial & Commercial Bank of China Limited; other than the above, the Company is not aware of whether any connected relationship exists between the top ten shareholders without selling restrictions and the top ten shareholders, and whether they are parties acting in concert pursuant to the "Measures for the Administration of Acquisition of Listed Companies".

I. Shares held by top ten shareholders

Unit: Shares

No.	Name of shareholder	Increase or decrease during the reporting period	Total number of shares held at the end of the reporting period	Shareholding percentage (%)	Number of shares with selling restrictions	Number of shares subject to pledge or lock-up	Nature of shareholder
1	Shenhua Group Corporation	–	14,511,037,955	72.96	–	Nil	State-owned
2	HKSCC NOMINEES LIMITED	–1,031,048	3,390,195,332	17.05	–	Unknown	Overseas corporate
3	Account No. 1 of National Council for Social Security Fund	–	180,000,000	0.90	180,000,000	Nil	State-owned
4	Bank of Communications – E Fund 50 Index Securities Investment Fund	–9,200,000	34,515,020	0.17	–	Unknown	Others
5	Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	–937,193	30,643,971	0.15	–	Unknown	Others
6	China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002 Shanghai	+7,886,535	24,147,681	0.12	–	Unknown	Others
7	Industrial & Commercial Bank of China – Lion Value Growth Securities Investment Fund	+21,949,888	21,999,888	0.11	–	Unknown	Others
8	Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	–2,556,719	18,906,500	0.10	–	Unknown	Others
9	Baosteel Group Corporation Limited	–14,809,263	14,342,665	0.07	–	Unknown	State-owned corporate
10	Industrial & Commercial Bank of China – Hua Xia Hu Shen 300 Index Securities Investment Fund	–1,399,689	13,200,000	0.07	–	Unknown	Others

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

II. Shares held by top ten shareholders without selling restrictions

Unit: Shares

No.	Name of shareholder	Number of shares without selling restrictions at the end of the reporting period	Type of shares
1	Shenhua Group Corporation	14,511,037,955	RMB ordinary shares
2	HKSCC NOMINEES LIMITED	3,390,195,332	Foreign shares listed overseas
3	Bank of Communications – E Fund 50 Index Securities Investment Fund	34,515,020	RMB ordinary shares
4	Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	30,643,971	RMB ordinary shares
5	China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002 Shanghai	24,147,681	RMB ordinary shares
6	Industrial & Commercial Bank of China – Lion Value Growth Securities Investment Fund	21,999,888	RMB ordinary shares
7	Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	18,906,500	RMB ordinary shares
8	Baosteel Group Corporation Limited	14,342,665	RMB ordinary shares
9	Industrial & Commercial Bank of China – Hua Xia Hu Shen 300 Index Securities Investment Fund	13,200,000	RMB ordinary shares
10	CITIC Securities – Industrial and Commercial Bank of China – CREDIT SUISSE (HONG KONG) LIMITED	13,111,835	RMB ordinary shares

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

Unit: Shares

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

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

As at 31 December 2010, 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 (the "SFO", Chapter 571 of the Laws of Hong Kong):

No.	Name of shareholder	Capacity	H shares/ domestic shares	Nature of interest	Number of H shares/ domestic shares held	Percentage of H shares/domestic shares over total issued H shares/ domestic shares respectively	Percentage of total share capital of the Company
						%	%
1	Shenhua Group Corporation	Beneficial owner	Domestic shares	N/A	14,511,037,955	87.99	72.96
2	JPMorgan Chase & Co.	Beneficial owner Investment manager Custodian-corporation/ approved lending agent	H shares	Long position	272,307,648	8.01	1.37
				Short position	13,018,585	0.38	0.07
				Lending pool	225,277,372	6.63	1.13
3	Blackrock, Inc.	Investment manager	H shares	Long position	257,847,843	7.59	1.30
				Short position	12,508,837	0.37	0.06
4	The Capital Group Companies, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	169,960,025	5.00	0.85

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 2010, in so far as the directors, president and supervisors of the Company are aware, there was no other interest and/or short position held by any person in the shares or underlying shares of the Company (as the case may be) which is required to be recorded in the register to be kept under section 336 of Part XV of the SFO, or was otherwise a substantial shareholder of the Company.

Controlling Shareholder and De Facto Controller

Particulars of controlling shareholder and de facto controller

I. Corporate controlling shareholder

Name of the controlling shareholder	:	Shenhua Group Corporation Limited
Legal representative	:	Zhang Xiwu
Registered capital	:	RMB38,908,991,000
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 resource products (such as coal), coal to liquid, coal chemical, power, thermal, port, various transportation, finance, domestic and international trade and logistics, real estate, high technology and information consultation and etc; planning, organizing, coordinating and managing the production and operating activities of the companies in the Shenhua Group in such sectors; and sales of chemical materials and chemical products (excluding hazardous chemicals), textiles, construction materials, machinery, electronic equipment and office equipment.

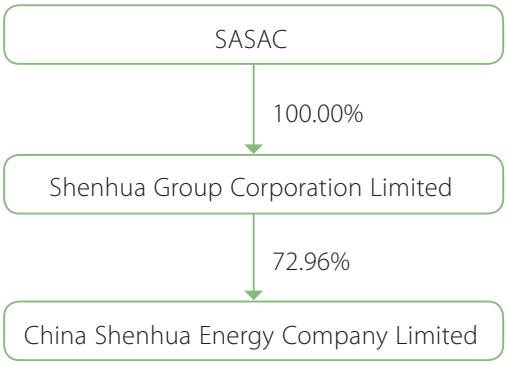
II. De facto controller

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

III. 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.

IV. 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 2010, the board of directors of the Company received the "Board Award for Listed Companies" again in 2010 at the annual Listed Companies Corporate Governance Awards organized by the Shanghai Stock Exchange after 2009. Mr. Gong Huazhang, the independent director of the Company, was awarded the "Best Independent Directors of Listed Companies" in 2010.

The Company's compliance with domestic regulatory requirements

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

Pursuant to the regulatory requirements as updated from time to time, the Company amended the "Information Disclosure Policy" and the "Measures on Dealings in the Shares of the Company by Employees" on the 39th meeting of the first session of the Board held on 4 March 2010; and the Company formulated the "Measures on Prevention of Insider Dealings", amended the Articles of Association and the "Rules of Procedure of General Meeting" and submitted the same to the shareholders' general meeting of the Company for consideration at the 9th meeting of the second session of the Board held on 20 December 2010. Particulars of the above are set out in the table below:

No.	Name of the Policy	Main content amended or formulated
1	Measures on Dealings in the Shares of the Company by Employees	States the regulatory authorities' specific accountability measures in relation to illegal trading of shares by the directors, supervisors and senior management of the Company.
2	Information Disclosure Policy	Adds the relevant definitions for "insider information" and "insiders", the specific duties and obligations of the parties in the implementations of insider information management, the procedures for and requirements of the disclosure of undisclosed information, the allocation of responsibilities as for information disclosure, the situations of and standards for identifying material errors in information disclosure (including regular reports such as annual report), the principles and means of accountability for the material errors.
3	Measures on Prevention of Insider Dealings	Specifies on the measures for insider management, including the establishment of an information database for insiders, strengthen insider management, standardize the Company's information disclosure and the registration requirements for external information users, and relevant responsibility of the Board of the Company and accountability mechanism.
4	Articles of Association	Pursuant to the requirement under Rule 2.07A of the Hong Kong Listing Rules, corporate communications may be made available to H shareholders by the Company by means of publication on the Company's website, subject to the provisions set out in the rule. In order to reduce operating costs, promote effective communications between the Company and the Shareholders in an environmental friendly manner and to standardize the means of corporate communications, the relevant provisions of the Articles of Association were amended.
5	Rules of Procedure of General Meeting	The Rules of Procedure of General Meeting was amended to keep the consistency with the amended Articles of Association.

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

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

(2) Voluntary disclosure. The Company published the "Announcement on Proposed Acquisition of Certain Assets of Controlling Shareholders of China Shenhua Energy Company Limited" on 20 August 2010 to disclose the general information of the assets to be acquired (including the major type of business, size of acquisition and financial effect) on a voluntary basis; published the "Announcement on the Major Operational Data of December and the Year 2010 of China Shenhua Energy Company Limited" and the "Announcement on Preliminary Financial Data for the Year 2010 of China Shenhua Energy Company Limited" on 25 January 2011 and 9 February 2011 respectively to disclose the preliminary major results and financial indicators of 2010 on a voluntary basis. As part of the regular information disclosure, the Company voluntarily discloses the monthly major operational data and business progress. The above disclosure initiatives help reduce unequal distribution of information, eliminate insider dealings and prevent unusual fluctuations of share price.

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

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

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

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

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

In 2010, Shenhua Group Corporation has strictly abided by its commitments, and there has not been any violation of such commitments. In order to avoid and reduce potential competition in the future, the Company acquired the equity interests or assets of ten companies, which engaged in coal and power businesses and other related businesses and were owned by Shenhua Group Corporation and its subsidiaries. The acquisition was approved at the first extraordinary general meeting of the Company in 2011. The Company will exercise its relevant rights under the Non-competition Agreement to continue to acquire the mature and quality continuing assets of Shenhua Group as and when appropriate in the future.

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

The amounts of all connected transactions between China Shenhua and Shenhua Group in 2010 were within the approved caps. Except that there is a year-on-year increase in the amount of the following connected transactions, the year-on-year mounts of the other connected transactions decreased or generally remained the same as compared with that of the previous year:

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

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

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

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

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

3. Acquired the equity interests or assets of the ten companies, which engaged in coal and power businesses, etc and are owned by Shenhua Group and its subsidiaries.

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

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

The Company has established a system of corporate governance practices in accordance with the "Code on Corporate Governance Practices" as set out in Appendix 14 of the Hong Kong Listing Rules. The Company has been in full compliance with the provisions of the "Code on Corporate Governance Practices" and most of the recommended best practices as specified therein for the year ended 31 December 2010. In addition to the Audit Committee, Remuneration Committee and Nomination Committee established in accordance with the requirements of the "Code on Corporate Governance Practices", the Board of the Company has also set up the Strategy Committee and the Safety, Health and Environment Committee.

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

I. 'Articles of Association' and rules of procedure of meetings:

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

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

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

4. 'Rules of Procedure of Meetings of the Supervisory Committee of China Shenhua Energy Company Limited';

5. 'Rules of Procedure 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. Rules in relation to independent directors and meeting rules of procedure and working rules of Board Committees:

1. 'Rules on Independent Directors of China Shenhua Energy Company Limited';

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

3. 'Rules of Procedure 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 of Procedure of Meetings of the Remuneration Committee of the Board of Directors of China Shenhua Energy Company Limited';

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

7. 'Rules of Procedure of Meetings of the Safety, Health and Environment Committee of 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 and measures 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. 'Provisional Measures for the Management of Provision of Guarantees of China Shenhua Energy Company Limited';

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

6. 'Internal Control Manual of China Shenhua Energy Company Limited';

7. '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'.

V. Rules in relation to management of securities trading:

1. 'Model Code on Securities Trading by Directors of China Shenhua Energy Company Limited';

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

3. 'Measures on Prevention of Insider Dealings 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 9 members, 3 of which are independent directors. The directors' extensive experience in macroeconomics management, management of the coal industry, financial and accounting management or legal affairs ensure the effectiveness and reasonableness 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 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 2010, 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, and holds an extraordinary meeting when the Company needs to make a significant decision.

The post of chairman and the president of the Company are taken up by 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 principally responsible for managing the operation of the Board whereas the president is principally responsible for the business operations of the Company. The 'Articles of Association' sets out in details 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.

When considering any matters or transactions at any Board meeting, the directors are required to declare any direct or indirect interests, and shall abstain from the meeting where appropriate. The Company will, during each financial year 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 the information required to be disclosed in accordance with the 'Corporate Governance Report' of Appendix 23 of the Hong Kong Listing Rules such as remuneration of the directors, supervisors and senior management of the Company, security transactions by directors and shareholding interests of directors, supervisors and senior management, attendance of directors at Board meetings, performance of the duties of independent directors and performance of the duties of Board Committees, please refer to the relevant sections of this chapter.

Directors, Supervisors, Senior Management and Employees

Basic information

(I) Incumbent at the end of the reporting period

Name	Position	Gender	Age	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration received from the Company during the reporting period (before tax)	Equity incentives granted during the reporting period	Whether remuneration or allowance are being paid by a shareholder of the Company or other associated companies
						RMB'10,000		
Zhang Xiwu	Chairman and Executive director	Male	52	–	–	–	–	Yes
Zhang Yuzhuo	Executive director	Male	48	–	–	–	–	Yes
Ling Wen	Executive director and President	Male	47	–	–	168.51	–	No
Han Jianguo	Non-executive director	Male	52	–	–	–	–	Yes
Fan Hsu Lai Tai	Independent non-executive director	Female	65	–	–	26.25	–	No
Gong Huazhang	Independent non-executive director	Male	65	–	–	45.00	–	No
Liu Benren	Non-executive director	Male	68	–	–	–	–	Yes
Xie Songlin	Non-executive director	Male	68	–	–	–	–	Yes
Guo Peizhang	Independent non-executive director	Male	61	–	–	26.25	–	No
Sun Wenjian	Chairman of Supervisory Committee	Male	55	–	–	–	–	Yes
Tang Ning	Supervisor	Male	55	–	–	31.77	–	No
Zhao Shibin	Supervisor	Male	41	–	–	46.85	–	No
Wang Jinli	Vice president	Male	51	–	–	107.77	–	No
Hua Zeqiao	Vice president	Male	59	–	–	108.17	–	No
Huang Qing	Secretary to the Board	Male	45	–	–	101.70	–	No
Zhang Kehui	Chief financial officer	Female	47	–	–	97.73	–	No
Total	/	/	–	–	–	760.00	–	–

Note: (1) The remuneration package of the above Directors and Supervisors for the year 2010 is subject to the approval by the Company at the 2010 annual general meeting;

(2) The remuneration of Dr. Ling Wen includes deferred performance bonus for 2007 and 2008;

(3) The remunerations of Ms. Fan Hsu Lai Tai, Mr. Guo Peizhang, Mr. Tang Ning and Mr. Zhao Shibin were calculated for the following period: from June to December 2010;

(4) Mr. Hua Zeqiao resigned as the vice president of the Company on 16 March 2011 on account of his statutory retirement age, with immediate effect.

(II) Resignation during the reporting period

Name	Position	Gender	Age	Number of shares held at the beginning of the year	Number of shares held at the end of the year	Total remuneration received from the Company during the reporting period (before tax)	Equity incentives granted during the reporting period	Whether remuneration or allowance are being paid by a shareholder of the Company or other associated companies during term of office in the year
						RMB'10,000		
Huang Yicheng	Independent non-executive director	Male	84	–	N/A	22.50	–	No
Neoh Anthony Francis	Independent non-executive director	Male	64	–	N/A	22.50	–	No
Chen Xiaoyue	Independent non-executive director	Male	63	–	N/A	15.00	–	No
Xu Zufa	Chairman of Supervisory Committee	Male	62	–	N/A	–	–	Yes
Wu Gaoqian	Supervisor	Male	60	–	N/A	30.32	–	No
Li Jianshe	Supervisor	Male	57	–	N/A	22.05	–	No
Hao Gui	Vice president	Male	48	–	N/A	90.80	–	No
Xue Jilian	Vice president	Male	56	–	N/A	91.15	–	No
Wang Pingang	Vice president	Male	49	–	N/A	90.88	–	No
Total	/	/	–	–	N/A	385.20	–	–

Note: 1. The remuneration package of the above Directors and Supervisors for the year 2010 is subject to the approval by the Company at the 2010 annual general meeting;

2. The remunerations of the following persons were calculated for the following periods: (1) Mr. Huang Yicheng, Mr. Neoh Anthony Francis, Mr. Wu Gaoqian and Mr. Li Jianshe: January to June 2010; (2) Dr. Chen Xiaoyue: January to April 2010; and (3) Dr. Hao Gui, Mr. Xue Jilian and Mr. Wang Pingang: January to August 2010.

As at 31 December 2010, none of the directors, supervisors or senior management had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong).

The Company has adopted the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules, which requires the securities transactions of the directors of the Company to be carried out in accordance with the Model Code. The Model Code is also applicable to the senior management of the Company. After specific inquiries conducted by the Company, all the directors have confirmed that they have fully complied with the Model Code throughout 2010 or during their respective tenure.

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 2010, 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.

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

Biographies of the directors, supervisors and senior management

Directors

Dr. ZHANG Xiwu,

aged 52, Chinese

Chairman and executive director

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

Dr. ZHANG Yuzhuo,

aged 48, Chinese

Executive director

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

Dr. LING Wen,

aged 47, Chinese

Executive director and president

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

Mr. HAN Jianguo,

aged 52, Chinese

Non-executive director

Mr. Han has served as a non-executive director of the second session of the board of directors of the Company since June 2010. Mr. Han is also the vice general manager of Shenhua Group Corporation. Previously, he served as a non-executive director of the first session of the board of directors of the Company, chairman and general manager of Shenhua Coal Trading Company Limited. Prior to joining Shenhua Group in April 1998, Mr. Han served as the secretary to the former vice minister of the State Development and Planning Commission. Mr. Han is a senior engineer and is experienced in the PRC coal industry, macro-economy and enterprise management. He graduated from Fuxin College of Mining and Technology in Liaoning Province with a bachelor's degree in 1983 and received a master's degree from Tongji University in 1999. From 2004 to 2006, he studied at the EMBA Sino-European International Business School and obtained an MBA degree.

Ms. Fan Hsu Lai Tai,

aged 65, Hong Kong

Independent non-executive director

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

Mr. Gong Huazhang,

aged 65, 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 independent non-executive director of Nanyang Commercial Bank (China) Limited, China Railway Group Limited and China Southern Airlines Company Limited, an external director of Dongfang Electric Corporation Limited, a member of the Accounting Standards Committee of the Ministry of Finance of the People's Republic of China, a member of China Valuation Standards Committee, the special councilor of China Valuation Society, vice chairman of the Accounting Society of China, the consultant of the Pricing Association of China, a part-time professor at Tsinghua University, Nankai University, Xiamen University, Shanghai National Accounting Institute, Xiamen National Accounting Institute, China University of Petroleum (Beijing) and a professor of Beijing National Accounting Institute. Mr. Gong previously served as a director of China Yangtzi Power Co., Ltd, the chief accountant of China National Petroleum Corporation, a director of Petrochina Company Limited and the chairman of China Petroleum Finance Co., Ltd. Mr. Gong graduated from Jiangsu Yangzhou Business School in 1965. He is a professor-level senior accountant and has over 40 years' experience in accounting.

Mr. Liu Benren,

aged 68, Chinese

Non-executive director

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

Mr. Xie Songlin,

aged 68, Chinese

Non-executive director

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

Mr. Guo Peizhang,

aged 61, Chinese

Independent non-executive director

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

Supervisors

Mr. Sun Wenjian,

aged 55, Chinese

Chairman of the Supervisory Committee

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

Mr. Tang Ning,

aged 55, Chinese

Supervisor

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

Mr. Zhao Shibin,

aged 41, Chinese

Employees' representative

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

Senior Management

Dr. LING Wen,
aged 47, Chinese
Executive director and president

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

Dr. Wang Jinli,
aged 51, Chinese
Vice president

Dr. Wang has served as the vice president of the Company since November 2004. Mr. Wang is also chairman of Shenhua Australia Holdings Pty Limited and Shenhua Coal Trading Co., Ltd.. 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 University of Engineering and Technology in 2002. In 2006, he graduated from Liaoning University of Engineering and Technology 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.

Mr. Hua has served as the vice president of the Company since November 2004. Previously, he served as chairman, 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 management experience in coal production and sales management. He graduated from Harbin Normal University with a bachelor's degree in 1991.

Mr. Hua resigned as vice president of the Company on 16 March 2011 upon reaching the statutory retirement age, with immediate effect.

Mr. Hua Zeqiao,
aged 59, Chinese
Vice president

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

Mr. Huang Qing,
aged 45, Chinese
Secretary to the Board

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

Ms. Zhang Kehui,
aged 47, Chinese
Chief financial officer

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

Positions held in shareholders

Name	Name of entity	Position held	Commencement of term of office	Expiry of term of office	Whether remuneration or allowance are being paid
Zhang Xiwu	Shenhua Group Corporation	Chairman	2008-12	–	Yes
	Beijing Guohua Power Company Limited	Chairman	2008-12	–	No
Zhang Yuzhuo	Shenhua Group Corporation	Director and general manager	2008-12	–	Yes
	China Shenhua Coal Liquefaction And Chemical Co., Ltd. (formerly known as China Shenhua Coal Liquefaction Company Limited)	Chairman	2003-07	2010-04	No
	Shenhua International (Hong Kong) Company Limited	Chairman	2005-03	2010-05	No
	Shenhua Hulunbeier Coal Processing Company Limited	Executive director	2006-04	2010-04	No
Ling Wen	Shenhua Group Corporation	Director and deputy general manager	2010-04	–	No
	Shenhua Finance Company Limited	Chairman	2002-07	–	No
Han Jianguo	Shenhua Group Corporation	Deputy general manager	2003-08	–	Yes
Liu Benren	Shenhua Group Corporation	External director	2005-11	–	Yes
Xie Songlin	Shenhua Group Corporation	External director	2005-11	–	Yes
Sun Wenjian	Shenhua Group Corporation	Head of Disciplinary Team, Union chairman	2008-12	–	Yes
Tang Ning	Shenhua Group Corporation	Deputy director of the Property Ownership Administration	2010-05	–	No
Wang Jinli	Shenhua Coal Trading Company Limited	Chairman	2010-12	–	No
Hua Zeqiao	Shenhua Coal Trading Company Limited	Chairman	2004-03	2010-12	No

Positions held in other entities

Name	Name of entity	Position held	Commencement of term of office	Expiry of term of office	Whether remuneration or allowance are being paid
Fan Hsu Lai Tai	China Overseas Land & Investment Limited	Independent non-executive director	2009-02	–	Yes
	COSCO Pacific Limited	Independent non-executive director	2009-01	–	Yes
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	2010-06	No
Liu Benren	Fosun International Limited	Non-executive director	2007-06	–	Yes
	Prosperity Mineral Holdings Ltd.	Non-executive Director and vice chairman	2010-08	–	Yes
Xie Songlin	China Electronics Corporation Holdings Co., Ltd.	External director	2006-05	–	Yes
	Datang International Power Generation Co., Ltd.	Independent non-executive director	2005-06	2010-06	Yes
Guo Peizhang	China Guodian Corporation	Head of Disciplinary Inspection Panel	2005-07	2010-04	Yes
	GD Power Development Co., Ltd.	Chairman of the Supervisory Committee	2009-09	–	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 of the Board of the Company, in accordance with international and domestic practices and with reference to the remuneration of directors and supervisors of large-scale listed companies in China, and submitted to the annual general meeting of the Company for approval subject to the consideration and approval by the Board of the Company. The remuneration of senior management of the Company is proposed by the Remuneration Committee of the Board of the Company in accordance with the Company's operating conditions in 2010 and the "Provisional Measures for the Management of the Annual Remuneration of the Senior Management of China Shenhua Energy Company Limited" formulated by the Company, and is considered and approved by the Board of the Company.

Please refer to the section "Directors, Supervisors, Senior Management and Employees" of this chapter for the remuneration of directors and supervisors of the Company, and the remuneration package of the directors and supervisors is subject to the approval by the Company's shareholders at the 2010 annual general meeting. Details of remuneration are set out in note 10 to the financial statements of the report.

Zhang Xiwu, the Chairman of the board of directors, Zhang Yuzhuo, Han Jianguo, Liu Benren and Xie Songlin, all directors, and Sun Wenjian, the Chairman of Supervisory Committee, do not receive any allowance from the Company.

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

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

Changes in directors, supervisors and senior management

In late March 2010, Dr. Chen Xiaoyue, an independent non-executive director of the Company, deceased from illness.

As elected at the Company's 2009 annual general meeting held on 18 June 2010:

(1) The second session of the board of directors comprises Zhang Xiwu, Zhang Yuzhuo and Ling Wen as executive directors, Han Jianguo, Liu Benren and Xie Songlin as non-executive directors, and Fan Hsu Lai Tai, Gong Huazhang and Guo Peizhang as independent non-executive directors, with a term of office of three years (from 18 June 2010 to 17 June 2013). Mr. Huang Yicheng and Mr. Anthony Francis Neoh, being independent non-executive directors of the first session of the board of directors, ceased to serve as directors.

(2) The second session of the Supervisory Committee of the Company comprises Sun Wenjian and Tang Ning as shareholder representative supervisors, and Zhao Shibin was elected as the employee representative supervisor by the Company's staff, with a term of office of three years (from 18 June 2010 to 17 June 2013). Mr. Xu Zufa, Mr. Wu Gaoqian and Mr. Li Jianshe, being supervisors of the first session of the Supervisory Committee of the Company, ceased to serve as supervisors.

On 11 August 2010, at the fourth meeting of the second session of the Board of the Company, the directors resolved to remove Dr. Hao Gui, Mr. Xue Jilian and Mr. Wang Pingang as vice presidents of the Company.

On 27 August 2010, at the sixth meeting of the second session of the Board of the Company, the directors approved the resignation of Ms. Ng Chai Ngee as the joint company secretary of the Company.

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

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 2010 and subsisting during and at the end of the year of 2010.

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 terminated by the Group within one year without any compensation (other than the statutory compensation).

Employees of the Company

As at 31 December 2010, the Company had 65,154 employees in total. The total number of retired employees in respect of which the Company bears cost was 6,211 (increased by 349 in 2010). Composition of the employees of the Company is as follows:

1. By function

Functions	**As at 31 December 2010**	As at 31 December 2009	Change
	person	person	%
Operation and maintenance	**44,712**	41,431	7.9
Management and administration	**9,029**	7,555	19.5
Finance and accounting	**1,026**	988	3.8
R&D and technical support	**5,015**	5,251	(4.5)
Sales and marketing	**1,402**	1,475	(4.9)
Others	**3,970**	5,586	(28.9)
Total	**65,154**	62,286	4.6

2. By education level

Degrees of education	**As at 31 December 2010**	As at 31 December 2009	Change
	person	person	%
Postgraduate or above	**1,030**	719	43.3
University graduate	**13,744**	11,370	20.9
College graduate	**16,665**	14,873	12.0
Specialized secondary school graduate	**13,922**	14,072	(1.1)
Technical school graduate	**4,497**	5,421	(17.0)
High school graduate	**9,785**	10,096	(3.1)
Middle school graduate or below	**5,511**	5,735	(3.9)
Total	**65,154**	62,286	4.6

Independence of the Company from its Controlling Shareholder

China Shenhua has independent and complete system of businesses and the ability to operate on its own with market orientation and is independent from its Controlling Shareholder in terms of business, personnel, assets, organization and finance.

Upon the completion of the relavent procedures as part of the transition arrangement of, the listing of the whole Shenhua Group, Shenhua Group Corporation appointed the Company to provide relevant services to its headquarters.

In 2010, with the approval from the Board of the Company, the Company and Shenhua Group signed the Management Services Agreement for 2010 and 2011-2013, respectively. Pusuant to the Management Services Agreement, the Company provides various daily administration services and other relavant services assisting production (excluding financial management and services) to the headquarters of Shenhua Group Corporation.

The abovementioned agreements were part of the implementation agreements for the Agreement on Mutual Supply of Products and Services entered between the Company and Shenhua Group Corporation. The transactions contemplated under the agreements were based on the scope of services, princing principle and other relavant issues as set out under the Agreement on Mutual Supply of Products and Services.

Establishment and Improvement of Internal Control System

Basic information on internal control

The Board and the management of the Company are responsible for establishing and efficiently implementing a sound internal control system. The goal of the internal control of the Company is to reasonably ensure compliance with the laws and regulations in the Company's business operations, to safeguard the security of assets and the accuracy and completeness of financial reports and relevant information, to enhance operation efficiency and performance and to facilitate fulfillment of the Company's development strategies. Due to the inherent limits on internal control, internal control can only provide reasonable assurance to the above goals. Moreover, the effectiveness of internal control is subject to changes of internal and external environment and the Company's operation conditions. The Company has set up a review and supervisory system for internal control. Correction measures will be adopted upon identification of any defect in 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.

The Board of the Company conducted self-assessment for all respects of internal controls for the year. In accordance with the requirements of the "Notice Regarding Preparation of 2010 Annual Report of the Shanghai Stock Exchange", the Board of the Company established a leader group and a work group for review and assessment of internal control and formulated the assessment schemes for internal control in 2010. The Board of the Company organized the assessment work and prepared this report based on the assessment results. The assessment schemes for internal control of the year specifically set out the purposes, principles, organisation, duties, scopes, procedures, standards, methods and defects rectification requirements of the assessment. It assesses the headquarters, branches and subsidiaries of the Company by questionnaire, tracking, sampling, interview, observation and inspection. The Company took corresponding correction measures in respect of the issues identified in the assessment.

Disclosed below is the rule system relating to preparation of financial reports:

1. Preparation of financial reports

With respect to the preparation of financial reports, the Company has formulated management measures for financial reporting, in which requirements relating to seven aspects such as explicit management system of the preparation of financial reports and terms of reference, format design of and change to accounting statements, preparation of financial reports and auditing, filing and assessment of preparation of financial reports were specified to standardize the preparation of financial reports of the Company. In addition, the Company ensures the financial reports as to its trueness, accuracy and completeness by compiling systematic explanations for the preparation of the financial statements, training, analytical review, inspection and assessment and review by auditors.

2. Management of accounting auditing

The Company has formulated an Accounting and Auditing System, compiled and amended the Fundamentals of Accounting and Auditing Standards and drafted the Assessment Standards for Fundamentals of Finance, Measures for Accounting and Auditing of Centralized Funds (Provisional) and Measures for Informationization Management of Finance, for the purpose of standardizing the system of financial management, accounting basis and auditing of the Company, accounting and auditing of the management of centralized funds and informatization management of finance, and strengthening the review and supervision of fundamentals of finance, all of which have laid a foundation for improving the timeliness and quality of financial analysis.

3. Budget management

The Company has formulated the Comprehensive Measures for Budget Management and adopted the method of "Principally based on forecast of the headquarters and consolidation of accounts" to prepare its annual budget, the estimates of which are determined based on the historical operations of each subsidiary (branch) with budget models by segments and departments as the basis according to the changes in the operating conditions of the target year. In addition, the budget targets are classified into A, B and C levels, with each level applicable to different incentive policies and assessment methods, in an effort for a better play of the fundamental role of budget management in corporate management. In preparing the budget, each subsidiary (branch) compiles "monthly analysis and monthly reports" and the Company assesses its budget on an annual basis. The Budget Committee of the Company is responsible for organizing the assessment work of annual budget.

4. Fund management

The Company has formulated various measures such as the Administration Measures for Central Management of Funds, Administration Measures for Fund Budget, Provisional Measures for Monetary Funds Management, Management System for Use of Proceeds, Administration Measures for Bank Accounts and Provisional Measures for Management of Financial Seals to specify the requirements for key control measures, including authorization and approval procedures, authorization, separation of exclusive responsibilities, settlement, review and reconciliation. The Company also formulated the Work Manual on Funds of the Financial Department, which sets out 27 rules and procedures in respect of management of centralized funds, separation of income and expense of funds and budget of funds, etc.,

and provides specific requirements for the purposes of fund management, the system on which fund management is based, process, documentation, sources of data and external contact parties. Moreover, the Company has drafted the Administration Measures for Financial Derivatives Transactions and built a credit rating system for internal and external parties in an effort to strengthen control of fund risks.

5. Materials management

The materials management system of the Company incorporates a combination of central management, central procurement by headquarters and central procurement by each subsidiary (branch), and integrated organization for storage. The Company has also drafted various measures including the Materials Management Rules (Provisional), Administration Measures for Centralized Procurement of Materials by Headquarters (Provisional), Implementation Rules on Plan Management for Centralized Procurement of Materials by Headquarters (Provisional), Administration Measures for Biding for Procurement of Materials (Provisional), Measures for Suppliers Management (Provisional) and Administration Measures for Materials Storage (Provisional), which cover plan management, suppliers management, materials procurement management and logistics management and storage management.

6. Sales management

The Company adopts a unified model on sales management for its primary coal products. The Company has drafted the Measures for Management of Coal Sales and Measures for Management of Coal Prices, setting out specific requirements for allocation of sales responsibility, marketing strategies, annual sales plan, quality standards of coal, marketing activities, contract management, settlement management, statistics analysis and pricing. The Monthly Coal Sales Update and Weekly Update of Transported Coal for Sales are prepared on a regular basis to gather sales data, follow up the implementation of annual sales plan, analyze marketing conditions and strengthen the supervision and monitor of marketing units. Power sales are managed by way of planned control and contract management, and are calculated at the tariff rates approved by the relevant government authorities.

7. Fixed assets management

The Company manages the fixed assets based on classifications. The Company has formulated the Management Procedures for Information of Fixed Assets, Administration Measures for Disposal of Fixed Assets and Administration Measures for Idle Fixed Assets, setting out specific requirements for the standards of fixed assets, management departments and their duties, inspection and acceptance of fixed assets, usage, upgrade, reconstruction, maintenance, disposal, control and assessment of fixed assets as well as range of idle fixed assets, duties and authorization and management procedures.

8. Guarantee and financing

The Company has formulated the Provisional Measures for the Management of Provision of Guarantees to regulate the approval authority, process, risk management and external disclosure for the provision of guarantees to others, and provision of guarantees for its own liabilities and accountability system. The Company has formulated the Measures for Management of Debt Financing (Provisional) to coordinate and arrange the debt financing of the subsidiaries and branches. The Manual on Management of Internal Authorisation provides for the approval authority and process of financing, guarantees and entrusted loans to strictly control high-risk businesses with due care.

9. Cost and expense management

The Company's costs and expenses are budgeted and managed at various levels. The headquarter of the Company is responsible for approving cost and expense budgets of the subsidiaries and branches, while the subsidiaries and branches are responsible for the daily management and control of costs and expenses.

10. Investment management

The Company has formulated the Provisional Measures of Investment Management for the general meeting, Board, chairman and president to specify their scope of approval authority, decision-making and approval process and specific requirements in respect of investment.

Identification of the effectiveness of internal control

The Board of the Company is of the view 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 2010. The Company achieved sound control and prevention as to the material risk management failures, serious management frauds and major workflow errors. In implementing 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 is of the view that there were no material defects in the establishment or implementation of internal control of the Company in 2010.

Due to the influence of factors such as inherent limitations of internal control, the differences in the understanding of internal control by the managerial officers, ever-changing market and operating environment and unforeseeable risks, no absolute 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, trends of domestic and overseas internal control and the changes in the internal and external risks in compliance with the regulatory rules and requirements.

KPMG Huazhen (hereinafter referred to as "KPMG") was appointed by the Company to issue the "Explanation of the Self-Assessment Report (2010) for Internal Control by the Board of China Shenhua Energy Company Limited" (hereinafter referred to as the "Explanation") for the "Self-Assessment Report (2010) for Internal Control by the Board of China Shenhua Energy Company Limited" (hereinafter referred to 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 2010.

For the "Self-Assessment Report (2010) for Internal Control by the Board of China Shenhua Energy Company Limited" and the "Explanation of the Self-Assessment Report (2010) for Internal Control by the Board of China Shenhua Energy Company Limited", please refer to the relevant announcements dated 26 March 2011 published by the Company on the website of the Shanghai Stock Exchange.

Work plan and implementation plan of the establishment of sound internal control system in 2011

(I) To further improve and establish the overall framework for the intrinsic safety management system on the basis of the internal control and risk management system of the Company, establish and gradually improve the indicator and standard of the intrinsic safety management system, formulate the guidelines for establishing the intrinsic safety management system and a list specifying the task of each work unit, and supervise and facilitate the implementation thereof.

(II) To update and improve the database regarding risk management established by the Company in 2010, categorise the risks by type and level, namely decision-making level, management level, implementation level and operation level, further allocate the responsibilities to each level in relation to risk management and control, and improve the strategies for risk management and control.

(III) To establish the documentation database for internal control by making up and analyzing the internal control examination and assessment report of the Company in recent years, and gradually improve the information integration regarding risk control of the Company.

(IV) To further improve the risk management mechanism, formulate risk assessment methods, establish the mechanism of periodic risk assessment and report, and study how to achieve automatic risk monitoring and warning by making use of the information of regarding change of relevant risks.

(V) To conduct compliance review of the effectiveness of internal control throughout the Company. To require all levels of the Company to conduct self-examination in accordance with the applicable internal control guidelines issued by the five ministries including the Ministry of Finance and make rectifications to ensure internal control compliance, and review the effectiveness of internal control at the end of 2011.

Daily Work of the Board of the Company

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

Board meetings of the Company

In 2010, the Board has held 15 meetings to implement resolutions passed at the shareholders' meetings, to consider and approve regular reports, related party/connected transactions and certain material decisions, and formulate or amend a number of rules and regulations.

1. The Company held the 38th meeting of the first session of the Board on 29 January 2010 by way of voting by correspondence. Resolution in relation to the Company obtaining controlling interest in Zhuhai New Century Shipping Company Limited by capital investment (contribution) was passed by the Board. Please refer to the "Announcement on entering into Capital Contribution Agreement by China Shenhua Energy Company Limited" in relation to the increase in the registered capital of Zhuhai New Century Shipping Company Limited" (Lin 2010-002) on 30 January 2010.

2. The Company held the 39th meeting of the first session of the Board on 4 March 2010 by way of voting by correspondence. Resolutions in relation to the amendment of "Information Disclosure Policy of China Shenhua Energy Company Limited" and amendment of "Measures on Dealings in the Shares of the Company by Employees of China Shenhua Energy Company Limited" were passed by the Board.

3. The Company held the 40th meeting of the first session of the Board on 12 March 2010 by way of physical meeting in Beijing. For details of the board meeting, please refer to the "Announcement on Resolutions of the 40th Meeting of the First Session of Board of Directors of China Shenhua Energy Company Limited" (Lin 2010-005) on 13 March 2010.

4. The Company held the 41st meeting of the first session of the Board on 6 April 2010 by way of voting by correspondence. For details of the board meeting, please refer to the "Announcement on Resolutions of the 41st Meeting of the First Session of Board of Directors of China Shenhua Energy Company Limited" (Lin 2010-011) on 7 April 2010.

5. The Company held the 42nd meeting of the first session of the Board on 29 April 2010 by way of physical meeting in Beijing. For details of the meeting of the Board, please refer to the "Announcement on Resolutions of the 42nd Meeting of the First Session of Board of Directors of China Shenhua Energy Company Limited" (Lin 2010-013) on 30 April 2010.

6. The Company held the 43rd meeting of the first session of the Board on 10 June 2010 by way of voting by correspondence. The resolution in relation to the acquisition of equity interest in Sanxin Railway Company Limited was passed by the Board.

7. The Company held the 1st and 2nd meeting of the second session of the Board on 18 June 2010 by way of physical meeting in Beijing. For details of the board meeting, please refer to the "Announcement on Resolutions of the 1st and 2nd Meetings of the Second Session of Board of Directors of China Shenhua Energy Company Limited" (Lin 2010-022) on 19 June 2010.

8. The Company held the 3rd meeting of the second session of the Board on 23 July 2010 by way of voting by correspondence. The resolution in relation to the use of idle proceeds as working capital was passed by the Board. Please refer to the "Announcement on Use of Idle Proceeds as Working Capital by China Shenhua Energy Company Limited" (Lin 2010-028) on 24 July 2010.

9. The Company held the 4th meeting of the second session of the Board on 11 August 2010 by way of voting by correspondence. The resolutions in relation to the establishment of Shenhua Ganquan Railway Company Limited by way of joint venture, removal of Dr. Hao Gui, Mr. Xue Jilian and Mr. Wang Pingang as vice presidents of the Company, set-up of the environment protection department in the headquarters of the Company, and set-up of the Executive Committee of China Shenhua Energy Company Limited were passed by the Board. Please refer to the "Announcement on Change of Vice Presidents of China Shenhua Energy Company Limited" (Lin 2010-029) on 12 August 2010.

10. The Company held the 5th meeting of the second session of the Board on 19 August 2010 by way of voting by correspondence. The resolution in relation to the proposed acquisition of certain assets from controlling shareholder was passed by the Board. Please refer to the "Announcement on Proposed Acquisition of Certain Assets of Controlling Shareholder of China Shenhua Energy Company Limited" (Lin 2010-031) on 20 August 2010.

11. The Company held the 6th meeting of the second session of the Board on 27 August 2010 by way of physical meeting in Beijing. For details of the board meeting, please refer to the "Announcement on Resolutions of the 6th Meeting of the Second Session of Board of Directors of China Shenhua Energy Company Limited" (Lin 2010-032) on 28 August 2010.

12. The Company held the 7th meeting of the second session of the Board on 29 October 2010 by way of physical meeting in Beijing. The resolutions in relation to the "Third Quarterly Report for the Year 2010 of China Shenhua Energy Company Limited", entering into "Entrusted Management Services Agreement" with Shenhua Group Corporation Limited and solution to the matters relating to high level of loans and deposits were passed by the Board.

13. The Company held the 8th meeting of the second session of the Board on 10 December 2010 by way of voting by correspondence. Resolutions in relation to entering into new "Agreement on Financial Service" in 2011 with Shenhua Finance Company Limited and the tender for the project of generators with a capacity of 1 MW in Indonesia were passed by the Board. Please refer to the "Announcement on Regular Related Party Transactions of China Shenhua Energy Company Limited" (Lin 2010-039) on 11 December 2010.

14. The Company held the 9th meeting of the second session of the Board on 20 December 2010 by way of physical meeting in Beijing. For details of the board meeting, please refer to the "Announcement on Resolutions of the 9th Meeting of the Second Session of Board of Directors of China Shenhua Energy Company Limited"(Lin 2010-042) on 21 December 2010.

All directors of the Company attended all the board meetings held during their terms of office in 2010. The details were as follows:

	Number of attendance in person/meetings held during their terms of office	Attendance %
Executive Directors		
Zhang Xiwu	15/15	100
Zhang Yuzhuo	15/15	100
Ling Wen	15/15	100
Non-executive Directors		
Han Jianguo	15/15	100
Liu Benren	9/9	100
Xie Songlin	9/9	100
Independent Non-executive Directors		
Fan Hsu Lai Tai	9/9	100
Gong Huazhang	15/15	100
Guo Peizhang	9/9	100
Resigned directors		
Huang Yicheng	6/6	100
Anthony Francis Neoh	6/6	100
Chen Xiaoyue	3/3	100

Implementation of resolution passed at the general meeting by the Board

During the reporting period, the Company held the 2009 Annual General Meeting, the 2010 first class meeting of the holders of A shares and the first class meeting of the holders of H shares on 18 June 2010, the Board and Board committees have strictly implemented resolutions passed at the general meetings. Among these resolutions, resolutions involving authorisation and granting of mandates are as follows:

No.	Resolution	Status
1	To approve the profit distribution plan of the Company for the year 2009 and authorize a director group comprising Zhang Xiwu, Zhang Yuzhuo and Ling Wen to implement the above profit distribution.	The distribution of the 2009 final dividend was completed on 20 July 2010.
2	To approve the re-appointment of external auditors for the year 2010 and authorize a director group comprising Zhang Xiwu, Zhang Yuzhuo and Ling Wen to determine on their remuneration.	For details of the auditors' remuneration for the year 2010, please refer to the section "Significant Events" of this report.
3	To approve the general mandate granted to the board of directors to, by reference to market conditions and in accordance with needs of the Company, issue additional A shares and H shares of the Company.	Such mandates have not been exercised based on the market conditions and the needs of the Company.
4	To approve the general mandates granted to the board of directors to, by reference to market conditions and in accordance with needs of the Company, repurchase A shares and H shares of the Company.	Such mandates have not been exercised based on the market conditions and the needs of the Company.

Operation of Board Committees of the Company

Performance of duties by the Audit Committee

The Audit Committee of the first session of the Board comprised Dr. Chen Xiaoyue, Mr. Huang Yicheng, Mr. Neoh Anthony Francis and Mr. Gong Huazhang, with Dr. Chen Xiaoyue and Mr. Gong Huazhang as the chairman successively, while the Audit Committee of the second session of the Board comprises Mr. Gong Huazhang, Mr. Xie Songlin and Mr. Guo Peizhang, with Mr. Gong Huazhang as the chairman.

During the reporting period, the Audit Committee carried out its duties strictly in accordance with the "Rules of Procedures of Meetings of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited".

In 2010, the Audit Committee held eight meetings in total, and all members of the Committee attended all the meetings in person during their respective terms of office. Details of the meetings are as follows:

Name	Date	Venue	Attendees	Resolutions passed
The 27th meeting of the Audit Committee of the first session of the Board	3 March 2010	Beijing	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis, Gong Huazhang	1. Resolution on the "Self-assessment report on the internal control of China Shenhua Energy Company Limited for the year 2009 (draft)" 2. Resolution on the "2009 financial statements of China Shenhua Energy Company Limited (draft)"
The 28th meeting of the Audit Committee of the first session of the Board	10 March 2010	Guangzhou	Chen Xiaoyue, Huang Yicheng, Neoh Anthony Francis, Gong Huazhang	1. To consider the report on annual audit from the auditor – KPMG. 2. Resolution on the "2009 audited financial statements of China Shenhua Energy Company Limited" 3. Resolution on the "Self-assessment report on the internal control of the Company" (2009) 4. Resolution on the report on social responsibility of the Company for the year 2009 5. Resolution on 2009 Profit Distribution Plan of the Company 6. Resolution on the re-appointment of the external auditor of the Company for 2010 7. Resolution on the "Special report on deposit and actual use of the proceeds raised by the Company" 8. Resolution on the grant of general mandate to the Board to issue new shares of the Company 9. Resolution on the grant of general mandate to repurchase shares of the Company to the Board 10. Resolution on the "Explanatory Notes to Appropriation of Fund by Related Parties" 11. Resolution on the audit fee charged by the auditor of the Company for the year 2009 and its term of service 12. Resolution on the "Summary report on the performance of duties by the Audit Committee of the Board for the year 2009 13. Resolution on the "Internal audit work plan of China Shenhua Energy Company Limited for the year 2010"

Name	Date	Venue	Attendees	Resolutions passed
The 29th meeting of the Audit Committee of the first session of the Board	28 April 2010	Beijing	Gong Huazhang, Huang Yicheng, Neoh Anthony Francis	1. Resolution on the first quarterly international and domestic financial statements (unaudited) of China Shenhua Energy Company Limited for the year 2010
The first meeting of the Audit Committee of the second session of the Board	25 June 2010	Beijing	Gong Huazhang, Xie Songlin, Guo Peizhang	1. Resolution on the review plan of interim financial statements of China Shenhua Energy Company Limited for the year 2010 2. Resolution on the temporary application of part of the unused proceeds for liquidity replenishment
The second meeting of the Audit Committee of the second session of the Board	26 August 2010	Beijing	Gong Huazhang, Xie Songlin, Guo Peizhang	1. Resolution on the "2010 Interim Financial Report" of the Company 2. Resolution on the "Special report on deposit and actual use of the proceeds raised by China Shenhua Energy Company Limited"
The third meeting of the Audit Committee of the second session of the Board	28 October 2010	Beijing	Gong Huazhang, Xie Songlin, Guo Peizhang	1. Resolution on the "2010 Third Quarterly Financial Report " of the Company 2. Resolution on resolving the issue of high level of deposits and loans of the Company 3. Explanatory notes to the management of coal sales to be settled by the Company
The fourth meeting of the Audit Committee of the second session of the Board	26 November 2010	Beijing	Gong Huazhang, Xie Songlin, Guo Peizhang	1. Resolution on the annual audit plan of China Shenhua Energy Company Limited for 2010
The fifth meeting of the Audit Committee of the second session of the Board	19 December 2010	Beijing	Gong Huazhang, Xie Songlin, Guo Peizhang	1. Resolution on the acquisition of certain assets of Shenhua Group, the Company's controlling shareholder, and its subsidiaries 2. Resolution on the operating plan of China Shenhua Energy Company Limited for the year 2011

The Audit Committee has performed the following necessary procedures as part of its work for 2010 annual report of the Company:

On 5 May 2010, the Audit Committee entrusted the Internal Control and Audit Department to consider the report from the auditors on the audit for the year 2009, and summarise, analyse and formulate the "Summary report of external audit of China Shenhua Energy Company Limited for the year 2009 (including subsidiaries and branches)".

On 27 July 2010, the Internal Control and Audit Department reported to Gong Huazhang, the chairman of the Audit Committee on the audit fee of the auditors and the internal control and risk management of the Company.

On 25 November 2010, 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 the year.

On 26 November 2010, the Audit Committee reviewed the audit work plan of our auditors in relation to the financial statements for 2010.

On 26 January 2011, the Audit Committee entrusted the Internal Control and Audit Department to discuss the progress of pre-approval audit of the annual report, and considered the summary report on audit for the year 2010, to coordinate and resolve audit issues and work with the auditors to improve work efficiency and the audit quality.

On 8 March 2011, the Audit Committee reviewed the unaudited financial statements for 2010 (draft) and the self-assessment report on internal control of the Board of the Company (2010) (draft) prepared by the Company.

On 21 March 2011, 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 21 March 2011, the Audit Committee approved the audited financial statements for 2010, the self-assessment report on internal control for the year 2010 and the social responsibility report for the year 2010, and agreed to submit them to the Board for approval.

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

Performance of duties by the Strategy Committee

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

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

In 2010, the Strategy Committee of the Board held one meeting. Details of the meeting are as follows:

Name	Date	Venue	Attendees	Resolutions Passed
The first meeting of the Strategy Committee of the second session of the Board	19 December 2010	Beijing	Zhang Xiwu, Zhang Yuzhuo, Ling Wen	1. Resolution on the acquisition of certain assets of Shenhua Group (the Company's controlling shareholder) and its subsidiaries 2. Resolution on the operating plan of China Shenhua Energy Company Limited for the year 2011

Performance of duties by the Remuneration Committee

The Remuneration Committee of the first session of the Board comprised Mr. Neoh Anthony Francis, Dr. Ling Wen, Dr. Chen Xiaoyue and Mr. Gong Huazhang, with Mr. Neoh Anthony Francis as the chairman, while the Remuneration Committee of the second session of the Board comprises Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. Liu Benren, with Ms. Fan Hsu Lai Tai as the chairman.

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

In 2010, the Remuneration Committee held two meetings in total, and all members of the Committee attended all the meetings in person during their respective terms of office. Details of the meetings are as follows:

Name	Date	Venue	Attendees	Resolutions Passed
The 14th meeting of the Remuneration Committee of the first session of the Board	10 March 2010	Guangzhou	Neoh Anthony Francis, Ling Wen, Chen Xiaoyue, Gong Huazhang	1. Resolution on the remuneration of the directors and supervisors of China Shenhua Energy Company Limited for the year 2009 2. Resolution on the remuneration of the senior management of China Shenhua Energy Company Limited for the year 2009
The first meeting of the Remuneration Committee of the second session of the Board	19 December 2010	Beijing	Fan Hsu Lai Tai, Gong Huazhang, Liu Benren	1. Resolution on the letter of responsibility of performance assessment of China Shenhua Energy Company Limited for the year 2011

During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for directors, supervisors, the president and other senior management for 2010.

The Remuneration Committee is of the view that the Company has a well-established remuneration management system which reflects the economic benefit 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 first session of the Board comprised Dr. Zhang Xiwu, Mr. Huang Yicheng, Mr. Neoh Anthony Francis and Dr. Chen Xiaoyue, with Dr. Zhang Xiwu as the chairman, while the Nomination Committee of the second session of the Board comprises Dr. Zhang Xiwu, Ms. Fan Hsu Lai Tai and Mr. Guo Peizhang, with Dr. Zhang Xiwu as the chairman.

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

In 2010, the Nomination Committee held three meetings in total, and all members of the Committee attended all the meetings in person during their respective terms of office. The details of the meetings are as follows:

Name	Date	Venue	Attendees	Resolutions Passed
The 10th meeting of the Nomination Committee of the first session of the Board	28 April 2010	Beijing	Zhang Xiwu, Huang Yicheng, Neoh Anthony Francis	1. Resolution on the nomination of candidates for members of the second session of the Board to the Board of the Company
The first meeting of the Nomination Committee of the second session of the Board	18 June 2010	Beijing	Zhang Xiwu, Fan Hsu Lai Tai, Guo Peizhang	1. Resolution on the nomination of candidates for members of various Committees of the second session of the Board to the Board of the Company
The second meeting of the Nomination Committee of the second session of the Board	11 August 2010	Beijing	Zhang Xiwu, Fan Hsu Lai Tai, Guo Peizhang	1. Resolution on the removal of Dr. Hao Gui, Mr. Xue Jilian and Mr. Wang Pingang as vice presidents of the Company 2. Resolution on the establishment of the environment protection department in the headquarter of China Shenhua Energy Company Limited 3. Resolution on the establishment of the Executive Committee of China Shenhua Energy Company Limited

Performance of duties by the Safety, Health and Environment Committee

The Safety, Health and Environment Committee of the first session of the Board comprised Mr. Huang Yicheng, Dr. Zhang Yuzhuo, Dr. Ling Wen, Mr. Han Jianguo and Mr. Gong Huazhang, with Mr. Huang Yicheng as the chairman, while the Safety, Health and Environment Committee of the second session of the Board comprises Mr. Guo Peizhang, Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo, with Mr. Guo Peizhang as the chairman.

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

In 2010, the Safety, Health and Environment Committee held two meetings in total, and all members of the Committee attended all the meetings in person during their respective terms of office. The details of the meetings are as follows:

Name	Date	Venue	Attendees	Resolutions Passed
The 11th meeting of the Safety, Health and Environment Committee of the first session of the Board	11 March 2010	Beijing	Huang Yicheng, Zhang Yuzhuo, Ling Wen, Han Jianguo, Gong Huazhang	1. Resolution on the report on social responsibility of China Shenhua Energy Company Limited for the year 2009
The first meeting of the Safety, Health and Environment Committee of the second session of the Board	31 December 2010	Beijing	Guo Peizhang, Zhang Yuzhuo, Ling Wen, Han Jianguo	1. Safety, health and environment protection work summary of China Shenhua Energy Company Limited in 2010 and key work plan arrangements in 2011

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 of procedures of meeting and the "Systems of Independent Directors of China Shenhua Energy Company Limited". They maintained their independence of being independent directors, performed their functions of supervision, participated in the making of various important decisions of the Company and reviewed regular reports and financial statements of the Company. Therefore the independent directors of the Company played 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

Existing independent director	Number of attendance in person/meetings held during their terms of office	Attendance %
Fan Hsu Lai Tai	9/9	100
Gong Huazhang	15/15	100
Guo Peizhang	9/9	100
Resigned independent director	**Number of attendance in person/meetings held during their terms of office**	**Attendance %**
Huang Yicheng	6/6	100
Neoh Anthony Francis	6/6	100
Chen Xiaoyue	3/3	100

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 of 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 to access 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 openness, fairness, equality and consistency for all shareholders in obtaining information. The Company has established an effective communication channel with shareholders through an information disclosure system and a reception system for investors. Shareholders are entitled to be informed and to participate in the significant events of the Company as specified in laws, administrative regulations and the Articles of Association.

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 the places of listing 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/class share capital
			person	no. of share	%
2009 annual general meeting	18 June 2010	Beijing	37	16,337,697,245	82.14
2010 first class meeting of A shares holders	18 June 2010	Beijing	39	14,733,107,148	89.34
2010 first class meeting of H shares holders	18 June 2010	Beijing	1	1,575,447,205	46.36

The above notices of the meetings were given over 45 days prior to the convening of the meeting with particulars of the meeting being disclosed at the websites of the stock exchanges both in the PRC and Hong Kong in accordance with requirements of the Articles of Association. Apart from accepting registration of shareholders' attendance by way of facsimile, the Company also actively invited the attendance of holders of A shares and H shares and fund analysts. Sufficient time was given to shareholders for consideration of proposals and for Q&A session, realizing good communication between the management and shareholders.

The shareholders' representative, supervisors' representative, witness lawyer and the representative of the Company's registrar and transfer office of H Shares, Computershare Hong Kong Investor Services Limited, acted as the scrutineers at the general meetings. The PRC legal advisor of the Company, King & Wood, issued the "Legal Opinion Regarding the 2009 Annual General Meeting, the 2010 First Class Meeting of the Holders of A Shares and the 2010 First Class Meeting of the Holders of H Shares of China Shenhua Energy Company Limited".

For details of the resolutions, please refer to the "Announcement on Resolutions Passed at 2009 Annual General Meeting of China Shenhua Energy Company Limited" (Lin 2010-019) and the "Announcement on Resolutions Passed at 2010 First Class Meeting of the Holders of A Shares and 2010 First Class Meeting of the Holders of H Shares of China Shenhua Energy Company Limited" (Lin 2010-020) published on 19 June 2010.

Supervisory Committee's Report

During the reporting period, all members of the first and second sessions of the supervisory committee (the "Supervisory Committee") of China Shenhua Energy Company Limited had, in consistent with the principle of honesty and integrity and based on the attitude of being responsible to all shareholders, honestly carried out their supervisory duties, protected the interests of shareholders and duly overseen the operations and the financial position of the Company in 2010 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.

Change in Composition of the Supervisory Committee

The second session of the Supervisory Committee of the Company comprises Sun Wenjian and Tang Ning, both of whom are elected as shareholder representative supervisors at the annual general meeting, and Zhao Shibin, elected as the employee representative supervisor by the Company's staff, with a term of office of three years (from 18 June 2010 to 17 June 2013). Xu Zufa, Wu Gaoqian and Li Jianshe, all being supervisors of the first session of the Supervisory Committee of the Company, ceased to serve as supervisors of the Company.

Operation of the Supervisory Committee

During the reporting period, in compliance with the requirements of the Articles of Association and the Rules of Procedures of Meetings of the Supervisory Committee and in light of the actual business operation, the Supervisory Committee conducted an on-site examination on the operations and the financial position of the Company and reviewed the 2009 annual financial statements and 2010 first quarterly, interim and third quarterly financial statements of the Company. In 2010, the Supervisory Committee held six meetings, two of

which were held by the first session and four were held by the second session of the Supervisory Committee. Details of such meetings are summarized as follows:

Meeting	Date	Venue	Method of meeting	Attendance of supervisors	Subject matter	Voting results
The 20th meeting of the first session of the Supervisory Committee	12 March 2010	Beijing	On-site	All	Resolution on the 2009 annual report of China Shenhua Energy Company Limited	Approved unanimously
					Resolution on the social responsibility report of China Shenhua Energy Company Limited for the year 2009	Approved unanimously
					Resolution on the 2009 audited financial statements of China Shenhua Energy Company Limited	Approved unanimously
					Resolution on the 2009 profit distribution plan of China Shenhua Energy Company Limited	Approved unanimously
					Resolution on the special report on deposit and actual use of the proceeds of China Shenhua Energy Company Limited	Approved unanimously
					Resolution on the Self-assessment report on internal control of the Company by the Board of China Shenhua Energy Company Limited	Approved unanimously
					Resolution on the work report of the Supervisory Committee of China Shenhua Energy Company Limited for the year 2009	Approved unanimously
					Resolution on the key points of work of the Supervisory Committee of China Shenhua Energy Company Limited for the year 2010	Approved unanimously

Meeting	Date	Venue	Method of meeting	Attendance of supervisors	Subject matter	Voting results
The 21st meeting of the first session of the Supervisory Committee	29 April 2010	Beijing	On-site	All	Resolution on the 2010 first quarterly report of China Shenhua Energy Company Limited Resolution on determining the candidates for supervisors (being shareholder representatives) of the second session of the Supervisory Committee of China Shenhua Energy Company Limited	Approved unanimously Approved unanimously
The 1st meeting of the second session of the Supervisory Committee	18 June 2010	Beijing	On-site	All	Resolution on the election of chairman of the Supervisory Committee of China Shenhua Energy Company Limited	Approved unanimously
The 2nd meeting of the second session of the Supervisory Committee	19 July 2010	Beijing	In writing	All	Resolution on the provisional use of part of the idle proceeds as working capital	Approved unanimously
The 3rd meeting of the second session of the Supervisory Committee	27 August 2010	Beijing	On-site	All	Resolution on the 2010 interim financial statements of China Shenhua Energy Company Limited Resolution on the special report on the deposit and actual use of the proceeds of China Shenhua Energy Company Limited Resolution on the 2010 interim report of China Shenhua Energy Company Limited	Approved unanimously Approved unanimously Approved unanimously
The 4th meeting of the second session of the Supervisory Committee	29 October 2010	Beijing	On-site	All	Resolution on the 2010 third quarterly report of China Shenhua Energy Company Limited Resolution on resolving the issue of high level of deposits and loans	Approved unanimously Approved unanimously

The six 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, improvement 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, nor of any act in breach of laws and regulations, the Articles of Association and relevant rules and regulations.

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

During the reporting period, the Supervisory Committee effected an on-site examination on the financial position of the Company and its principal branches (subsidiaries), duly reviewed the Company's annual financial statements for the year 2009, the Company's profit distribution plan for the year 2009 and the Company's first quarterly, interim and third quarterly financial statements for the year 2010.

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 fund-raising exercise of the Company during the year

In September 2007, the Company raised net proceeds of RMB65.988 billion by issue of A shares. In 2010, the proceeds utilized amounted to RMB874 million, of which RMB370 million was used for investing in and upgrading the coal, power and transportation system of the Company, and RMB504 million was used for acquisitions of strategic assets. The proceeds utilized by the Company accumulated to RMB33.78 billion, of which RMB15.378 billion was used for investing in and upgrading the coal, power and transportation system, RMB16 billion was used as working capital of the Company and for general commercial purposes, and RMB2.402 billion was used for the acquisitions of strategic assets. As at 31 December 2010, the balance of the proceeds amounted to RMB32.208 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 proceeds amounting to RMB6.5 billion would be provisionally used as working capital for a term of 6 months from 21 December 2009. On 18 June 2010, the Company deposited such amount to the designated account for the proceeds. It was approved at the 3rd meeting of the second session of the Board of the Company that part of the proceeds amounting to RMB6.5 billion would be provisionally used as working capital for a term of 6 months from 26 July 2010. Having deducted this amount, the balance of proceeds was RMB25.708 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 during the reporting period and was not aware of any insider dealing or of any situation prejudicial to the interests of shareholders or resulting in loss of assets of the Company.

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

During the reporting period, the "Resolution on the acquisition of certain assets of Shenhua Group, the Company's controlling shareholder, and its subsidiaries" was considered and approved at the 9th meeting of the second session of the Board of the Company, pursuant to which, the Company was allowed to use part of the proceeds raised from its initial public offering of A shares for the acquisition of the equity interests or assets of the ten companies, which engaged in coal, power and related business and are held by Shenhua Group Corporation Limited (being the Company's controlling shareholder) and its subsidiaries, at a consideration of RMB8,702.16 million. Shenhua Group Corporation Limited, being our controlling shareholder, holds 72.96% of the shares of the Company. Other vendors involved in this assets acquisition are the subsidiaries under the control of, either directly or indirectly, Shenhua Group Corporation Limited. This acquisition constitutes a related party transaction under the listing rules of the Shanghai Stock Exchange and a connected transaction under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited respectively. This acquisition has been approved at the general meeting of the Company.

The Supervisory Committee is of the opinion that the connected transactions of the Company in 2010 have been carried out under the principles of fairness and equality and have been constantly monitored and regulated, the consideration of such transactions is 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.

Independent opinion of the Supervisory Committee on the self-assessment report on internal control of the Company for 2010

The Supervisory Committee is of the view that the Company has established and improved a number of internal control systems for different aspects of the Company, ensuring the regulated performance of all operating activities of the Company and protecting the safety and integrity of the assets of the Company. With the well organized and structured internal control system and the fully equipped and staffed internal audit department, adequate and efficient execution and implementation of the major functions of internal control of the Company are ensured. There is no circumstance under which the Guidelines on Internal Controls of Listed Companies issued by the Shanghai Stock Exchange and the rules of the internal control system of the Company are not complied with. The Supervisory Committee is of the view that the self-assessment of internal control of the Company is complete, true and accurate and gives an objective view of the internal control of the Company.

In 2011, the Supervisory Committee will continue to perform its duties with due care to protect the interests of the Company and its shareholders in accordance with the Company Law and the Articles of Association.

Significant Events

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 2010, the Group was the defendant of certain non-material litigations, and also a party to certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at present, but the management of the Group believes that, any possible legal liability which may be incurred from the aforesaid cases will not have any material adverse impact on the financial position of the Group.

Insolvency or Restructuring Related Matters

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

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

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

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	Gain or loss during the reporting period	Change in equity held during the reporting period	Category of the investment for accounting
	RMB million	No. of shares	%	RMB million	RMB million	RMB million	
Shenhua Finance	161	–	40	489	123	17	Long-term equity investment

The acquisition of 39.29%, 12.86% and 7.14% equity interest in Shenhua Finance by the Company from Shenhua Group Corporation, Guohua Energy Investment Co Ltd and China Shenhua Coal Liquefaction Chemical Co Ltd respectively was approved at the 2011 first extraordinary general meeting of the Company held on 25 February 2011. Upon completion of the acquisition, the Company will directly and indirectly hold 99.29% equity interest in Shenhua Finance.

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

Information of Shenhua Finance is as follows:

Board of Directors

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

Each of the three executive directors has extensive experience in credit and risk management in large commercial banks. Dr. Ling Wen served as deputy general manger of the international business department of Industrial and Commercial Bank of China and deputy general manger of Industrial and Commercial Bank of China (Asia) Limited. He has extensive experience in management of financial institutions and enterprises, and led the design and development of credit risk management system of Industrial and Commercial Bank of China. Biographical details of Dr. Ling Wen are set out in the section headed "Corporate Governance Structure and Corporate Governance Report".

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

Mr. Che Jianming, the executive director and deputy general manger, has served as a director of Shenhua Finance since January 2005 and the deputy general manger of Shenhua Finance since December 2002. Mr. Che Jianming had worked in China's investment bank for ten years, responsible for credit approval, project approval and assets management. He had also taken up assets management in Zhongxing Trust & Investment Co., Ltd. for four years.

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

The board of directors of Shenhua Finance performs their duties in accordance with the Articles of Association of Shenhua Finance Company Limited. Any resolutions proposed at the board meetings of Shenhua Finance require the consent of more than two-thirds of directors present at the meeting, at which a majority of directors shall be present in person. In the year 2010, the board of directors of Shenhua Finance held 5 meetings.

Specialized Committees/Teams

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

1. Strategy Development and Investment Management Committee

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

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

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

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

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

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

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

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

2. Risk Management Team

The Risk Management Team was established on 7 September 2010, and comprises Ms. Na Shaoti (head of the team and chief controller of Shenhua Finance), Mr. Zhang Ying, Mr. Qu Jianzhong, Ms. Zhang Yanju and Mr. Zhang Zhecai. Members of the team have 6 to 12 years experience in financial industry, and are experienced in risk control of financial enterprises.

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

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

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

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

In the year 2010, the Risk Management Team held 2 meetings.

3. Credit Approval Team

The Credit Approval Team was established on 25 August 2010, and comprises Ms. Mei Xueyan, Mr. Che Jianming, Ms. Na Shaoti, Mr. Qu Jianzhong and Mr. Zhang Zhecai, with Ms. Mei Xueyan as the head of the team. Members of the team have 6 to 23 years experience in financial industry.

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

(1) to review credit issues within their responsibility; and

(2) to monitor the implementation of resolutions regarding all credit issues reviewed by the Credit Approval Team and approved by the board of directors, chairman and the management.

In the year 2010, the Credit Approval Team held 8 meetings.

Risk Management and Internal Control

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

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

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

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

In 2010, the company operated its business in strict compliance with laws to ensure the safety of operation of capital and continued to maintain no non-performing assets. After the inspection by the CBRC Beijing Branch, there were no unlawful events or breach of regulations. All indicators including capital adequacy ratio, non-performing loan ratio, current ratio and loan-to-deposit ratio of the company met the regulatory requirements.

Deposits and Borrowings

1. Total deposits and borrowings

	As at 31 December 2010	As at 31 December 2009	**Percentage change**
	RMB million	RMB million	%
Balance of deposits	**15,227.58**	11,491.79	32.51
Balance of borrowings	**6,421.82**	5,459.50	17.63
Of which: balance of guaranteed borrowings	**2,194.52**	3,941.00	(44.32)

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

(1) Balance of deposits of the top ten customers

No.	**Name of customer**	**As at 31 December 2010**	Change in 2010
		RMB million	RMB million
1	Shenhua Group Corporation Limited	**8,984.41**	19.89
2	China Shenhua Energy Company Limited	**1,592.27**	962.16[Note]
3	Shenhua International Trading Co Ltd	**778.14**	193.30
4	Shenhua Ningxia Coal Co., Ltd.	**756.11**	587.09
5	China Shenhua Coal Liquefaction and Chemical Co Ltd	**632.83**	63.51
6	Shenhua Coal Trading Co., Ltd.	**428.25**	428.25
7	Shenhua Xinjiang Energy Company Limited	**397.15**	397.05
8	Guohua Energy Investment Co Ltd	**343.42**	263.58
9	Shenhua Wuhai Energy Company Limited	**296.19**	277.94
10	Shenhua Real Estate Co Ltd	**179.85**	179.80

Note: The amount difference of RMB90,000 between the figure and the amount of transactions of Agreement on Financial Service in 2010 under the section headed "Related party transactions relevant to the daily operations" was a normal difference arising from deposit in transit at the end of the period.

(2) Balance of borrowings of the top ten customers

No.	Name of customer	As at 31 December 2010	Change in 2010
		RMB million	RMB million
1	Shenhua Mengxi Coal Chemical Company Limited,	**1,286.00**	286.00
2	Shenhua Shendong Power Co., Ltd.	**1,147.00**	0.00
3	Guohua (Xuzhou) Power Generation Co Ltd	**1,020.00**	1,020.00
4	Shenhua Wuhai Energy Company Limited	**754.52**	(1,766.48)
5	Shenhua Hangjin Energy Company Limited	**400.00**	300.00
6	Shenhua Baorixile Energy Co Ltd	**400.00**	250.00
7	Inner Mongolia Guohua Hulunbeier Power Generation Co Ltd	**309.80**	309.80
8	Guohua (Hebei) New Energy Company Limited	**300.00**	300.00
9	Guohua Taicang Power Co., Ltd.	**221.00**	221.00
10	Guohua (Dongtai) Wind Power Company Limited	**200.00**	200.00

3. Approval of borrowings in 2010

Item	2010
	RMB million
Amount of contracted borrowings	**4,890.00**
Amount of granted borrowings	**3,627.00**
Amount of guaranteed borrowings	**40.00**
Amount of rejected borrowings	**470.00**

Assets Transaction

On 20 December 2010, the 9th meeting of the second session of the Board of the Company approved the following resolution to be submitted to the general meeting of the Company for consideration : acquisition of the equity interests or assets of the ten companies, which engage in coal, power and related businesses and are held by Shenhua Group Corporation (being the controlling shareholder of the Company) and its subsidiaries by the Company with the proceeds raised from its initial public offering of A shares. Please refer to the section headed "Material Connected Transactions" for details.

Details of the Implementation of the Equity Incentive Plan

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

Material Related Party Transactions

Summary of the management of related party transactions

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

Material connected transactions

Major connected transactions and continuing connected transactions of the Group in 2010 are set out below:

(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 2010, the directors (including independent non-executive directors) of the Company have not made any decision to exercise the above options.

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

1. Non-exempt connected transactions

On 20 December 2010, the 9th meeting of the second session of the Board of the Company resolved to approve the following resolution to be submitted to the extraordinary general meeting of the Company for consideration: acquisition of the equity interests or assets of ten companies, which engaged in coal, power and related businesses and are held by Shenhua Group Corporation Limited (the controlling shareholder of the Company) and its subsidiaries by the Company with the proceeds raised from its initial public offering of A shares. Please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange on 20 December 2010 and the Announcement on Acquisition of Assets and Related Party Transactions by China Shenhua Energy Company Limited (Lin 2010-043) disclosed on the Shanghai Stock Exchange on 21 December 2010.

On 25 February 2011, the abovementioned matter was approved at the first extraordinary general meeting of 2011 of the Company.

2. Non-exempt continuing connected transactions

The following non-exempt continuing connected transactions are new transactions or transactions of which the annual caps have been revised of the Group in 2010.

(1) The 2010 annual caps of the continuing connected transactions were revised by the Company as follows:

a. The Mutual Coal Supply Agreement entered into with Shenhua Group Corporation: increase of the 2010 annual cap of transaction for the sale of coal to Shenhua Group by the Group from RMB2,732.72 million to RMB4,500 million. The Agreement was passed at the 40th meeting of the first session of the Board and approved to be effected at the 2009 annual general meeting.

b. The Transportation Service Framework Agreement entered into with Taiyuan Railway Bureau: increase of the 2010 annual cap of transaction for the provision of transportation services by Taiyuan Railway Bureau and its subsidiaries to the Group from RMB2,600 million to RMB7,000 million. The Agreement was passed at the 40th meeting of the first session of the Board and approved to be effected at the 2009 annual general meeting.

c. The Mutual Supply of Products and Services Agreement entered into with Shenhua Group Corporation: increase of the 2010 annual cap of transaction for the value of production materials and ancillary services provided by the Group to Shenhua Group from RMB2,047.74 million to RMB2,670 million. Approval of the Agreement is within the authority of the Board and was approved to be effected at the 40th meeting of the first session of the Board.

The transactions a and c above constituted related party transactions of the Company under the Shanghai Listing Rules. Disclosure of the revision of the above three annual caps were in the relevant announcements published by the Company on the Hong Kong Stock Exchange on 12 March 2010 and the "Announcement on Regular Related Party Transactions of China Shenhua Energy Company Limited" (Lin 2010-006) disclosed on the Shanghai Stock Exchange on 13 March 2010.

(2) Agreements as stated in the table below expired on 31 December 2010 and were renewed by the Company with the relevant connected transaction parties in 2010.

No	Agreement	Counterparty	Subject matters of related party transaction	Date of the Agreement	Transaction Caps (in RMB million, unless otherwise indicated)	Approval Process
1	"Mutual Supply of Products and Services Agreement"	Shenhua Group Corporation	Provision of production materials and ancillary services by the Group to Shenhua Group	12 March 2010	4,600 for the year 2011; 7,300 for the year 2012; 8,600 for the year 2013.	Approved at the 40th meeting of the first session of the Board held on 12 March 2010 and the annual general meeting of 2009 of China Shenhua held on 18 June 2010
		Shenhua Group Corporation	Purchase of production materials and ancillary services by the Group from Shenhua Group	12 March 2010	5,500 for the year 2011; 6,000 for the year 2012; 6,600 for the year 2013.	
2	"Mutual Coal Supply Agreement"	Shenhua Group Corporation	Sales of various kinds of coal by the Group to Shenhua Group	12 March 2010	6,600 for the year 2011; 7,000 for the year 2012; 7,500 for the year 2013.	
		Shenhua Group Corporation	Purchase of various kinds of coal by the Group from Shenhua Group	12 March 2010	11,000 for the year 2011; 13,000 for the year 2012; 16,000 for the year 2013.	
3	"Transportation Service Framework Agreement"	Taiyuan Railway Bureau	Provision of transportation services by Taiyuan Railway Bureau and its subsidiaries to the Group	12 March 2010	8,100 for the year 2011; 8,600 for the year 2012; 9,300 for the year 2013.	
4	"Coal Supply Framework Agreement"	China Datang Corporation	Sales of coal by the Group to China Datang Corporation and its subsidiaries and associates	12 March 2010	4,300 for the year 2011; 4,600 for the year 2012; 4,900 for the year 2013.	
5	"Coal Supply Framework Agreement"	Tianjin Jinneng Investment Company Limited	Sales of coal by the Group to Tianjin Jinneng Investment Company Limited and its subsidiaries and associates	12 March 2010	4,100 for the year 2011; 4,400 for the year 2012; 4,800 for the year 2013.	
6	"Coal Supply Framework Agreement"	Jiangsu Guoxin Asset Management Group Company Limited	Sales of coal by the Group to Jiangsu Guoxin Asset Management Group Company Limited and its subsidiaries and associates	12 March 2010	3,500 for the year 2011; 3,800 for the year 2012; 4,100 for the year 2013.	
7	"Coal Supply Framework Agreement"	Shaanxi Province Coal Transportation and Sales (Group) Co Ltd	Purchase of coal by the Group from Shaanxi Province Coal Transportation and Sales (Group) Co Ltd and its subsidiaries and associates	12 March 2010	6,000 for the year 2011; 6,400 for the year 2012; 7,100 for the year 2013.	
8	"Agreement on Financial Service"	Shenhua Finance	Provision of various financial services by Shenhua Finance to the Group including accepting money deposit, handling bill acceptance and discount services, providing security, handling entrusted loan and entrusted investment, etc.	10 December 2010	the Group's Daily deposit balance (including the relevant accrued interest) placed with Shenhua Finance not exceeding RMB 1.1 billion and the total interest on loan paid by the Group to Shenhua Finance not exceeding RMB100 million for the year 2011.	Approved at the 8th meeting of the second session of the Board held on 10 December 2010
9	"Coal Agency Sales Agreement with the Xisanju Company"	Shenhua Group Corporation	Agency sales of coal produced by Xisanju	12 March 2010	50 for the year 2011; 50 for the year 2012; 50 for the year 2013.	Approved at the working conference of the President held on 8 February 2010

No	Agreement	Counterparty	Subject matters of related party transaction	Date of the Agreement	Transaction Caps (in RMB million, unless otherwise indicated)	Approval Process
10	"Coal Agency Export Agreement"	Shenhua Group Corporation	Agency export of coal of the Group	12 March 2010	100 for the year 2011; 100 for the year 2012; 103 for the year 2013.	

The transactions 1, 2, 8, 9 and 10 above constituted related party transactions of the Company under the Shanghai Listing Rules. Renewal of the above 1-8 agreements were disclosed in the relevant announcements published by the Company on the Hong Kong Stock Exchange on 12 March and 10 December 2010, and the "Announcement on Regular Related Party Transactions of China Shenhua Energy Company Limited" (Lin 2010-006) and the "Announcement on Regular Related Party Transactions of China Shenhua Energy Company Limited" (Lin 2010-039) published on the Shanghai Stock Exchange on 13 March and 11 December 2010 respectively.

(3) The new continuing connected transaction agreement entered into due to the acquisition of the equity interests in Shenhua Finance

On 20 December 2010, the 9th meeting of the second session of the Board of the Company passed the following resolution to be considered at the extraordinary general meeting of the Company: the Financial Services Agreement was entered into between the Company and Shenhua Group Corporation on 20 December 2010. Under the agreement, upon completion of the acquisition of the equity interests in Shenhua Finance by the Company, Shenhua Finance will continue to provide financial services to Shenhua Group Corporation and its subsidiaries and associates (other than the Company and its subsidiaries) for a term commencing from 1 January 2011 and ending on 31 December 2013.

Please refer to the relevant announcements published by the Company on the Hong Kong Stock Exchange on 20 December 2010 and the Announcement of Acquisition of Assets and Related Party Transactions by China Shenhua Energy Company Limited (Lin 2010-043) published on the Shanghai Stock Exchange on 21 December 2010.

On 25 February 2011, the abovementioned matter was approved at the first extraordinary general meeting of 2011 of the Company.

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

1. Coal Agency Export Agreement with Shenhua Group Corporation

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 regulatory regime, 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 Agency Export Agreement with Shenhua Group Corporation (on behalf of itself and its subsidiary, Shenhua Trading) on 24 May 2005. Shenhua Group Corporation is the controlling shareholder of the Company and thus Shenhua Group Corporation and its subsidiary, Shenhua Trading, are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the Coal Agency Export Agreement entered into with Shenhua Group Corporation and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The above transactions constituted regular related party transactions of the Company under the Shanghai Listing Rules.

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

1. 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 Corporation 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;

2. Both 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;

3. Both 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

4. 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 2010, the annual cap of the expenses paid to Shenhua Group by the Company for the coal export agency service was RMB147.00 million. The actual amount of agency fee was RMB47.76 million. The settlement was made by cash.

2. Mutual Supply of Products and Services Agreement with Shenhua Group Corporation

After the restructuring of Shenhua Group, the establishment of the Company and the offering and listing of H shares of the Company on the Hong Kong Stock Exchange, Shenhua Group retains part of its assets and businesses and provides several products and ancillary services for the core business of the Company. Furthermore, the Company also provides certain products and services to Shenhua Group to support the development of the business retained by Shenhua Group. The Company entered into the Mutual Supply of Products and Services Agreement with Shenhua

Group Corporation on 24 May 2005. Shenhua Group Corporation is the controlling shareholder of the Company and thus Shenhua Group Corporation and its subsidiaries are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the "Mutual Supply of Products and Services Agreement" entered into with Shenhua Group Corporation and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The above transactions constituted regular related party transactions of the Company under the Shanghai Listing Rules.

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

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

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

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

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

For the year ended 31 December 2010, (1) the 2010 annual cap of expenditures arising from the provision of production materials and ancillary services by Shenhua Group to the Company was RMB3,591.71 million. The actual amount of expenditure was RMB1,583.80 million. The settlement was made by cash; (2) the 2010 annual cap of income arising from the provision of production materials and ancillary services by the Company to Shenhua Group was RMB2,670.00 million. The actual amount of income was RMB658.40 million. The settlement was made by cash.

3. "Mutual Coal Supply Agreement" entered into with Shenhua Group Corporation

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

Accordingly, the "Mutual Coal Supply Agreement" entered into with Shenhua Group Corporation and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules. The above transactions constituted regular related party transactions of the Company under the Shanghai Listing Rules.

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

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

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

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

For the year ended 31 December 2010, (1) the 2010 annual cap of expenditures arising from the provision of coal by Shenhua Group to the Company was RMB8,312.38 million. The actual amount of expenditure was RMB2,652.14 million. The settlement was made by cash; (2) the 2010 annual cap of income arising from the purchase of coal by Shenhua Group from the Group was RMB4,500.00 million. The actual amount of income was RMB3,069.98 million. The settlement was made by cash.

4. "Financial Services Agreement" with Shenhua Finance

On 21 July 2006, the Company entered into the "Financial Services Agreement" 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. Shenhua Finance is a related party of the Company under the Shanghai Listing Rules.

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

1. The agreement was effective from 21 July 2006 to 31 December 2007. Shenhua Group Corporation renewed the agreement with the Company in 2007 and 2010 respectively and extended the term to the end of 2011. The renewal of the agreement has been approved at the Board meeting held on 10 December 2010 and this matter has been published on the websites of the Hong Kong Stock Exchange and Shanghai Stock Exchange;

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

3. 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 the relevant time; and

4. 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 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 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 2010, the cap for the average maximum daily balance of deposit placed by the Company with Shenhua Finance was RMB3,400.00 million and the actual average maximum daily balance of deposit with Shenhua Finance was RMB1,757.49 million.

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

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

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

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

For the year ended 31 December 2010, the maximum amount of receivable for the sales of coal by the Company to Jiangsu Guoxin Group under the Coal Supply Framework Agreement was RMB4,115.39 million. The actual amount was RMB1,709.23 million. The settlement was made by cash.

6. Coal Supply Framework Agreement entered into with Jinneng Investment

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

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

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

For the year ended 31 December 2010, the maximum amount of receivable for the sales of coal by the Company to Jinneng Investment Group under the Coal Supply Framework Agreement was RMB2,670.00 million. The actual amount was RMB792.38 million. The settlement was made by cash.

7. Coal Supply Framework Agreement entered into with China Datang Corporation

In order to standardize and enhance central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into the Coal Supply Framework Agreement with China Datang Corporation ("Datang Corporation") (on behalf of itself, its subsidiaries and associates, collectively "Datang Group") on 25 September 2007. Dingzhou Power became a subsidiary of the Company on

29 December 2007. Hebei Datang Generation Limited ("Hebei Fadian"), a wholly owned subsidiary of Datang Group, also acquired 19% equity interest in Dingzhou Power on the same day, therefore the transactions between the Company and Datang Group constitute connected transactions of the Company since then. 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 Coal Supply Framework Agreement are as follows:

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

2. The prices for sale of coal under this framework agreement will be determined 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 Fadian is a substantial shareholder of a subsidiary of the Company, and therefore members of Datang Group including Datang Corporation (the controlling shareholder of Hebei Fadian) are connected persons of the Company under the Hong Kong Listing Rules.

For the year ended 31 December 2010, the maximum amount of receivable for the sales of coal by the Company to Datang Group under the Coal Supply Framework Agreement was RMB11,830.00 million. The actual amount was RMB1,949.96 million. The settlement was made by cash.

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

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

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

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

For the year ended 31 December 2010, the annual cap of expenditures arising from the purchase of coal by the Company from Shaanxi Coal Transportation and its subsidiaries under the "Coal Supply Framework Agreement" was RMB6,110.00 million. The actual amount was RMB3,071.25 million. The settlement was made by cash.

9. "Transportation Service Framework Agreement" entered into with Taiyuan Railway Bureau

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

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

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

For the year ended 31 December 2010, the maximum amount of payment for the provision of transportation services by Taiyuan Railway Bureau and its subsidiaries to the Company under the "Transportation Service Framework Agreement" was RMB7,000.00 million. The actual amount was RMB4,218.23 million. The settlement was made by cash.

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

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

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

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

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

(V) Opinion of auditors on non-exempt continuing connected transactions

The auditors of the Company have reviewed the continuing connected transactions 1 to 9 above (hereinafter referred to as "transactions") and issued letters to the Board, indicating that:

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

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

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

4. regarding each of the continuing connected transactions aforesaid, they were not aware of any matter for which they would consider that the total amount of the transaction for the year ended 31 December 2010 exceeded the annual cap amount as disclosed in the announcement of the continuing connected transaction.

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

Related party transactions relevant to the daily operations

In accordance with the relevant requirements of securities regulatory authorities of the PRC, major related party transactions of the Group in 2010 are set out below. For details of the agreements, please refer to the Company's prospectus for initial public offering of A shares and this chapter.

The total amount of related party transactions for sale of products and provision of services by the Company to the controlling shareholder and its subsidiaries during the reporting period amounted to RMB3,755.2 million.

No.	Execution basis	Provision of products and services by the Group to related parties and other inflows		Purchase of products and services from related parties by the Group and other outflows	
		Amount of transactions	Percentage of amount to similar transactions	Amount of transactions	Percentage of amount to similar transactions
		RMB million	%	RMB million	%
1	Mutual Coal Supply Agreement	3,069.98	3.0	2,652.14	10.0
2	Mutual Supply of Products and Services Agreement	658.40	17.7	1,583.80	3.4
	Including: (1) Products	4.81	1.6	1,395.40	7.3
	(2) Services	653.59	19.2	188.40	0.7
3	Coal Agency Sales Agreement with the Xisanju Company	26.82	100.0	–	–
4	Coal Agency Export Agreement	–	–	47.76	100.0
5	Agreement on Lease of Land Use Right	–	–	–	–
6	Agreement on Property Leasing	–	–	23.31	7.2
7	Agreement on Financial Service	–	–	962.07	50.7

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

Related party transactions regarding acquisition and disposal of assets

Please refer to the section headed "Material Connected Transactions" of this chapter accordingly.

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 Corporation and its subsidiaries	Holding company and its subsidiaries	–	–	–	2,162.07
Other related parties	–	(102.50)	713.28	–	–
Total		(102.50)	713.28	–	2,162.07

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

The above debts and liabilities due from/to related parties mainly represent entrusted loans provided by the Group to associated companies of subsidiaries of the Company, together with long-term and short-term loans borrowed by the Group from Shenhua Group Corporation and its subsidiaries. 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 for non-operational purpose by its controlling shareholders or the controlling shareholder's affiliated enterprises. The audit opinion issued by the auditors of the Company for the matter was separately published on the website of the Shanghai Stock Exchange.

Material contracts and performance thereof

Trust, contract and lease

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

Guarantee

(I) Material guarantees

Unit: RMB million

Guarantee provided by the Company to external parties (excluding guarantee given by the Company for the benefit of its subsidiaries)						
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 guaranteed amount provided to the Company's subsidiaries during the reporting period						590.15
Total guaranteed balance given to the Company's subsidiaries at the end of the reporting period						2,017.56
Aggregated guaranteed amount given by the Company (including guarantee given by the Company for the benefit of its subsidiaries)						
Total guaranteed amount						2,017.56
Percentage of total guaranteed amount to net assets of the Company						1.0%
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						1,271.56
Portion of the total guaranteed amount in excess of 50% of net assets						–
Aggregated amount of the above three guaranteed amount						1,271.56

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.

(II) 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 RMB2,017.56 million, including:

(1) The Company has provided guarantee for and has accepted joint and several liabilities on five bank loans of Huanghua Port amounting to RMB746.00 million. Agreements for the above five loans were entered into prior to the establishment of the Company and the original guarantor was Shenhua Group. When the Company was established as part of the restructuring in November 2004, the guarantor was changed to the Company pursuant to relevant reorganization arrangement and at the requests of the relevant banks. Huanghua 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$192 million (equivalent to RMB1,271.56 million). The guarantee was approved at the 37th meeting of the first session of the Board held on 18 December 2009. Please refer to the "Announcement of China Shenhua Energy Company Limited's External Guarantee" dated 19 December 2009 for details.

The gearing ratio of EMM Indonesia did not exceed 70% when the counter-guarantee was approved on 18 December 2009. The project progress in 2010 resulted in an increase in payables arising from equipment purchase and the construction works. The gearing ratio of EMM Indonesia exceeded 70% as at 31 December 2010. The above payables were incurred under normal commercial arrangements during the procurement process and were periodic in nature. EMM Indonesia will settle the above payables in accordance with relevant commercial arrangements. There was no indication that the Company will be required to perform its liabilities under the above counter-guarantee.

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.

(III) Opinion of independent directors on material guarantees

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

(1) The guarantee of China Shenhua for the benefit of Huanghua 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 helps to monitor the construction progress of the Projects and control the costs of construction, ensuring the level of profitability after the operation of the Projects. After conducting the feasibility study by the Company, the major risks of such guarantee are derived from political factors, natural disasters and other man-made factors beyond the Company's control during the construction period that result in loss from completion failures; based on the risk-sharing arrangements between EMM Indonesia and the related parties

to the Projects, other risks such as construction and facilities supply during the construction period of the Projects are controllable and acceptable, upon the conclusion of the construction period of the Projects (36 months generally), EMM Indonesia will release the Company from the guarantee obligations through the collateralization arrangements such as pledges and charge over its own assets and future receivable 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 Corporation, the controlling shareholder of the Company, during or subsisting in the reporting period and the performance of such commitments are as follows:

(I) Commitment: As part of the reorganization and in the course of establishing the Company, the Company and Shenhua Group Corporation have entered into a Non-competition Agreement. Pursuant to such agreement, Shenhua Group 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.

(II) Commitment: At the time when the Company's A shares were issued, Shenhua Group Corporation has agreed not to transfer or entrust others to manage, within 36 months from the date on which 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. The 14,511,037,955 A shares of the Company held by Shenhua Group Corporation were released from selling restrictions and began listing and trading on 11 October 2010, details of which were set out in the Indicative Announcement on the Listing and Trading of Shares with Selling Restrictions of China Shenhua Energy Company Limited dated 28 September 2010 (Lin 2010-036).

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 2009 annual general meeting held on 18 June 2010.

The auditors' remuneration of the Company for audit services in 2010 amounted to RMB20.17 million, which specifically included the fees for audit service for the Company of RMB18.34 million and audit service for the subsidiaries of RMB1.83 million.

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

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

Other Material Matters

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

Index to Information Disclosure

Number	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 2009	–	2010-01-05	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
2	Announcement on the Major Operational Data of December and the Year of 2009	–	2010-01-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
3	Announcement on the Major Operational Data of December and the Year of 2009 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-01-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
4	Overseas Regulatory Announcement	–	2010-01-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
5	Announcement on entering into Capital Contribution Agreement by China Shenhua in relation to the increase in the registered capital of Zhuhai New Century Shipping Company Limited	China Securities Journal, Shanghai Securities News and Securities Times	2010-01-30	Website of Shanghai Stock Exchange (www.sse.com.cn)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
6	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 January 2010	–	2010-02-01	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
7	Announcement on the Major Operational Data of January 2010	–	2010-02-11	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
8	Announcement on the Major Operational Data of January 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-02-12	Website of Shanghai Stock Exchange (www.sse.com.cn)
9	Notice of Board Meeting	–	2010-03-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
10	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 28 February 2010	–	2010-03-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
11	Overseas Regulatory Announcement	–	2010-03-04	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
12	Information Disclosure System of China Shenhua	–	2010-03-05	Website of Shanghai Stock Exchange (www.sse.com.cn)
13	Change of Business Address and Contact Details of Investor Relations Matters	–	2010-03-05	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
14	Announcement on the Change of Business Address and Contact Details of Investor Relations Matters of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-06	Website of Shanghai Stock Exchange (www.sse.com.cn)
15	Announcement of Annual Results for the year ended 31 December 2009	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
16	CSR Report 2009	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
17	Annual Report 2009	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
18	Entering into Coal Supply Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
19	Entering into Coal Supply Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
20	Entering into Coal Supply Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
21	Entering into Coal Supply Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
22	Entering into Mutual Supply of Products and Services Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
23	Entering into Mutual Coal Supply Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
24	Entering into Transportation Service Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
25	Revision of Cap for Continuing Connected Transactions under the Transportation Service Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
26	Revision of Cap for Continuing Connected Transactions under the Mutual Supply of Products and Services Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
27	Revision of Cap for Continuing Connected Transactions under the Mutual Coal Supply Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
28	Overseas Regulatory Announcement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
29	CSR Report 2009 of China Shenhua	–	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
30	Explanatory Notes on the Appropriation of Non-operational Funds and Inflows and Outflows of Other Related Funds for the Year 2009 of China Shenhua	–	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
31	Announcement on Resolutions Passed at the 40th Meeting of the First Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
32	Announcement on Resolutions Passed at the 20th Meeting of the First Session of the Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
33	Announcement on Regular Related Party Transactions of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
34	Summary of Annual Report of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
35	Annual Report of China Shenhua	–	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
36	Announcement on the Major Operational Data of February 2010	–	2010-03-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
37	Announcement on the Major Operational Data of February 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
38	Change of Director	–	2010-03-22	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
39	Overseas Regulatory Announcement	–	2010-03-22	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
40	Announcement on the Change of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-23	Website of Shanghai Stock Exchange (www.sse.com.cn)
41	Overseas Regulatory Announcement	–	2010-03-23	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
42	Announcement on the Explanatory Notes to Securities Investment of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-24	Website of Shanghai Stock Exchange (www.sse.com.cn)
43	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 March 2010	–	2010-03-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
44	Revision of Caps for Continuing Connected Transactions and New Continuing Connected Transactions and Proposal for General Mandate to Repurchase A Shares and H Shares	–	2010-04-01	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
45	H Shares Circular of China Shenhua	–	2010-04-02	Website of Shanghai Stock Exchange (www.sse.com.cn)
46	Appointment of Chairman of Audit Committee	–	2010-04-06	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
47	Overseas Regulatory Announcement	–	2010-04-06	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
48	Announcement on Resolutions Passed at the 41st Meeting of the First Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-07	Website of Shanghai Stock Exchange (www.sse.com.cn)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
49	Announcement on the Major Operational Data of March and the First Quarter in 2010	–	2010-04-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
50	Announcement on the Major Operational Data of March and the First Quarter in 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
51	Notice of Board Meeting	–	2010-04-19	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
52	First Quarterly Report for the Year 2010	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
53	Proposed Reappointment and Appointment of Directors and Proposed Appointment of Supervisors	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
54	Form of Proxy for Annual General Meeting	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
55	Form of Proxy for 2010 First Class Meeting of the Holder of H Shares	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
56	Reply Slip	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
57	Reply Slip	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
58	Notice of Annual General Meeting	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
59	Notice of 2010 First Class Meeting of the Holder of H Shares	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
60	Proposed Reappointment and Appointment of Directors and Proposed Appointment of Supervisors	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
61	Overseas Regulatory Announcement	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
62	Notice of 2010 First Class Meeting of the Holder of A Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
63	H Shares Circular of China Shenhua	–	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
64	Announcement on Resolutions Passed at the 21st Meeting of the First Session of the Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
65	Notice of 2009 Annual General Meeting of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
66	Announcement on Resolutions Passed at the 42nd Meeting of the First Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
67	First Quarterly Report of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
68	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 April 2010	–	2010-04-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
69	Announcement on the Major Operational Data of April 2010	–	2010-05-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
70	Announcement on the Major Operational Data of April 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-05-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
71	Overseas Regulatory Announcement	–	2010-05-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
72	Information on 2010 First Class Meeting of the Holders of A Shares of China Shenhua	–	2010-05-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
73	Information on the 2009 Annual General Meeting of China Shenhua (A Shares)	–	2010-05-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
74	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 May 2010	–	2010-05-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
75	Announcement on the Major Operational Data of May 2010	–	2010-06-11	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
76	Announcement on the Major Operational Data of May 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-12	Website of Shanghai Stock Exchange (www.sse.com.cn)
77	Voting Results of 2009 Annual General Meeting, 2010 First Class Meeting of the Holders of A Shares and 2010 First Class Meeting of the Holders of H Shares	–	2010-06-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
78	Change of Board Committee Members	–	2010-06-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
79	Announcement – Notice to Creditors in Relation to Repurchase of Shares of the Company	–	2010-06-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
80	Overseas Regulatory Announcement	–	2010-06-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
81	Announcement on Resolutions Passed at 2009 Annual General Meeting of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
82	Announcement on Resolutions Passed at 2010 First Class Meeting of the Holders of A Shares and 2010 First Class Meeting of the Holders of H Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
83	Announcement on Resolutions Passed at the 1st and the 2nd Meetings of the Second Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
84	Announcement – Notice to Creditors in Relation to Repurchase of Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
85	Announcement on Resolutions Passed at the 1st Meeting of the Second Session of the Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
86	Announcement on the Repayment of China Shenhua's Provisional Use of Idle Proceeds as Working Capital Upon Maturity	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
87	Legal Opinion on 2009 Annual General Meeting and 2010 First Class Meeting of the Holders of A Shares and H Shares of China Shenhua	–	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
88	Overseas Regulatory Announcement	–	2010-06-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
89	Announcement on Distribution of Final Dividend for 2009 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
90	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 June 2010	–	2010-06-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
91	Overseas Regulatory Announcement	–	2010-07-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
92	Announcement on the Operation of Guojiawan Power Plant's No.1 Power Generation Unit of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-07-03	Website of Shanghai Stock Exchange (www.sse.com.cn)
93	Announcement on the Major Operational Data of June and the First Half of 2010	–	2010-07-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
94	Announcement on the Major Operational Data of June and the First Half of 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-07-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
95	Overseas Regulatory Announcement	–	2010-07-23	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
96	Announcement on China Shenhua's Provisional Use of Idle Proceeds as Working Capital	China Securities Journal, Shanghai Securities News and Securities Times	2010-07-24	Website of Shanghai Stock Exchange (www.sse.com.cn)
97	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 July 2010	–	2010-08-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
98	Overseas Regulatory Announcement	–	2010-08-11	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
99	Announcement on the Change of Vice Presidents of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-08-12	Website of Shanghai Stock Exchange (www.sse.com.cn)
100	Announcement on the Major Operational Data of July 2010	–	2010-08-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
101	Announcement on the Major Operational Data of July 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-08-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
102	Notice of Board Meeting	–	2010-08-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
103	Announcement Made Pursuant to Rule 13.09 of the Listing Rules	–	2010-08-19	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
104	Overseas Regulatory Announcement	–	2010-08-19	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
105	Announcement on Acquisition of Certain Assets of Controlling Shareholders of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-08-20	Website of Shanghai Stock Exchange (www.sse.com.cn)
106	Resignation of Joint Company Secretary	–	2010-08-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
107	2010 Interim Results Announcement	–	2010-08-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
108	Overseas Regulatory Announcement	–	2010-08-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
109	Interim Report 2010	–	2010-08-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
110	Announcement on Resolutions for the 3rd Meeting of the Second Session of Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-08-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
111	H Shares Announcement of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-08-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
112	Announcement on Resolutions Passed at the 6th Meeting of the Second Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-08-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
113	Summary of Interim Results of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-08-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
114	Interim Report 2010 of China Shenhua	–	2010-08-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
115	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 August 2010	–	2010-08-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
116	Overseas Regulatory Announcement	–	2010-09-03	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
117	Announcement on the Operation of Guojiawan Power Plant's No.2 Power Generation Unit of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-09-04	Website of Shanghai Stock Exchange (www.sse.com.cn)
118	Announcement on the Major Operational Data of August 2010	–	2010-09-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
119	Announcement on the Major Operational Data of August 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-09-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
120	Overseas Regulatory Announcement	–	2010-09-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
121	Indicative Announcement on the Listing and Trading of Shares with Selling Restrictions of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-09-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
122	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 September 2010	–	2010-09-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
123	Notice of Board Meeting	–	2010-10-19	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
124	Announcement on the Major Operational Data of September and the First Three Quarters of 2010	–	2010-10-19	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
125	Announcement on the Major Operational Data of September and the First Three Quarters of 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-10-20	Website of Shanghai Stock Exchange (www.sse.com.cn)
126	Third Quarterly Report for the Year 2010	–	2010-10-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
127	Overseas Regulatory Announcement	–	2010-10-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
128	Third Quarterly Report for the Year 2010 of China Shenhua	–	2010-10-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
129	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 October 2010	–	2010-11-01	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
130	Announcement on the Major Operational Data of October 2010	–	2010-11-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
131	Announcement on the Major Operational Data of October 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-11-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
132	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 November 2010	–	2010-12-01	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
133	Entering into Financial Services Agreement	–	2010-12-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
134	Overseas Regulatory Announcement	–	2010-12-10	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
135	Announcement on Regular Related Party Transactions of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-12-11	Website of Shanghai Stock Exchange (www.sse.com.cn)
136	Overseas Regulatory Announcement	–	2010-12-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
137	Announcement on the Approval Granted to Certain Railway and Port Projects of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-12-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
138	Announcement on the Major Operational Data of November 2010	–	2010-12-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
139	Announcement on the Major Operational Data of November 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-12-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
140	Overseas Regulatory Announcement	–	2010-12-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
141	Entering into Equity Purchase Agreements, Entering into Assets Purchase Agreement, and Entering into Financial Services Agreement	–	2010-12-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
142	Announcement on Amendments to the Articles of Association and Amendments to the Rules of Procedure of General Meeting	–	2010-12-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
143	Management System on Preventing Inside Dealing of China Shenhua	–	2010-12-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
144	Announcement on Acquisition of Assets & Related Party Transactions of China Shenhua	China Securities Journal	2010-12-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
145	Announcement on Resolutions Passed at the 9th Meeting of the Second Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-12-21	Website of Shanghai Stock Exchange (www.sse.com.cn)

Number	Event	Name of newspaper and periodical	Date of publication	Website and search directory of publication
146	Notice of 2011 First Extraordinary General Meeting	–	2010-12-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
147	Entering into Equity Purchase Agreements, Entering into Assets Purchase Agreement, Entering into Financial Services Agreement, Amendments to the Articles of Association and Amendments to the Rules of Procedure of General Meeting	–	2010-12-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
148	Reply slip	–	2010-12-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
149	Form of proxy for 2011 First Extraordinary General Meeting	–	2010-12-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
150	Overseas Regulatory Announcement	–	2010-12-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
151	H Shares Circular of China Shenhua	–	2010-12-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
152	Notice of 2011 First Extraordinary General Meeting of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-12-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
153	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 December 2010	–	2010-12-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

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

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

Investor Relations

Review for 2010

On 31 December 2010, the closing price of China Shenhua's A shares was RMB24.71, declined by 27.9% and the Shanghai Stock Index closed at 2,808, decreased by 14.7%; the closing price of China Shenhua's H shares was HK$32.6, dropped by 15.1%, whereas the Hang Seng Index closed at 23,035, increased by 5.6%, and the China Enterprises Index closed at 12,692.43, declined by 0.5%. As at 31 December 2010, the market capitalization of China Shenhua reached US$76.003 billion.

Continuous Market Interaction

In 2010, China Shenhua continued to communicate with investors and analysts in an active and honest manner through various channels such as results announcement conference and roadshow. China Shenhua met more than 1,000 analysts and fund managers for the year, of which, China Shenhua met over 300 analysts and fund managers through roadshows; met over 400 analysts and fund managers through participation in investment forums; met over 300 analysts and fund managers through company visits and teleconference.

Expectation Management of the Capital Market

In order to establish its image as a blue chip corporate in the capital market, the Company has prioritized the expectation management of the capital market as the focus of work for investor relations in 2010.

China Shenhua reviewed its previous experience and deficiencies in investor relations in terms of expectation management of the capital market, studied successful cases in domestic and international market and combined such experiences with the actual conditions of the Company. Communications with capital market have been enhanced and necessary data for valuation purpose have been fully provided in relation to careful selection of valuation methods and the building of valuation models, so as to help capital market to correctly understand and estimate the investment value of the Company.

Concern for Individual Investors

In order to reasonably guide individual investors to understand the information disclosed by the Company through effective communications, China Shenhua has strengthened the hotline services designated for its investors and installed voice recording telephones so that no incoming calls from investors would be missed and all calls from investors would be answered in a patient and considerate manner. Through effective communications with individual investors on the information disclosed by the Company, the Company has lifted their confidence in the Company.

Improvement of Work Process Mechanism

The Company has made painstaking efforts in the development of systematic investor relations management and review of work processes, and successively formulated the "Reception System for Investors of China Shenhua" as well as prepared and refined five core work processes in relation to investor relations, namely "Work Process of Results Announcement Conference", "Work Process of Reverse Roadshow", "Work Process of Reception for Investors", "Work Process of Investors' Feedbacks" and "Work Process of Non-deal Roadshow".

Prospects of 2011

Brand Building for China Shenhua's Investor Relations

In 2011, China Shenhua will continue to implement its development stratregies of "pursue scientific development, rebuild Shenhua and double economic aggregate output within five years" and will acceletate the pace to develop a world first-class coal-based integrated energy enterprise with global competitiveness.

Under this ambitious plan, the objective of the work of investor relations of China Shenhua in 2011 is to provide worldwide first-class brand of investor relations services with global competitiveness.

In order to achieve the objective as mentioned above, China Shenhua will further enhance the quality of its investor relations services. Based on the suceessful and deficient cases on the investor relations services over the years, China Shenhua has compared its investor relations services with those of other renowned listed companies around the world in order to reasonably adopt and learn from such companies. China Shenhua strives to ensure that the information of the work on investor relations is disclosed in a timely and accurate manner, and to react to the capital market effectively and smoothly. This can keep helping the capital market understand its development strategies and operating conditions, and keep investor relation services in line with China Shenhua's position as a blue chip corporate in the domestic and overseas capital markets.

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Financial
Statements

Independent Auditor's Report

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

We have audited the consolidated financial statements of China Shenhua Energy Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 156 to 227, which comprise the consolidated and company statements of financial position as at 31 December 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010 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

25 March 2011

Financial Statements

Consolidated statement of comprehensive income

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	**2010 RMB million**	2009 RMB million
Revenues			
Coal revenue		**102,791**	84,618
Power revenue		**44,733**	33,157
Other revenues	5	**4,539**	3,537
Total operating revenues	4	**152,063**	121,312
Cost of revenues			
Coal purchased from third parties		**(26,499)**	(14,187)
Materials, fuel and power		**(12,079)**	(9,513)
Personnel expenses		**(6,958)**	(5,727)
Depreciation and amortisation		**(12,394)**	(10,624)
Repairs and maintenance		**(5,719)**	(5,035)
Transportation charges		**(10,343)**	(9,273)
Others	6	**(12,846)**	(11,133)
Total cost of revenues		**(86,838)**	(65,492)
Selling, general and administrative expenses		**(8,143)**	(8,055)
Other operating expenses, net		**(631)**	(657)
Total operating expenses	7	**(95,612)**	(74,204)
Profit from operations		**56,451**	47,108
Finance income	8	**1,323**	1,286
Finance expenses	8	**(3,636)**	(3,324)
Net finance costs		**(2,313)**	(2,038)
Investment income		**–**	11
Share of profits less losses of associates		**615**	731
Profit before income tax		**54,753**	45,812
Income tax	9	**(11,184)**	(9,626)
Profit for the year		**43,569**	36,186
Other comprehensive income	13		
Exchange differences on translation of financial statements of overseas subsidiaries		**68**	724
Total comprehensive income for the year		**43,637**	36,910
Profit attributable to:			
Equity shareholders of the Company		**38,132**	31,706
Non-controlling interests		**5,437**	4,480
Profit for the year		**43,569**	36,186
Total comprehensive income attributable to:			
Equity shareholders of the Company		**38,205**	32,431
Non-controlling interests		**5,432**	4,479
Total comprehensive income for the year		**43,637**	36,910
Earnings per share (RMB)	15		
–Basic		**1.917**	1.594
–Diluted		**1.917**	1.594

The notes on pages 163 to 227 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 14(a).

Consolidated statement of financial position

at 31 December 2010

(Expressed in Renminbi)

	Note	***2010*** ***RMB million***	*2009* *RMB million*
Non-current assets			
Property, plant and equipment, net	16	**179,434**	163,645
Construction in progress	17	**31,189**	33,045
Intangible assets	18	**3,228**	2,928
Interest in associates	20	**3,285**	3,503
Other investments	21	**950**	805
Other non-current assets	22	**9,684**	7,435
Lease prepayments	23	**8,409**	7,202
Deferred tax assets	28(b)	**686**	655
Total non-current assets		**236,865**	219,218
Current assets			
Inventories	24	**11,167**	7,727
Accounts and bills receivable, net	25	**10,645**	8,781
Prepaid expenses and other current assets	26	**6,817**	2,484
Restricted bank deposits		**–**	656
Time deposits with original maturity over three months		**2,021**	6,867
Cash and cash equivalents	27(a)	**73,345**	65,944
Total current assets		**103,995**	92,459
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	29	**15,898**	22,252
Accounts and bills payable	30	**18,264**	13,890
Accrued expenses and other payables	31	**19,951**	16,338
Current portion of long-term payables	32	**393**	275
Income tax payable	28(a)	**4,394**	2,929
Total current liabilities		**58,900**	55,684
Net current assets		**45,095**	36,775
Total assets less current liabilities		**281,960**	255,993
Non-current liabilities			
Long-term borrowings, less current portion	29	**48,730**	53,931
Long-term payables, less current portion	32	**1,777**	2,314
Accrued reclamation obligations	33	**1,577**	1,513
Deferred tax liabilities	28(b)	**1,088**	817
Total non-current liabilities		**53,172**	58,575
Net assets		**228,788**	197,418
Equity			
Share capital	34	**19,890**	19,890
Reserves		**178,435**	150,771
Equity attributable to equity shareholders of the Company		**198,325**	170,661
Non-controlling interests		**30,463**	26,757
Total equity		**228,788**	197,418

Approved and authorised for issue by the Board of Directors on 25 March 2011.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 163 to 227 form part of these financial statements.

Statement of financial position

at 31 December 2010
(Expressed in Renminbi)

	Note	**2010 RMB million**	2009 RMB million
Non-current assets			
Property, plant and equipment, net	16	**58,772**	53,243
Construction in progress	17	**4,447**	7,836
Intangible assets	18	**265**	218
Investments in subsidiaries	19	**40,770**	34,126
Investments in associates	20	**1,251**	1,526
Other investments	21	**947**	800
Other non-current assets	22	**10,538**	5,763
Lease prepayments	23	**2,091**	1,179
Total non-current assets		**119,081**	104,691
Current assets			
Inventories	24	**8,219**	4,845
Accounts and bills receivable, net	25	**12,264**	3,430
Prepaid expenses and other current assets	26	**29,862**	19,810
Restricted bank deposits		**–**	427
Time deposits with original maturity over three months		**1,600**	6,846
Cash and cash equivalents	27(a)	**68,368**	62,364
Total current assets		**120,313**	97,722
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	29	**1,073**	2,846
Accounts and bills payable	30	**12,989**	8,179
Accrued expenses and other payables	31	**44,606**	16,493
Current portion of long-term payables	32	**393**	275
Income tax payable	28(a)	**1,426**	2,113
Total current liabilities		**60,487**	29,906
Net current assets		**59,826**	67,816
Total assets less current liabilities		**178,907**	172,507
Non-current liabilities			
Long-term borrowings, less current portion	29	**9,152**	9,899
Long-term payables, less current portion	32	**1,582**	2,113
Accrued reclamation obligations	33	**1,060**	1,032
Deferred tax liabilities	28(b)	**747**	466
Total non-current liabilities		**12,541**	13,510
Net assets		**166,366**	158,997
Equity			
Share capital	34	**19,890**	19,890
Reserves		**146,476**	139,107
Total equity		**166,366**	158,997

Approved and authorised for issue by the Board of Directors on 25 March 2011.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 163 to 227 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2010
(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*	*Non-controlling 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(b))	–	–	–	–	–	–	–	(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 non-controlling interests	–	–	–	–	–	–	–	–	–	2,123	2,123
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	(4,136)	(4,136)
Acquisition of non-controlling 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

The notes on pages 163 to 227 form part of these financial statements.

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2010
(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	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2010	19,890	85,001	(6,591)	7,135	610	13,658	124	50,834	170,661	26,757	197,418
Total comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	38,132	38,132	5,437	43,569
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	–	–	–	–	73	–	–	–	73	(5)	68
Total comprehensive income for the year	–	–	–	–	73	–	–	38,132	38,205	5,432	43,637
Other movements:											
Dividend declared (Note 14(b))	–	–	–	–	–	–	–	(10,541)	(10,541)	–	(10,541)
Appropriation of maintenance and production funds (Note (iv))	–	–	–	–	–	3,227	–	(3,227)	–	–	–
Utilisation of maintenance and production funds (Note (iv))	–	–	–	–	–	(2,476)	–	2,476	–	–	–
Capital contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	355	355
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,814)	(2,814)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	733	733
Realisation of deferred tax	–	–	–	–	–	–	(19)	19	–	–	–
Realisation of revaluation reserve	–	–	–	(20)	–	–	–	20	–	–	–
Sub-total	–	–	–	(20)	–	751	(19)	(11,253)	(10,541)	(1,726)	(12,267)
At 31 December 2010	19,890	85,001	(6,591)	7,115	683	14,409	105	77,713	198,325	30,463	228,788

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 163 to 227 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.

As the statutory surplus reserve reached 50% of the registered capital, no appropriation was made during the year ended 31 December 2010. During the year ended 31 December 2009, the Company transferred RMB2,957 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").

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.

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 ended 31 December 2009.

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 2010 and 2009.

Consolidated statement of cash flows

for the year ended 31 December 2010
(Expressed in Renminbi)

	Note	**2010 RMB million**	2009 RMB million
Operating activities			
Cash generated from operations	27(b)	**69,073**	64,557
Interest received		**1,174**	1,117
Interest paid		**(3,566)**	(3,874)
Income tax paid		**(9,472)**	(8,455)
Net cash generated from operating activities		**57,209**	53,345
Investing activities			
Capital expenditure		**(26,147)**	(30,229)
Lease prepayments		**(1,387)**	(1,308)
Acquisition of a subsidiary	27(c)	**473**	–
Capital injections in associates		**(82)**	(78)
Purchase of other investments		**(265)**	–
Acquisition of non-controlling interests		**–**	(73)
Proceeds from disposal of other investments		**–**	5
Proceeds from disposal of property, plant and equipment		**100**	141
Dividend received from associates		**377**	351
Dividend received from other investments		**–**	11
Increase in restricted bank deposits		**(202)**	(675)
Decrease in restricted bank deposits		**858**	260
Increase in time deposits with original maturity over three months		**(9,230)**	(19,992)
Maturity of time deposits with original maturity over three months		**14,076**	13,321
Entrusted loan to a third party		**(3,000)**	–
Net cash used in investing activities		**(24,429)**	(38,266)
Financing activities			
Proceeds from borrowings		**29,638**	49,255
Repayments of borrowings		**(42,097)**	(47,140)
Contributions from non-controlling interests		**355**	1,994
Distributions to non-controlling interests		**(2,732)**	(3,200)
Dividend paid to equity shareholders of the Company		**(10,541)**	(9,149)
Net cash used in financing activities		**(25,377)**	(8,240)
Net increase in cash and cash equivalents		**7,403**	6,839
Cash and cash equivalents, at the beginning of the year		**65,944**	59,054
Effect of foreign exchange rate changes		**(2)**	51
Cash and cash equivalents, at the end of the year		**73,345**	65,944

The notes on pages 163 to 227 form part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2010
(Expressed in Renminbi)

1 Principal activities and organisation

Principal activities

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

Organisation

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

In connection with the Restructuring (as defined below), Shenhua Group's principal coal production and power generation operations together with the related assets and liabilities that were transferred to the Company were segregated and separately managed effective on 31 December 2003 (the "Restructuring"). Pursuant to the Restructuring, 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 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each to Shenhua Group. The shares issued to Shenhua Group represented the entire registered and paid-up share capital of the Company at that date.

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

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

2 Significant accounting policies

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 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 2010 comprise the Company and its subsidiaries and the Group's interest in associates.

The measurement basis used in the preparation of the financial statements is the historical cost basis 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 non-controlling interests

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

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

2 Significant accounting policies (continued)

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

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

Non-controlling interests are presented in the consolidated statement of financial position within equity, separately from equity attributable to the equity shareholders of the Company. Non-controlling interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between non-controlling interests and the equity shareholders of the Company.

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

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

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

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

(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. Under the equity method, the investment is initially recorded at cost, adjusted for any excess of the Group's share of the acquisition-date fair values of the investee's identifiable net assets over the cost of the investment (if any). Thereafter, the investment is adjusted for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see Notes 2(e) and 2(n)). Any acquisition-date excess over cost, the Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income is recognised in other comprehensive income in the consolidated statement of comprehensive income.

2 Significant accounting policies (continued)

(d) Associates (continued)

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

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

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

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

(e) Goodwill

Goodwill represents the excess of

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

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

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

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

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

(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:

2 Significant accounting policies (continued)

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

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

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

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At the end of each reporting period the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in Note 2(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 the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(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.

2 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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.

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 end of the reporting period.

Gains or losses arising from the retirement or disposal of an item of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. 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 items of property, plant and equipment, other than freehold land, mining structures and mining rights, over their estimated useful lives using the straight line method, after taking into account their estimated residual values. The estimated useful lives of property, plant and equipment are as follows:

	Depreciable life
Buildings	10-50 years
Mining related machinery and equipment	5-20 years
Generators and related machinery and equipment	18-30 years
Railway and port structures	30-45 years
Vessels	10-22 years
Furniture, fixtures, motor vehicles and other equipment	5-10 years

Freehold land is not depreciated.

2 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

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.

(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.

2 Significant accounting policies (continued)

(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

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.

2 Significant accounting policies (continued)

(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 the end of each reporting period to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

- significant financial difficulty of the debtor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;
- significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and
- a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

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

- For investments in 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.

2 Significant accounting policies (continued)

(n) Impairment losses (continued)

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

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

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

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable, whose recovery is considered doubtful but not remote. In this case, the 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 the end of each reporting period to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

– property, plant and equipment;

– construction in progress;

– intangible assets;

– investments in subsidiaries and associates;

– other investments;

– other non-current assets; and

– lease prepayments.

2 Significant accounting policies (continued)

(n) Impairment losses (continued)

(ii) Impairment of other assets (continued)

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

– Calculation of recoverable amount

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

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(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.

(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.

2 Significant accounting policies (continued)

(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 amounts are stated at their present value.

(ii) Defined contribution retirement plans

The Group's contributions to defined contribution retirement plans administered by the PRC government are recognised as an expense when incurred according to the contribution determined by the plans.

(iii) Share appreciation rights

Share appreciation rights ("SARs") are granted to employees of the Company. The fair value of the amount payable to the employee is recognised as an employee cost with a corresponding increase in liabilities. The fair value initially is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the SARs is measured by using the Black-Scholes option pricing model, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at the end of each reporting period and at settlement date. Any changes in the fair value of the liability are recognised in profit or loss.

(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.

(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 end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

2 Significant accounting policies (continued)

(u) Income tax (continued)

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination), and temporary differences relating to investments in subsidiaries to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, unless it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at the end of each reporting period and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Company or the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

- in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or
- in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:
  - the same taxable entity; or
  - different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

2 Significant accounting policies

(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.

(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 railway, port, shipping and other services is recognised upon the delivery or performance of the services.

2 Significant accounting policies (continued)

(w) Revenue recognition (continued)

(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.

(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 end of the reporting period. 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. Statement of financial position items are translated into RMB at the applicable PBOC rates ruling at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

(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 revised IFRSs, 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 3 (revised 2008), *Business combinations*
- Amendments to IAS 27, *Consolidated and separate financial statements*

3 Changes in accounting policies (continued)

The above developments resulted in changes in accounting policy but none of these changes in policy have a material impact on the current or comparative periods. The details of these changes in accounting policy are as follows:

- As a result of the adoption of IFRS 3 (revised 2008), any business combination acquired on or after 1 January 2010 will be recognised in accordance with the new requirements and detailed guidance contained in IFRS 3 (revised 2008). These include the following changes in accounting policies:

  – Transaction costs that the Group incurs in connection with a business combination, such as finder's fees, legal fees, due diligence fees, and other professional and consulting fees, will be expensed as incurred, whereas previously they were accounted for as part of the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the Group holds interests in the acquiree immediately prior to obtaining control, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining control. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.

  – Contingent consideration will be measured at fair value at the acquisition date. Subsequent changes in the measurement of that contingent consideration unrelated to facts and circumstances that existed at the acquisition date will be recognised in profit or loss, whereas previously these changes were recognised as an adjustment to the cost of the business combination and therefore impacted the amount of goodwill recognised.

  – If the acquiree has accumulated tax losses or other temporary deductible differences and these fail to meet the recognition criteria for deferred tax assets at the date of acquisition, then any subsequent recognition of these assets will be recognised in profit or loss, rather than as an adjustment to goodwill as was previously the policy.

  – In addition to the Group's existing policy of measuring the non-controlling interests (previously known as "minority interests") in the acquiree at the non-controlling interest's proportionate share of the acquiree's net identifiable assets, in future the Group may elect, on a transaction by transaction basis, to measure the non-controlling interest at fair value.

  In accordance with the transitional provisions in IFRS 3 (revised 2008), these new accounting policies will be applied prospectively to any business combinations in the current or future periods. The new policy in respect of recognition in the movement of deferred tax assets will also be applied prospectively to accumulated tax losses and other temporary deductible differences acquired in previous business combinations. No adjustments have been made to the carrying values of assets and liabilities that arose from business combinations whose acquisition dates preceded the application of this revised standard.

- As a result of the adoption of IAS 27 (amended 2008), the following change in policy will be applied as from 1 January 2010:

  If the Group loses control of a subsidiary, the transaction will be accounted for as a disposal of the entire interest in that subsidiary, with any remaining interest retained by the Group being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

3 Changes in accounting policies (continued)

- In order to be consistent with the above amendments to IFRS 3 and IAS 27, and as a result of amendments to IAS 28, *Investments in associates*, the following policies will be applied as from 1 January 2010:
  - If the Group holds interests in the acquiree immediately prior to obtaining significant influence, these interests will be treated as if disposed of and re-acquired at fair value on the date of obtaining significant influence. Previously, the step-up approach would have been applied, whereby goodwill was computed as if accumulated at each stage of the acquisition.
  - If the Group loses significant influence, the transaction will be accounted for as a disposal of the entire interest in that investee, with any remaining interest being recognised at fair value as if reacquired. Previously such transactions were treated as partial disposals.

  Consistent with the transitional provisions in IFRS 3 and IAS 27, these new accounting policies will be applied prospectively to transactions in current or future periods and therefore previous periods have not been restated.

Other changes in accounting policies which are relevant to the Group's financial statements are as follows:

- As a result of the amendments to IAS 27, as from 1 January 2010 any losses incurred by a non-wholly owned subsidiary will be allocated between the controlling and non-controlling interests in proportion to their interests in that entity, even if this results in a deficit balance within consolidated equity being attributed to the non-controlling interests. Previously, if the allocation of losses to the non-controlling interests would have resulted in a deficit balance, the losses were only allocated to the non-controlling interests if the non-controlling interests were under a binding obligation to make good the losses. In accordance with the transitional provisions in IAS 27, this new accounting policy is being applied prospectively and therefore previous periods have not been restated.

The Group has not applied any new standard, amendment 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

	2010 ***RMB million***	*2009* *RMB million*
Rendering of transportation and other services	**3,407**	2,529
Sale of ancillary materials and other goods	**308**	238
Others	**824**	770
	4,539	3,537

6 Cost of revenues–others

	2010 ***RMB million***	*2009* *RMB million*
Coal selection and minery fees	**4,908**	3,606
Coal extraction service costs	**252**	263
Taxes and surcharges	**1,422**	1,197
Dredging expenses	**555**	233
Relocation compensation expenses	**565**	997
Operating lease charges	**247**	203
Resources compensation fees	**415**	392
Pollutants discharge expenses	**755**	1,064
Cost of sale of ancillary materials and other goods, and provision of other services	**1,149**	1,379
Others	**2,578**	1,799
	12,846	11,133

7 Total operating expenses

	2010 ***RMB million***	*2009* *RMB million*
Personnel expenses, including	**10,477**	8,617
– contributions to retirement plans	**1,144**	1,014
– fair value (gain)/loss on revaluation of share appreciation rights	**(20)**	63
Depreciation and amortisation	**13,329**	11,422
Net loss on disposal of property, plant and equipment	**85**	287
Cost of inventories (Note (i))	**75,018**	55,962
Auditors' remuneration, including		
– audit services	**23**	43
– other services	**–**	1
Operating lease charges on properties	**324**	287
Allowance for accounts receivable and other receivables and write down of inventories	**26**	150
Impairment losses on property, plant and equipment	**184**	396
Impairment losses on other investments	**120**	1
Donation (Note (ii))	**356**	–

Notes:

(i) Cost of inventories includes RMB12,547 million (2009: RMB10,831 million) for the year ended 31 December 2010, relating to personnel expenses, depreciation and amortisation, operating lease charges and write down of inventories which amounts are also included in the respective amounts disclosed separately above for each of these types of expenses.

(ii) During the year ended 31 December 2010, the Group made a donation of RMB356 million (2009: Nil) to Shenhua Public Welfare Foundation founded by Shenhua Group.

8 Finance income/(expenses)

	2010 ***RMB million***	*2009* *RMB million*
Interest income	**1,174**	1,117
Foreign exchange gain, net	**–**	169
Gain on remeasurement of derivative financial instruments at fair value	**149**	–
Finance income	**1,323**	1,286
Interest on loans from banks and other financial institutions, and other borrowings	**(3,778)**	(4,087)
Less: Interest expense capitalised*	**607**	941
Net interest expense	**(3,171)**	(3,146)
Foreign exchange loss, net	**(465)**	–
Loss on remeasurement of derivative financial instruments at fair value	**–**	(178)
Finance expenses	**(3,636)**	(3,324)
Net finance costs	**(2,313)**	(2,038)
* Interest expense was capitalised in construction in progress at the following rates per annum	**L+2.80%; 3.60%-5.51%**	L+2.80%; 3.60%-7.18%

Interest rates comprise fixed rates and floating rates based on the London Interbank Offered Rate ("LIBOR"/"L").

9 Income tax

	2010 ***RMB million***	*2009* *RMB million*
Provision for PRC income tax (Note 28(a))	**10,918**	9,257
Deferred taxation (Note 28(b))	**266**	369
	11,184	9,626

9 Income tax (continued)

A reconciliation of the expected tax expense with the actual tax expense is as follows:

	2010 ***RMB million***	*2009* *RMB million*
Profit before income tax	**54,753**	45,812
Expected PRC income tax expense at a statutory tax rate of 25% (2009: 25%) (Note (i))	**13,688**	11,453
Tax effect of differential tax rate on branches and subsidiaries' income (Note (i))	**(2,974)**	(2,411)
Tax effect of non-deductible expenses (Note (ii))	**430**	423
Tax effect in respect of share of profits less losses of associates	**(154)**	(183)
Tax effect of tax losses not recognised	**20**	67
Others	**174**	277
Actual tax expense	**11,184**	9,626

Notes:

(i) The provision for PRC current income tax is based on a statutory rate of 25% (2009: 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% (2009: 30%) and 25% (2009: 28%) 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:

	2010					
	Fees RMB million	Basic salaries, housing and other allowances and benefits in kind RMB million	Discretionary bonuses RMB million	Retirement scheme contributions RMB million	Total RMB million	Share appreciation rights (Note (i)) RMB million
Executive directors						
Zhang Xiwu (Note (ii))	–	–	–	–	–	(0.77)
Ling Wen	–	0.39	1.18	0.12	1.69	(0.70)
Zhang Yuzhuo (appointed on 18 June 2010) (Note (ii))	–	–	–	–	–	(0.56)
Non-executive directors						
Han Jianguo (Note (ii))	–	–	–	–	–	(0.60)
Liu Benren (appointed on 18 June 2010) (Note (ii))	–	–	–	–	–	–
Xie Songlin (appointed on 18 June 2010) (Note (ii))	–	–	–	–	–	–
Independent non-executive directors						
Gong Huazhang	0.45	–	–	–	0.45	–
Fan Hsulaitai (appointed on 18 June 2010)	0.26	–	–	–	0.26	–
Guo Peizhang (appointed on 18 June 2010)	0.26	–	–	–	0.26	–
Huang Yicheng (resigned on 18 June 2010)	0.23	–	–	–	0.23	–
Anthony Francis Neoh (resigned on 18 June 2010)	0.23	–	–	–	0.23	–
Chen Xiaoyue (terminated in March 2010)	0.15	–	–	–	0.15	–
Supervisors						
Sun Wenjian (appointed on 18 June 2010) (Note (ii))	–	–	–	–	–	–
Tang Ning (appointed on 18 June 2010)	–	0.19	0.11	0.02	0.32	–
Zhao Shibin (appointed on 18 June 2010)	–	0.16	0.26	0.05	0.47	–
Xu Zufa (resigned on 18 June 2010) (Note (ii))	–	–	–	–	–	(0.70)
Wu Gaoqian (resigned on 18 June 2010)	–	0.16	0.10	0.04	0.30	(0.28)
Li Jianshe (resigned on 18 June 2010)	–	0.10	0.09	0.03	0.22	–
	1.58	1.00	1.74	0.26	4.58	(3.61)

10 Directors' and supervisors' emoluments (continued)

	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 (i))* *RMB million*
Executive directors						
Zhang Xiwu (Note (ii))	–	–	–	–	–	2.81
Ling Wen	–	0.39	0.40	0.11	0.90	2.21
Non-executive directors						
Zhang Yuzhuo (Note (ii))	–	–	–	–	–	3.88
Han Jianguo (Note (ii))	–	–	–	–	–	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 (Note (ii))	–	–	–	–	–	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

Notes:

(i) These represent the change in the fair value of the share appreciation rights granted to the directors and supervisors under the Company's share appreciation rights scheme. The value of these share appreciation rights is measured according to the Company's accounting policy for share appreciation rights as set out in Note 2(t)(iii).

The details of these benefits, including the principal terms and number of share appreciation rights granted, are disclosed in Note 37.

(ii) Other than the share appreciation rights granted, the emoluments of these directors and supervisors were borne by Shenhua Group during the years ended 31 December 2010 and 2009.

11 Individuals with highest emoluments

Of the five highest paid individuals of the Group, one (2009: none) is director of the Company for the year ended 31 December 2010 whose emoluments are disclosed in Note 10.

The aggregate of the emoluments in respect of the other four (2009: five) individuals are as follows:

	2010 ***RMB million***	*2009* *RMB million*
Basic salaries, housing and other allowances and benefits in kind	**1.38**	1.77
Discretionary bonuses	**2.39**	2.55
Retirement scheme contributions	**0.38**	0.49
	4.15	4.81
Share appreciation rights	**(1.81)**	9.88

The emoluments of the four (2009: five) individuals with the highest emoluments are within the following band:

	Number of individuals	
	2010	*2009*
HKD1,000,001 to HKD2,000,000	**4**	5

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB11,571 million (2009: RMB24,444 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:

	2010 ***RMB million***	*2009* *RMB million*
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**11,571**	24,444
Dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved, paid and payable during the year	**6,339**	6,085
	17,910	30,529

Details of dividend paid and payable to equity shareholders of the Company are set out in Note 14.

13 Other comprehensive income

The components of other comprehensive income do not have any significant tax effect for the years ended 31 December 2010 and 2009.

14 Dividends

(a) Dividends payable to equity shareholders of the Company attributable to the year

	2010 RMB million	*2009 RMB million*
Final dividend proposed after the end of the reporting period of RMB0.75 (2009: RMB0.53) per ordinary share	**14,917**	10,541

The final dividend proposed after the end of the reporting period has not been recognised as a liability at the end of the reporting period.

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the year

	2010 RMB million	*2009 RMB million*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.53 (2009: RMB0.46) per ordinary share	**10,541**	9,149

15 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB38,132 million (2009: RMB31,706 million) and the number of shares in issue during the year of 19,890 million shares (2009: 19,890 million shares).

The amount of diluted earnings per share is the same as basic earnings per share as there were no dilutive potential ordinary shares in existence during both the current and prior years.

16 Property, plant and equipment, net

The Group

	Land and buildings RMB million	*Mining structures and mining rights* RMB million	*Mining related machinery and equipment* RMB million	*Generators and related machinery and equipment* RMB million	*Railway and port structures* RMB million	*Vessels* RMB million	*Furniture, fixtures, motor vehicles and other equipment* RMB million	*Total* RMB million
Cost/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
Cost/valuation:								
At 1 January 2010	**24,024**	**21,376**	**37,984**	**75,877**	**54,297**	**–**	**7,376**	**220,934**
Exchange adjustment	**23**	**–**	**–**	**–**	**–**	**–**	**–**	**23**
Additions	**976**	**1,805**	**665**	**125**	**315**	**–**	**686**	**4,572**
Acquisition of a subsidiary	**–**	**–**	**–**	**–**	**–**	**847**	**2**	**849**
Transferred from construction in progress	**4,421**	**369**	**4,571**	**11,044**	**2,021**	**509**	**872**	**23,807**
Disposals	**(53)**	**(3)**	**(497)**	**(63)**	**(119)**	**–**	**(252)**	**(987)**
At 31 December 2010	**29,391**	**23,547**	**42,723**	**86,983**	**56,514**	**1,356**	**8,684**	**249,198**
Representing:								
Cost	**21,912**	**17,031**	**36,612**	**65,497**	**26,662**	**1,356**	**7,357**	**176,427**
Valuation–2003 (Note (ii))	**7,479**	**6,516**	**6,111**	**21,486**	**29,852**	**–**	**1,327**	**72,771**
	29,391	**23,547**	**42,723**	**86,983**	**56,514**	**1,356**	**8,684**	**249,198**
Accumulated depreciation and impairment losses:								
At 1 January 2010	**5,608**	**3,046**	**12,423**	**17,950**	**14,930**	**–**	**3,332**	**57,289**
Charge for the year	**1,189**	**992**	**3,346**	**4,087**	**2,516**	**37**	**926**	**13,093**
Impairment losses (Note (vi))	**43**	**–**	**31**	**104**	**–**	**–**	**6**	**184**
Written back on disposals	**(17)**	**(1)**	**(437)**	**(62)**	**(59)**	**–**	**(226)**	**(802)**
At 31 December 2010	**6,823**	**4,037**	**15,363**	**22,079**	**17,387**	**37**	**4,038**	**69,764**
Net book value:								
At 31 December 2010	**22,568**	**19,510**	**27,360**	**64,904**	**39,127**	**1,319**	**4,646**	**179,434**

16 Property, plant and equipment, net (continued)

The Company

	Buildings RMB million	*Mining structures and mining rights* RMB million	*Mining related machinery and equipment* RMB million	*Generators and related machinery and equipment* RMB million	*Railway and port structures* RMB million	*Furniture, fixtures, motor vehicles and other equipment* RMB million	*Total* RMB million
Cost/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
Cost/valuation:							
At 1 January 2010	**6,790**	**17,012**	**31,309**	**–**	**14,697**	**2,886**	**72,694**
Additions	**51**	**1,792**	**427**	**7**	**194**	**252**	**2,723**
Transferred from construction in progress	**2,174**	**369**	**3,869**	**1,972**	**855**	**333**	**9,572**
Disposals	**(121)**	**(3)**	**(1,139)**	**(2)**	**(477)**	**(94)**	**(1,836)**
At 31 December 2010	**8,894**	**19,170**	**34,466**	**1,977**	**15,269**	**3,377**	**83,153**
Representing:							
Cost	**7,451**	**13,730**	**32,120**	**1,977**	**7,019**	**3,242**	**65,539**
Valuation–2003 (Note (ii))	**1,443**	**5,440**	**2,346**	**–**	**8,250**	**135**	**17,614**
	8,894	**19,170**	**34,466**	**1,977**	**15,269**	**3,377**	**83,153**
Accumulated depreciation and impairment losses:							
At 1 January 2010	**914**	**2,751**	**9,489**	**–**	**5,259**	**1,038**	**19,451**
Charge for the year	**285**	**929**	**3,054**	**119**	**891**	**345**	**5,623**
Impairment losses (Note (vi))	**–**	**–**	**31**	**–**	**–**	**6**	**37**
Written back on disposals	**(16)**	**(1)**	**(549)**	**(2)**	**(79)**	**(83)**	**(730)**
At 31 December 2010	**1,183**	**3,679**	**12,025**	**117**	**6,071**	**1,306**	**24,381**
Net book value:							
At 31 December 2010	**7,711**	**15,491**	**22,441**	**1,860**	**9,198**	**2,071**	**58,772**

16 Property, plant and equipment, net (continued)

Notes:

(i) The Group's freehold land with a carrying amount of RMB1,178 million at 31 December 2010 (2009: RMB285 million) 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 statement of financial position 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 2010, 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 RMB5,185 million as at 31 December 2010 (2009: RMB2,256 million), of which RMB3,194 million related to newly acquired or constructed properties in 2010. 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 2010. 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 2010 and 2009 respectively.

(vii) Reduction of mining structures for the year ended 31 December 2009 mainly represented the reduction of accrued reclamation obligations as a result of reassessment of estimated costs.

17 Construction in progress

	The Group		*The Company*	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
At the beginning of the year	**33,045**	33,017	**7,836**	7,478
Additions	**21,557**	27,783	**6,183**	8,425
Acquisition of a subsidiary	**394**	–	**–**	–
Transferred to property, plant and equipment	**(23,807)**	(27,755)	**(9,572)**	(8,067)
At the end of the year	**31,189**	33,045	**4,447**	7,836

The construction in progress as at 31 December 2010 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 2010. 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*	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Exploration rights	**2,307**	2,084	**–**	–
Railway route access	**285**	301	**124**	128
Others	**636**	543	**141**	90
	3,228	2,928	**265**	218

19 Investments in subsidiaries

	The Company	
	2010	*2009*
	RMB million	*RMB million*
Unlisted shares, at cost	**40,770**	34,126

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	RMB3,189 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	RMB1,779 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	RMB1,561 million	41%	Generation and sale of electricity
Shuohuang Railway Development Co., Ltd.	PRC	Limited company	RMB5,880 million	53%	Provision of transportation services
Shenhua Baoshen Railway Co., Ltd.	PRC	Limited company	RMB1,004 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.	PRC	Limited company	RMB215 million	100%	Trading of coal; provision of integrated services
Shenhua Zhonghai Shipping Co., Ltd. (formerly Zhuhai New Century Shipping Ltd.) (Note 27(c))	PRC	Limited company	RMB1,000 million	51%	Provision of transportation 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***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Unlisted shares, at cost	**–**	–	**1,251**	1,526
Share of net assets	**3,285**	3,503	**–**	–
	3,285	3,503	**1,251**	1,526

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	RMB2,765 million	20%	Generation and sale of electricity
Inner Mongolia Jingda Power Co., Ltd.	Limited company	RMB472 million	30%	Generation and sale of electricity
Inner Mongolia Menghua Haibowan Power Co., Ltd.	Limited company	RMB280 million	40%	Generation and sale of electricity
Tianjin Yuanhua Shipping Co., Ltd.	Limited company	RMB360 million	44%	Provision of transportation services
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

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	
	2010	*2009*	**2010**	*2009*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Prepayments in connection with construction work, equipment purchases and others	**5,558**	3,206	**3,762**	1,987
Prepayment for mining projects	**3,500**	3,500	**2,500**	2,500
Long-term entrusted loans	**626**	729	**3,304**	1,276
Long-term loan	**–**	–	**972**	–
	9,684	7,435	**10,538**	5,763

At 31 December 2010, the Group had prepayments to affiliates of Shenhua Group and an associate of the Group amounting to RMB419 million (2009: RMB8 million) and Nil (2009: RMB6 million) respectively. At 31 December 2010, the Company had prepayments to an affiliate of Shenhua Group and an associate of the Company amounting to RMB200 million (2009: Nil) and Nil (2009: RMB6 million) respectively.

The Group had long-term entrusted loan to an associate through a PRC state-owned bank. The loan bears interest at 5.76% per annum (2009: 5.76% to 5.94% per annum) and are receivable within two years.

The Company had long-term entrusted loans to subsidiaries through PRC state-owned banks. The loans bear interest at rates ranging from 4.97% to 5.43% per annum (2009: 4.59% to 5.43% per annum) and are receivable within two to four years.

At 31 December 2010, the Company had long-term loan to an overseas subsidiary (2009: Nil). The loan bears interest at L+0.8% per annum and is receivable within two years.

Included in other non-current assets are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2010	*2009*	**2010**	*2009*
	million	*million*	**million**	*million*
Australian Dollars	**–**	–	**AUD150**	–

23 Lease prepayments

Lease prepayments represent land use rights paid to the PRC's governmental authorities. The Group was in the process of applying for the title certificates of certain land use rights with an aggregate carrying amount of RMB2,065 million as at 31 December 2010 (2009: RMB818 million), of which RMB1,286 million were newly acquired in 2010. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

Lease prepayments of the Group and the Company are mainly with medium-term leases, which their remaining unexpired term as at 31 December 2010 is less than 50 years but more than 10 years.

24 Inventories

	The Group		The Company	
	2010	*2009*	**2010**	*2009*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Coal	**4,091**	1,872	**4,772**	1,998
Materials and supplies	**5,880**	5,143	**3,447**	2,847
Others (Note)	**1,196**	712	**–**	–
	11,167	7,727	**8,219**	4,845

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	
	2010	*2009*
	RMB million	*RMB million*
Carrying amount of inventories sold	**74,990**	55,810
Write down of inventories	**28**	152
	75,018	55,962

25 Accounts and bills receivable, net

	The Group		The Company	
	2010	*2009*	**2010**	*2009*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Accounts receivable				
Shenhua Group and its affiliates	**275**	85	**270**	85
Subsidiaries	**–**	–	**8,107**	558
Associates	**3**	6	**–**	–
Third parties	**8,366**	7,535	**2,190**	1,868
	8,644	7,626	**10,567**	2,511
Allowance for doubtful debts	**(53)**	(55)	**(3)**	(3)
	8,591	7,571	**10,564**	2,508
Bills receivable	**2,054**	1,210	**1,700**	922
	10,645	8,781	**12,264**	3,430

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***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Current	**10,554**	8,767	**12,264**	3,430
Less than one year past due	**91**	14	**–**	–
	10,645	8,781	**12,264**	3,430

The movement of allowance for doubtful debts was as follows:

	The Group		***The Company***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
At the beginning of the year	**55**	57	**3**	3
Impairment loss recognised	**–**	1	**–**	–
Impairment loss written back	**(2)**	(3)	**–**	–
At the end of the year	**53**	55	**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***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Neither past due nor impaired	**10,554**	8,767	**12,264**	3,430
Less than one year past due	**91**	14	**–**	–
	10,645	8,781	**12,264**	3,430

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***	
	2010	*2009*	***2010***	*2009*
	million	*million*	***million***	*million*
United States Dollars	**USD68**	USD108	**USD68**	USD108

26 Prepaid expenses and other current assets

	The Group		The Company	
	2010	*2009*	**2010**	*2009*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Fair value of derivative financial instruments	**480**	331	**480**	331
Prepaid expenses and deposits	**1,547**	1,593	**870**	721
Amounts due from Shenhua Group and its affiliates	**375**	201	**346**	196
Amounts due from subsidiaries	**–**	–	**24,761**	18,387
Amounts due from associates	**118**	71	**11**	15
Entrusted loan to a third party	**3,000**	–	**3,000**	–
Advances to staff	**56**	46	**34**	23
Other receivables	**1,241**	242	**360**	137
	6,817	2,484	**29,862**	19,810

At 31 December 2010, the Group and the Company had a short-term entrusted loan to a third party through a PRC stated-owned bank amounting to RMB3,000 million (2009: Nil), which bears interest at 4.00% per annum and is repayable in May 2011.

In the Company's statement of financial position, 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 statement of financial position and the consolidated statement of cash flows comprise cash at bank and in hand, and time deposits with original maturity within three months.

At 31 December 2010, the Group and the Company had placed deposits with an associate amounting to RMB1,591 million (2009: RMB629 million) and RMB1,460 million (2009: RMB457 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	
	2010	*2009*	**2010**	*2009*
	million	*million*	**million**	*million*
United States Dollars	**USD8**	USD37	**–**	–
Hong Kong Dollars	**HKD59**	HKD72	**HKD54**	HKD68
Australian Dollars	**AUD24**	AUD38	**–**	–
Indonesian Rupiah	**IDR54,596**	IDR90,435	**–**	–

27 Cash and cash equivalents (continued)

(b) Reconciliation of profit before income tax to cash generated from operations:

	2010 ***RMB million***	*2009* *RMB million*
Profit before income tax	**54,753**	45,812
Adjustments for:		
Depreciation and amortisation	**13,329**	11,422
Impairment losses on property, plant and equipment	**184**	396
Impairment losses on other investments	**120**	1
Net loss on disposal of property, plant and equipment	**85**	287
Investment income	**–**	(11)
Interest income	**(1,174)**	(1,117)
Share of profits less losses of associates	**(615)**	(731)
Net interest expense	**3,171**	3,146
(Gain)/loss on remeasurement of derivative financial instruments to fair value	**(149)**	178
Unrealised foreign exchange loss/(gain)	**464**	(190)
	70,168	59,193
Increase in accounts and bills receivable	**(1,751)**	(545)
(Increase)/decrease in inventories	**(3,420)**	115
Increase in prepaid expenses and other assets	**(852)**	(208)
Increase in accounts and bills payable	**1,005**	1,470
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**3,923**	4,532
Cash generated from operations	**69,073**	64,557

27 Cash and cash equivalents (continued)

(c) Net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary

On 25 June 2010, the Group increased its equity interest in Shenhua Zhonghai Shipping Co., Ltd. ("Zhonghai Shipping") from 50% to 51% by additional capital injection of RMB222 million. Prior to the capital injection, Zhonghai Shipping was an associate of the Group.

Details of fair values of identifiable assets and liabilities of Zhonghai Shipping as at 25 June 2010 were as follows:

	RMB million
Non-current assets	1,269
Cash and cash equivalents	695
Other current assets	136
Current liabilities	(189)
Non-current liabilities	(416)
Net assets	1,495
Non-controlling interests	(733)
Fair value of previous interest in the acquiree	(540)
Cash consideration	222

Analysis of the net inflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	RMB million
Cash and cash equivalents acquired	695
Cash consideration	(222)
Net inflow of cash and cash equivalents	473

(d) Major non-cash transaction

During the year ended 31 December 2009, the non-controlling interests of the Company's subsidiary injected an exploration right of RMB129 million to that subsidiary, and the non-controlling interests of the Group increased accordingly.

28 Income tax in the statement of financial position

(a) Current taxation in the statement of financial position

	The Group		***The Company***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Provision for PRC income tax for the year (Note 9)	**10,918**	9,257	**2,707**	5,437
Provisional income tax paid	**(6,524)**	(6,328)	**(1,281)**	(3,324)
	4,394	2,929	**1,426**	2,113

28 Income tax in the statement of financial position (continued)

(b) Deferred tax assets and liabilities

(i) The Group

	At 1 January 2010 RMB million	***Recognised in profit or loss RMB million***	***Recognised in business combination RMB million***	***At 31December 2010 RMB million***
Allowances, primarily for receivables and inventories	**107**	**20**	**–**	**127**
Property, plant and equipment	**(102)**	**51**	**26**	**(25)**
Lease prepayments	**610**	**(33)**	**–**	**577**
Tax losses carried forward, net of valuation allowances	**67**	**(38)**	**–**	**29**
Tax allowable expenses not yet incurred	**(1,178)**	**(343)**	**–**	**(1,521)**
Unrealised profits from sales within the Group	**57**	**123**	**–**	**180**
Accrued salaries and other expenses not yet paid	**197**	**51**	**–**	**248**
Pre-operating expenses written off	**43**	**(19)**	**–**	**24**
Others	**37**	**(78)**	**–**	**(41)**
Net deferred tax liabilities	**(162)**	**(266)**	**26**	**(402)**

	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 statement of financial position (continued)

(b) Deferred tax assets and liabilities (continued)

(ii) The Company

	At 1 January 2010 RMB million	***Recognised in profit or loss RMB million***	***At 31 December 2010 RMB million***
Allowances, primarily for receivables and inventories	**45**	**26**	**71**
Property, plant and equipment	**17**	**24**	**41**
Lease prepayments	**404**	**(19)**	**385**
Tax allowable expenses not yet incurred	**(1,023)**	**(308)**	**(1,331)**
Accrued salaries and other expenses not yet paid	**140**	**53**	**193**
Others	**(49)**	**(57)**	**(106)**
Net deferred tax liabilities	**(466)**	**(281)**	**(747)**

	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)

(iii) Reconciliation to the statement of financial position

	The Group		***The Company***	
	2010 RMB million	*2009 RMB million*	***2010 RMB million***	*2009 RMB million*
Net deferred tax assets recognised in the statement of financial position	**686**	655	**–**	–
Net deferred tax liabilities recognised in the statement of financial position	**(1,088)**	(817)	**(747)**	(466)
	(402)	(162)	**(747)**	(466)

29 Borrowings

The Group's and the Company's short-term borrowings comprise:

	The Group		The Company	
	2010	*2009*	**2010**	*2009*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Borrowings from banks and other financial institutions	**8,201**	16,147	**–**	650
Current portion of long-term borrowings	**7,697**	6,105	**1,073**	2,196
	15,898	22,252	**1,073**	2,846

The Group's short-term borrowings bear interest at rates ranging from 3.12% to 5.31% per annum (2009: 4.08% to 4.86% per annum). The Company's short-term borrowings as at 31 December 2009 bore interest at 4.78% per annum.

At 31 December 2010 and 2009, the Group had an entrusted loan from Shenhua Finance amounting to RMB1,147 million.

The Group's and the Company's long-term borrowings comprise:

		The Group		The Company	
		2010	*2009*	**2010**	*2009*
		RMB million	*RMB million*	**RMB million**	*RMB million*
Loans from banks and other financial institutions*					
Renminbi denominated	Interest rates ranging from 4.37% to 5.94% per annum with maturities through 31 December 2027	**49,384**	54,136	**4,739**	6,830
United States Dollars denominated	Interest rate ranging from L+1.00% to L+ 2.80% per annum with maturities through 22 June 2023	**1,557**	635	**–**	–
Japanese Yen denominated	Interest rates ranging from 1.80% to 2.60% per annum with maturities through 20 March 2031	**5,486**	5,265	**5,486**	5,265
		56,427	60,036	**10,225**	12,095
Less: current portion of long-term borrowings		**(7,697)**	(6,105)	**(1,073)**	(2,196)
		48,730	53,931	**9,152**	9,899

* At 31 December 2010 and 2009, both the Group and the Company had an entrusted loan from Shenhua Group amounting to RMB1,000 million.

The above borrowings are unsecured.

29 Borrowings (continued)

The long-term borrowings were repayable as follows:

	The Group		***The Company***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Within one year	**7,697**	6,105	**1,073**	2,196
After one year but within two years	**11,355**	10,354	**2,166**	1,042
After two years but within five years	**12,927**	18,926	**2,605**	4,262
After five years	**24,448**	24,651	**4,381**	4,595
	56,427	60,036	**10,225**	12,095

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***	
	2010	*2009*	***2010***	*2009*
	million	*million*	***million***	*million*
United States Dollars	**USD235**	USD93	**–**	–
Japanese Yen	**JPY67,504**	JPY71,352	**JPY67,504**	JPY71,352

The Group had unsecured banking facilities amounting to RMB57,313 million as at 31 December 2010 (2009: RMB73,439 million). As at 31 December 2010, the unutilised banking facilities amounted to RMB22,635 million (2009: RMB33,763 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***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Accounts payable				
Shenhua Group and its affiliates	**115**	188	**31**	83
Subsidiaries	**–**	–	**4,695**	2,028
Associates	**409**	475	**331**	467
Third parties	**17,740**	12,737	**7,932**	5,601
	18,264	13,400	**12,989**	8,179
Bills payable	**–**	490	**–**	–
	18,264	13,890	**12,989**	8,179

Accounts payable amounting to RMB20 million (2009: RMB95 million) are expected to be settled after one year.

30 Accounts and bills payable (continued)

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***	
	2010 million	*2009 million*	***2010 million***	*2009 million*
United States Dollars	**USD76**	USD63	**USD51**	USD55
Euros	**EUR12**	EUR11	**EUR12**	EUR11
Australian Dollars	**AUD7**	–	–	–

31 Accrued expenses and other payables

	The Group		***The Company***	
	2010 RMB million	*2009 RMB million*	***2010 RMB million***	*2009 RMB million*
Accrued staff wages and welfare benefits	**2,937**	2,541	**1,960**	1,686
Financial liability for share appreciation rights	**75**	95	**75**	95
Accrued interest payable	**162**	150	**66**	68
Taxes payable other than income tax	**5,156**	4,989	**4,811**	4,833
Dividends payable	**1,161**	1,079	**–**	–
Loans from subsidiaries	**–**	–	**29,514**	4,008
Receipts in advances	**3,518**	2,579	**2,501**	2,031
Other accrued expenses and payables	**6,942**	4,905	**5,679**	3,772
	19,951	16,338	**44,606**	16,493

At 31 December 2010, the Group and the Company had amounts payable to Shenhua Group and its affiliates amounting to RMB109 million (2009: RMB128 million) and RMB92 million (2009: RMB114 million) respectively. At 31 December 2010, the Group and the Company had amounts payable to associates amounting to RMB36 million (2009: RMB29 million) and Nil (2009: RMB29 million) respectively.

At 31 December 2010 and 2009, loans from 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. During the year ended 31 December 2009, the Group and the Company reassessed the estimated costs and reduced the accrued reclamation obligations accordingly (see Note 16(vii)). The Company's board of directors believes that the accrued reclamation obligations at 31 December 2010 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

	2010 ***RMB million***	*2009* *RMB million*
Registered, issued and fully paid:		
16,491,037,955 domestic listed A shares of RMB1.00 each	**16,491**	16,491
3,398,582,500 H shares of RMB1.00 each	**3,399**	3,399
	19,890	19,890

The Company was incorporated on 8 November 2004 with a registered share capital of 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each. Such shares were issued to Shenhua Group in consideration for the assets and liabilities transferred from Shenhua Group.

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

In 2007, the Company issued 1,800,000,000 A shares with a par value of RMB1.00 each at a price of RMB36.99 per A share in the PRC ("A Shares Issue").

Following the A Shares Issue and pursuant to the requirements of the relevant authorities, all the 14,691,037,955 domestic state-owned ordinary shares existing before the A Shares Issue (i.e. ordinary shares of the Company held by Shenhua Group) have become circulative. Shenhua Group had undertaken that for a period of 36 months commencing on the date on which the A shares are listed on the Shanghai Stock Exchange, it did not transfer, put on trust or allow any A shares to be repurchased by the Company.

Pursuant to CaiQi [2009] No.94 "Policy regarding transfer of certain state-owned shares to Social Security Fund in domestic securities market" and Pronouncement of 2009 No.63 "Notice of implementation of transfer of state-owned shares in domestic securities market" issued by the relevant government authorities on 19 June 2009, 180,000,000 A shares of the Company previously held by Shenhua Group have been transferred to the National Council for Social Security Fund.

The selling restriction period for the 14,511,037,955 A shares held by Shenhua Group was expired on 11 October 2010.

All A shares and H shares rank pari passu in all material aspects.

35 Commitments and contingent liabilities

(a) Capital commitments

As at 31 December 2010, the Group and the Company had capital commitments for land and buildings, equipment and investments as follows:

	The Group		***The Company***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Authorised and contracted for				
– Land and buildings	**18,887**	16,008	**9,846**	6,970
– Machinery and others	**17,262**	19,002	**7,927**	5,496
– Investment in an associate	**176**	244	**176**	244
	36,325	35,254	**17,949**	12,710
Authorised but not contracted for				
– Land and buildings	**76,326**	30,234	**14,397**	8,317
– Machinery and others	**69,963**	22,967	**13,469**	5,817
	146,289	53,201	**27,866**	14,134
	182,614	88,455	**45,815**	26,844

(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 2010, 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***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Within one year	**31**	79	**3**	56
After one year but within five years	**43**	132	**1**	79
After five years	**40**	63	**13**	23
	114	274	**17**	158

(c) Financial guarantees issued

The Group had not issued guarantee to any third party as at 31 December 2010.

At 31 December 2010, the maximum liability of the Company under guarantees issued in respect of bank loans drawn by a domestic subsidiary of the Company was RMB746 million (2009: RMB1,086 million).

In addition to the above guarantees, the Company has issued a guarantee of USD192 million, approximately RMB1,272 million (2009: USD50 million, approximately RMB341 million) to a bank in respect of a 70% owned overseas subsidiary of the Company. Under the guarantee arrangement, the bank provides guarantee to a group of financial institutions for the subsidiary. In addition, the subsidiary provides a counter guarantee to the Company secured by certain of its assets.

35 Commitments and contingent liabilities (continued)

(d) Legal contingencies

The Group is the defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

(e) Environmental contingencies

To date, the Group has not incurred any significant expenditures for environmental remediation, is currently not involved in any environmental remediation, and apart from the provision for land reclamation costs, has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The regulatory bodies, however, have moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

36 Related party transactions

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group

The Group is controlled by Shenhua Group and has significant transactions and relationships with Shenhua Group and its affiliates. Related parties refer to enterprises over which Shenhua Group is able to exercise significant influence or control. The Group also has entered into transactions with its associates, over which the Group can exercise significant influence. Because of the above relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(1) The Group had the following transactions with Shenhua Group and its affiliates, and associates of the Group that were carried out in the normal course of business:

		2010 ***RMB million***	*2009* *RMB million*
Interest income	(i)	**10**	4
Income from entrusted loans	(ii)	**43**	46
Interest expense	(iii)	**99**	136
Purchases of ancillary materials and spare parts	(iv)	**1,720**	1,328
Ancillary and social services	(v)	**470**	414
Transportation service income	(vi)	**542**	537
Transportation service expense	(vii)	**597**	800
Sale of coal	(viii)	**3,530**	2,043
Purchase of coal	(ix)	**2,658**	5,202
Property leasing	(x)	**24**	36
Repairs and maintenance services expense	(xi)	**26**	36
Coal export agency expense	(xii)	**48**	61
Income from equipment installation and construction work	(xiii)	**1**	30
Purchase of equipment and construction work	(xiv)	**414**	354
Other income	(xv)	**218**	118

(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 the PBOC.

(ii) Income from entrusted loans represents interest earned from entrusted loans to an associate of the Group. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by the PBOC.

(iii) Interest expense represents interest incurred 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 the PBOC.

(iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies from affiliates of Shenhua Group and an associate of the Group related to the Group's operations.

(v) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to affiliates of Shenhua Group and associates of the Group.

(vi) Transportation service income represents income earned from affiliates of Shenhua Group and associates of the Group in respect of coal transportation services.

(vii) Transportation service expense represents expense related to coal transportation service provided by an affiliate of Shenhua Group and associates of the Group.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(viii) Sale of coal represents income from sale of coal to affiliates of Shenhua Group and associates of the Group.

(ix) Purchase of coal represents coal purchased from affiliates of Shenhua Group and associates of the Group.

(x) Property leasing represents rental paid or payable in respect of properties leased from affiliates of Shenhua Group.

(xi) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by affiliates of Shenhua Group and an associate of the Group.

(xii) Coal export agency expense represents expense related to coal export agency services provided by an affiliate of Shenhua Group.

(xiii) Income from equipment installation and construction work represents equipment installation and construction service provided to an affiliate of Shenhua Group and an associate of the Group.

(xiv) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by affiliates of Shenhua Group and an associate of the Group.

(xv) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, 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.

(2) The Group entered into a number of agreements with Shenhua Group and its affiliates, and associates of the Group. The terms of the principal agreements are summarised as follows:

(i) The Group has entered into a mutual supply agreement for the mutual provision of production supplies and ancillary services with affiliates of Shenhua Group. Pursuant to the agreement, affiliates of Shenhua Group provides the Company with the production supplies and services, ancillary production services including the use of the information network system and ancillary administrative services. On the other hand, the Company provides the affiliates of Shenhua Group with water supplies, rolling stock management, railway management, railway transportation and other related or similar production supplies or services and use of the information network system.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

The products and services provided under the agreement, other than the sharing of use of the information network system which is free of charge, are provided in accordance with the following pricing policy:

- price prescribed by the state (including any price prescribed by any relevant local government), if applicable;
- where there is no state-prescribed price but where there is a state-guidance price, then the state-guidance price;
- where there is neither a state-prescribed price nor a state-guidance price, the market price; or
- where none of the above is applicable or where it is not practical to apply the above pricing policies in reality, the price to be agreed between the relevant parties shall be based on reasonable costs incurred in providing the goods or services plus a profit margin of 5% of such costs.

(ii) The Group has entered into coal supply agreements with affiliates of Shenhua Group and 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 the 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 affiliates of Shenhua Group for leasing of certain properties to each other. No rent is payable by the Company before the affiliates of Shenhua Group obtains the relevant property ownership certificate. The rental charges are based on comparable market rates. If the affiliates of Shenhua Group negotiate to sell a leased property to a third party, the Company has a pre-emptive right to purchase such property under terms no less favourable than other third party.

(v) The Group has entered into a land leasing agreement with affiliates of Shenhua Group. The annual rent is determined based on the local market rate. The Group is not allowed to sub-let the leased land.

(vi) The Group has entered into an agency agreement for the export of coal with an affiliate of Shenhua Group. The affiliate of Shenhua Group is appointed as a non-exclusive export agent of the Company and is entitled to receive an agency fee based on the relevant market rates or lower rates. Currently, the rate is 0.7% of the free on board sales price of price of coal exported.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and associates of the Group (continued)

(vii) The Group entered into an agency agreement for the sale of coal with affiliates of Shenhua Group. The Group is appointed as the exclusive sales agent of affiliates of Shenhua Group for thermal coal and non-exclusive sales agent for coking coal. The Group is entitled to receive an agency fee, which is based on its related costs incurred plus a profit margin of 5% for sales of coal outside the Inner Mongolia Autonomous Region. No agency fee is charged for sales of coal within the Inner Mongolia Autonomous Region.

(viii) The Group has entered into agreements with affiliates of Shenhua Group under which the Group has been granted the right to use certain trademarks. Affiliates of Shenhua Group bear its own cost for the registration of such trademarks during the term of the trademarks license agreement and expenses for enforcement against any infringement of the licensed trademarks by third parties.

Amounts due from/to Shenhua Group and its affiliates, and associates of the Group:

	Note	***2010*** **RMB million**	*2009* *RMB million*
Cash and cash equivalents	27(a)	**1,591**	629
Accounts receivable	25	**278**	91
Prepaid expenses and other current assets	26	**493**	272
Other non-current assets	22	**1,045**	743
Total amounts due from Shenhua Group and its affiliates, and associates of the Group		**3,407**	1,735
Borrowings	29	**2,147**	2,147
Accounts payable	30	**524**	663
Accrued expenses and other payables	31	**145**	157
Total amounts due to Shenhua Group and its affiliates, and associates of the Group		**2,816**	2,967

Other than those disclosed in Notes 36(a)(1)(i), 36(a)(1)(ii) and 36(a)(1)(iii) above, amounts due from/to Shenhua Group and its affiliates, and associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

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:

	2010 ***RMB million***	*2009* *RMB million*
Short-term employee benefits	**8**	6
Post-employment benefits	**1**	1
	9	7
Fair value (gain)/loss on revaluation of share appreciation rights	**(6)**	22

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 associates of the Group as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

- Power sales;
- Sales and purchases of coal;
- Transportation services;
- Construction work;
- Purchases of ancillary materials and spare parts;
- Ancillary and social services; and
- Financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

36 Related party transactions (continued)

(d) Transactions with other state-controlled entities in the PRC (continued)

(i) Transactions with other state-controlled entities, including state-controlled banks in the PRC

	2010 ***RMB million***	*2009* *RMB million*
Coal revenue	**63,253**	37,777
Power revenue	**44,116**	32,807
Transportation costs	**4,651**	5,999
Interest income	**1,164**	1,113
Interest expenses	**3,479**	3,716

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	2010 ***RMB million***	*2009* *RMB million*
Accounts receivable	**6,865**	5,082
Prepaid expenses and other current assets	**3,000**	–
Cash and time deposits at banks	**73,773**	72,181
Borrowings	**62,481**	74,036
Accrued expenses and other payables	**415**	304

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 2010 were RMB1,144 million (2009: RMB1,014 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.

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.

37 Employee benefits plan (continued)

The fair value of the financial liability for share appreciation rights was remeasured as at 31 December 2010 of RMB75 million (2009: RMB95 million) and an income of RMB20 million (2009: an expense of RMB63 million) was recognised for the year ended 31 December 2010.

The number of granted share appreciation rights outstanding is set out below:

	2010 ***Million shares***	*2009* *Million shares*
At the beginning of the year	**6.1**	6.7
Exercised during the year	**(0.1)**	(0.5)
Forfeited during the year	**(0.1)**	(0.1)
At the end of the year	**5.9**	6.1

38 Segment and other information

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following five reportable segments. No operating segments have been aggregated to form the following reportable segments.

(1) Coal operations – which produces coal from surface and underground mines, and the sale of coal to external customers and the power segment. The Group primarily sells its coal under long-term coal supply contracts which typically allow the parties to make annual price adjustments.

(2) Power operations – which uses coal, sourced from the coal mining segment and purchased from external suppliers, to generate electric power for sale to external power grid companies and to the coal segment. Electric power is sold to the power grid companies in accordance with planned power output at the tariff rates as approved by the relevant government authorities. Electric power produced in excess of the planned power output is sold at the tariff rate as agreed upon with the respective power grid companies which are generally lower than the tariff rates for planned power output.

(3) Railway operations – which provides railway transportation services to the coal mining segment and external customers. The rates of freight charges billed to the coal mining segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.

(4) Port operations – which provides loading, transportation and storage services to the coal mining segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.

(5) Shipping operations – which provides shipment transportation services to the power segment, the coal mining segment and external customers. The rates of freight charges billed to the power segment, the coal mining segment and external customers are consistent.

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 2010 and 2009 is set out below.

	Coal		Power		Railway		Port		Shipping		Total	
	2010 RMB million	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million	**2010 RMB million**	2009 RMB million
Revenue from external customers	**103,579**	85,754	**45,127**	33,407	**2,303**	2,003	**152**	148	**902**	–	**152,063**	121,312
Inter-segment revenue	**22,296**	14,142	**336**	387	**19,003**	17,555	**2,448**	1,859	**659**	–	**44,742**	33,943
Reportable segment revenue	**125,875**	99,896	**45,463**	33,794	**21,306**	19,558	**2,600**	2,007	**1,561**	–	**196,805**	155,255
Reportable segment profit before income tax	**38,104**	31,149	**6,124**	5,242	**8,937**	8,613	**271**	73	**143**	–	**53,579**	45,077
Including:												
Net interest expense	**(398)**	(547)	**(2,384)**	(2,051)	**(347)**	(372)	**(230)**	(290)	**(9)**	–	**(3,368)**	(3,260)
Depreciation and amortisation	**(5,299)**	(4,721)	**(5,205)**	(4,221)	**(2,031)**	(1,791)	**(675)**	(672)	**(37)**	–	**(13,247)**	(11,405)
Share of profits less losses of associates	**333**	526	**160**	166	**35**	35	**7**	4	**–**	–	**535**	731

(b) Reconciliations of reportable segment revenues and profit or loss

	2010 RMB million	2009 RMB million
Revenues		
Reportable segment revenue	**196,805**	155,255
Elimination of inter-segment revenue	**(44,742)**	(33,943)
Consolidated revenues	**152,063**	121,312
Profit		
Reportable segment profit	**53,579**	45,077
Elimination of inter-segment profits	**(139)**	(57)
Unallocated head office and corporate expenses	**1,313**	792
Consolidated profit before income tax	**54,753**	45,812

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***	
	2010	*2009*	***2010***	*2009*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Asia Pacific markets				
– PRC (place of domicile)	**146,251**	113,795	**230,880**	215,463
– Other Asia Pacific markets	**5,732**	7,475	**5,299**	3,100
Other markets	**80**	42	**–**	–
	152,063	121,312	**236,179**	218,563

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 RMB107,369 million (2009: RMB70,584 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 2010 and 2009 is set out below:

	Coal		*Power*		*Railway*		*Port*		*Shipping*		*Unallocated items*		*Eliminations*		*Total*	
	2010 RMB million	*2009 RMB million*	**2010 RMB million**	*2009 RMB million*	**2010 RMB million**	*2009 RMB million*	**2010 RMB million**	*2009 RMB million*	**2010 RMB million**	*2009 RMB million*	**2010 RMB million**	*2009 RMB million*	**2010 RMB million**	*2009 RMB million*	**2010 RMB million**	*2009 RMB million*
Coal purchased from third parties	**26,499**	14,187	**–**	–	**–**	–	**–**	–	–	–	**–**	–	**–**	–	**26,499**	14,187
Cost of coal production	**25,430**	21,168	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(7,940)**	(5,628)	**17,490**	15,540
Cost of coal transportation	**29,337**	27,017	**–**	–	**9,462**	8,711	**1,714**	1,321	**571**	–	**–**	–	**(26,706)**	(21,850)	**14,378**	15,199
Power cost	**–**	–	**34,720**	24,143	**–**	–	**–**	–	**–**	–	**–**	–	**(10,074)**	(6,553)	**24,646**	17,590
Others	**1,058**	1,028	**475**	584	**1,389**	1,251	**121**	113	**782**	–	**–**	–	**–**	–	**3,825**	2,976
Total cost of revenues	**82,324**	63,400	**35,195**	24,727	**10,851**	9,962	**1,835**	1,434	**1,353**	–	**–**	–	**(44,720)**	(34,031)	**86,838**	65,492
Profit/(loss) from operations	**38,156**	31,133	**8,353**	7,106	**9,712**	8,801	**514**	348	**150**	–	**(112)**	(16)	**(322)**	(264)	**56,451**	47,108
Capital expenditure (Note (i))	**12,004**	7,983	**8,377**	18,502	**4,926**	3,842	**802**	400	**589**	–	**398**	313	**–**	–	**27,096**	31,040
Total assets (Note (ii))	**158,321**	111,993	**114,380**	112,540	**47,136**	41,668	**10,273**	10,129	**2,159**	–	**182,779**	155,827	**(174,188)**	(120,480)	**340,860**	311,677
Total liabilities (Note (ii))	**(90,995)**	(74,413)	**(79,953)**	(79,986)	**(21,559)**	(20,263)	**(4,981)**	(5,235)	**(534)**	–	**(86,384)**	(54,333)	**172,334**	119,971	**(112,072)**	(114,259)

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.

for the year ended 31 December 2010
(Expressed in Renminbi)

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 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(b))	–	–	–	–	(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
At 1 January 2010	**19,890**	**85,001**	**13,354**	**270**	**40,482**	**158,997**
Total comprehensive income:						
Profit for the year	**–**	**–**	**–**	**–**	**17,910**	**17,910**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**17,910**	**17,910**
Other movements:						
Dividend declared (Note 14(b))	**–**	**–**	**–**	**–**	**(10,541)**	**(10,541)**
Appropriation of maintenance and production funds (Note)	**–**	**–**	**2,822**	**–**	**(2,822)**	**–**
Utilisation of maintenance and production funds (Note)	**–**	**–**	**(2,039)**	**–**	**2,039**	**–**
Realisation of deferred tax	**–**	**–**	**–**	**(19)**	**19**	**–**
Realisation of revaluation reserve	**–**	**–**	**–**	**(8)**	**8**	**–**
Sub-total	**–**	**–**	**783**	**(27)**	**(11,297)**	**(10,541)**
At 31 December 2010	**19,890**	**85,001**	**14,137**	**243**	**47,095**	**166,366**

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 2010, the aggregate amount of retained earnings determined in accordance with the China Accounting Standards available for distribution to equity shareholders of the Company was RMB44,701 million (2009: RMB37,935 million). After the end of the reporting period, the directors proposed a final dividend of RMB0.75 per share (2009: RMB0.53 per share), amounting to RMB14,917 million (2009: RMB10,541 million) (Note 14(a)). This dividend has not been recognised as a liability at the end of the reporting period.

(b) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2010 was 33% (2009: 37%).

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 statement of financial position 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 end of the reporting period 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 2010, 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 RMB82 million (2009: RMB79 million).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the end of the reporting period had changed at that date, assuming all other risk variables remained constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the end of the reporting period. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2009.

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 2010, 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 RMB476 million (2009: RMB385 million).

Financial liabilities

At 31 December 2010, 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 RMB388 million (2009: RMB542 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 end of the reporting period and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the end of the reporting period. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the end of the reporting period, the impact on the Group's profit after tax and retained earnings is estimated as an annualised impact on interest income or expense of such a change in the interest rates. The analysis is performed on the same basis for 2009.

(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 end of the reporting period.

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 2010 and 2009.

The fair values of long-term borrowings and long-term payables are estimated by discounting future cash flows using current market interest rates offered to the Group and the Company for borrowings with substantially the same characteristics and maturities.

The fair values of all other financial assets and liabilities approximate their carrying amounts due to the nature or short-term maturity of these instruments.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following table details the remaining contractual maturities at the end of the reporting period of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the end of the reporting period) and the earliest date the Group can be required to pay:

40 Financial risk management and fair values (continued)

(e) Liquidity risk (continued)

	2010					
	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	**64,628**	**76,245**	**18,931**	**13,660**	**17,542**	**26,112**
Accounts and bills payable, accrued expenses and other payables	**29,541**	**29,541**	**29,521**	**8**	**12**	**–**
	94,169	**105,786**	**48,452**	**13,668**	**17,554**	**26,112**

	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

(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.

41 Accounting judgements and estimates (continued)

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.

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.

41 Accounting judgements and estimates (continued)

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 2010:

(a) Pursuant to the resolution passed at the extraordinary general meeting held on 25 February 2011, the Company's shareholders approved the acquisition of equity interests and assets of certain subsidiaries held directly or indirectly by Shenhua Group. These companies are engaged in coal, power and other relevant operations. The consideration payable in connection with the acquisition is RMB8,702 million in cash, which is determined with reference to a valuation report issued by Beijing China Enterprise Appraisal Co., Ltd.

(b) On 25 March 2011, the Board of Directors proposed a final dividend of RMB0.75 per ordinary share totalling RMB14,917 million to the equity shareholders of the Company. Further details are disclosed in Note 14(a).

43 Immediate and ultimate controlling party

At 31 December 2010, 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.

44 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting year ended 31 December 2010

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 2010 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
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
Improvements to IFRSs 2010	1 July 2010 or 1 January 2011
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
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards – Severe hyperinflation and removal of fixed dates for first-time adopters*	1 July 2011
Amendments to IFRS 7, *Financial Instruments: Disclosures – Transfers of financial assets*	1 July 2011
Amendments to IAS 12, *Income taxes – Deferred tax: Recovery of underlying assets*	1 January 2012
IFRS 9, *Financial instruments*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments, new standards and interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's or the Company's results of operations and financial position.

Documents Available for Inspection

1. The annual report for the year 2010 signed by the legal representative;

2. The annual financial statements signed and sealed by the legal representative, the Chief Financial Officer and the General Manager of the Financial Department;

3. The original copy of the auditor's report sealed by the accounting firm and signed and sealed by the certified public accountant;

4. The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period;

5. The annual report for the year 2010 published on the websites of the stock exchanges in places of listing in the PRC and overseas.

China Shenhua Energy Company Limited
Zhang Xiwu
Chairman

25 March 2011

Signing Page for **Opinions**

Written Confirmation to the 2010 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 (as revised in 2007) issued by CSRC requires that the board of directors of a listed company and its directors shall guarantee the truthfulness, accuracy and completeness of the content of the annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any director who is unable to guarantee the truthfulness, accuracy and completeness of the annual report or disagrees with the same, his reasons and opinion shall be stated separately. The name of any absent director shall be listed separately.

Having fully understood and reviewed the 2010 Annual Report of the Company, the Board and all Directors are of the opinion that information disclosed in the 2010 Annual Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Signature of all Directors of the Company:

Zhang Xiwu

Zhang Yuzhuo

Ling Wen

Han Jianguo

Fan Hsu Lai Tai

Gong Huazhang

Liu Benren

Xie Songlin

Guo Peizhang

China Shenhua Energy Company Limited
25 March 2011

Written Review Opinion on the 2010 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 (as revised in 2007) issued by CSRC requires that the supervisory committee of a listed company and its supervisors shall guarantee the truthfulness, accuracy and completeness of the content of the annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any supervisor who is unable to guarantee the truthfulness, accuracy and completeness of the annual report or disagrees with the same, his reasons and opinion shall be stated separately.

Having fully understood and reviewed the 2010 Annual Report of the Company, the supervisory committee and all supervisors are of the opinion that information disclosed in the 2010 Annual Report is true, accurate and complete. The supervisory committee and all supervisors hereby warrant that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Signature of all supervisors of the Company:

Sun Wenjian

Tang Ning

Zhao Shibin

China Shenhua Energy Company Limited

25 March 2011

Written Confirmation to the 2010 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 (as revised in 2007) issued by CSRC requires that senior management of a listed company shall guarantee the truthfulness, accuracy and completeness of the content of its annual report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any senior management member who is unable to guarantee the truthfulness, accuracy and completeness of the annual report or disagrees with the content of the same, his reasons and opinion shall be stated separately.

Having fully understood and reviewed the 2010 Annual Report of the Company, all senior management members of the Company are of the opinion that information disclosed in the 2010 Annual Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Signature of all senior management members of the Company:

Ling Wen

Wang Jinli

Huang Qing

Zhang Kehui

China Shenhua Energy Company Limited

25 March 2011

Definitions

Abbreviation	Full name
Shenhua Group Corporation	Shenhua Group Corporation Limited
Shenhua Group	Shenhua Group Corporation and its subsidiaries
China Shenhua or the Company	China Shenhua Energy Company Limited
the Group	China Shenhua and its subsidiaries
Shendong Coal Branch	China Shenhua Energy Company Limited Shendong 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.
Shendong Coal Group	the corporation conglomerate consisting of Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
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 Power Co., Ltd.
Huanghua Power	Hebei Guohua Cangdong Power Co., Ltd.

Abbreviation	Full name
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.
Zhunge'er Power	Power-generating arm controlled and operated by Shenhua Zhunge'er Energy Co., Ltd.
Huizhou Thermal	China Shenhua Energy Company Limited Guohua Huizhou Thermal Power Branch
Australia Holdings	Shenhua Australia Holdings Pty Limited
Watermark	Shenhua Watermark Coal Pty Limited
EMM Indonesia	PT.GH EMM INDONESIA
Wuhai Energy	Shenhua Wuhai Energy Company Limited
Shenhua Finance	Shenhua Finance Co., Ltd.
Shenhua Trading	Shenhua Coal Trading Co., Ltd.
Shenhua Shipping Company	Shenhua Zhonghai Shipping Co., Ltd. (formerly known as Zhuhai New Century Shipping Ltd.)
Branches and Subsidiaries	Branches and subsidiaries of the Company, unless otherwise specified in the context
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
CSRC	China Securities Regulatory Commission

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				
	2006	*2007*	*2008*	*2009*	***2010***
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
Revenues					
Coal revenue	45,948	55,741	74,572	84,618	**102,791**
Power revenue	17,056	23,922	29,393	33,157	**44,733**
Other revenues	2,182	2,444	3,168	3,537	**4,539**
Total operating revenues	65,186	82,107	107,133	121,312	**152,063**
Cost of revenues					
Coal purchased from third parties	(6,935)	(10,719)	(15,585)	(14,187)	**(26,499)**
Materials, fuel and power	(3,764)	(6,276)	(8,433)	(9,513)	**(12,079)**
Personnel expenses	(2,677)	(3,960)	(5,343)	(5,727)	**(6,958)**
Depreciation and amortisation	(6,456)	(7,785)	(9,396)	(10,624)	**(12,394)**
Repairs and maintenance	(3,187)	(3,612)	(4,717)	(5,035)	**(5,719)**
Transportation charges	(6,259)	(6,845)	(7,227)	(9,273)	**(10,343)**
Others	(3,777)	(4,576)	(8,677)	(11,133)	**(12,846)**
Total cost of revenues	(33,055)	(43,773)	(59,378)	(65,492)	**(86,838)**
Selling, general and administrative expenses	(4,359)	(5,144)	(6,961)	(8,055)	**(8,143)**
Other operating expenses, net	(281)	(693)	(1,119)	(657)	**(631)**
Total operating expenses	(37,695)	(49,610)	(67,458)	(74,204)	**(95,612)**
Profit from operations	27,491	32,497	39,675	47,108	**56,451**
Finance income	521	1,034	1,288	1,286	**1,323**
Finance expenses	(2,658)	(3,417)	(4,681)	(3,324)	**(3,636)**
Net finance costs	(2,137)	(2,383)	(3,393)	(2,038)	**(2,313)**
Investment (loss)/income	(1)	38	39	11	**–**
Share of profits less losses of associates	564	627	654	731	**615**
Profit before income tax	25,917	30,779	36,975	45,812	**54,753**
Income tax	(5,394)	(6,742)	(7,076)	(9,626)	**(11,184)**
Profit for the year	20,523	24,037	29,899	36,186	**43,569**
Profit attributable to:					
Equity shareholders of the Company	17,644	20,581	26,641	31,706	**38,132**
Non-controlling interests	2,879	3,456	3,258	4,480	**5,437**
Profit for the year	20,523	24,037	29,899	36,186	**43,569**
Basic earnings per share (RMB)	0.975	1.110	1.339	1.594	**1.917**
Diluted earnings per share (RMB)	0.975	1.110	1.339	1.594	**1.917**

Condensed Consolidated Statement of Financial Position

	As at 31 December				
	2006	*2007*	*2008*	*2009*	***2010***
	RMB million	*RMB million*	*RMB million*	*RMB million*	***RMB million***
Property, plant and equipment, net	113,371	131,059	145,253	163,645	**179,434**
Total non-current assets	142,005	168,341	197,634	219,218	**236,865**
Total current assets	29,994	70,186	77,906	92,459	**103,995**
Total current liabilities	(36,124)	(33,371)	(42,656)	(55,684)	**(58,900)**
Total non-current liabilities	(46,644)	(55,352)	(61,141)	(58,575)	**(53,172)**
Net assets	89,231	149,804	171,743	197,418	**228,788**
Equity attributable to equity shareholders of the Company	69,784	129,788	147,432	170,661	**198,325**
Non-controlling interests	19,447	20,016	24,311	26,757	**30,463**
Total equity	89,231	149,804	171,743	197,418	**228,788**

2009 Annual Report

2008 Annual Report

2007 Annual Report

2006 Annual Report

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