中国神华
CHINA SHENHUA

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

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

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2011

FINANCIAL HIGHLIGHTS

- Revenues of the Group in 2011 were RMB208,197 million, representing an increase of RMB50,535 million or 32.1% over 2010.
- Profit attributable to equity shareholders of the Company in 2011 was RMB45,677 million, representing an increase of RMB6,843 million or 17.6% over 2010.
- Earnings per share was RMB2.296.
- EBITDA[1] in 2011 was RMB83,876 million, representing an increase of RMB12,653 million or 17.8% over 2010.
- The Board proposed a final dividend of RMB0.90 per share or RMB17,901 million for the year of 2011.

The Board of China Shenhua Energy Company Limited (the "Company") is pleased to present the annual results of the Company and its subsidiaries (the "Group" or "China Shenhua") for the year ended 31 December 2011 and to report our performance for the year.

FINANCIAL INFORMATION

Financial information extracted from the audited financial statements for the year ended 31 December 2011 prepared in accordance with International Financial Reporting Standards ("IFRSs"):

Note 1: EBITDA is defined as profit for the year plus net financing costs, income tax, depreciation and amortisation, and excluding investment income and shares of profits less losses of associates.

Consolidated statement of comprehensive income

for the year ended 31 December 2011
(Expressed in Renminbi)

	Note	*2011* *RMB million*	*2010* *RMB million*
			(restated- Notes 1 and 2)
Revenues			
Coal revenue		**140,090**	106,080
Power revenue		**58,348**	44,800
Other revenues		**9,759**	6,782
Total operating revenues	3	**208,197**	157,662
Cost of revenues			
Coal purchased		**(45,753)**	(26,437)
Materials, fuel and power		**(14,777)**	(12,335)
Personnel expenses		**(9,090)**	(7,290)
Depreciation and amortisation		**(14,606)**	(12,718)
Repairs and maintenance		**(6,027)**	(5,736)
Transportation charges		**(18,304)**	(10,570)
Others		**(19,535)**	(15,056)
Total cost of revenues		**(128,092)**	(90,142)
Selling, general and administrative expenses		**(10,973)**	(9,219)
Other operating expenses, net		**(827)**	(776)
Total operating expenses	4	**(139,892)**	(100,137)
Profit from operations		**68,305**	57,525
Finance income	5	**1,082**	1,397
Finance expenses	5	**(3,218)**	(3,645)
Net finance costs		**(2,136)**	(2,248)
Investment income		**1**	174
Share of profits less losses of associates		**290**	491
Profit before income tax		**66,460**	55,942
Income tax	*6*	**(13,951)**	(11,473)
Profit for the year		**52,509**	44,469
Other comprehensive income			
Exchange differences on translation of financial statements of overseas subsidiaries		**(61)**	67
Total comprehensive income for the year		**52,448**	44,536
Profit attributable to:			
Equity shareholders of the Company		**45,677**	38,834
Non-controlling interests		**6,832**	5,635
Profit for the year		**52,509**	44,469
Total comprehensive income attributable to:			
Equity shareholders of the Company		**45,623**	38,906
Non-controlling interests		**6,825**	5,630
Total comprehensive income for the year		**52,448**	44,536
Earnings per share (RMB)	8		
– Basic		**2.296**	1.952
– Diluted		**2.296**	1.952

Consolidated statement of financial position
at 31 December 2011
(Expressed in Renminbi)

	Note	***2011 RMB million***	*2010 RMB million*
			(restated-Notes 1 and 2)
Non-current assets			
Property, plant and equipment, net		**219,904**	188,061
Construction in progress		**34,169**	33,088
Intangible assets		**3,596**	3,248
Interest in associates		**3,065**	2,818
Other long-term equity investments		**835**	971
Other non-current assets		**18,746**	12,605
Lease prepayments		**11,892**	11,411
Deferred tax assets		**933**	468
Total non-current assets		**293,140**	252,670
Current assets			
Inventories		**12,628**	11,574
Accounts and bills receivable, net	9	**13,365**	11,424
Prepaid expenses and other current assets		**12,884**	14,250
Restricted bank deposits		**4,115**	2,052
Time deposits with original maturity over three months		**3,508**	2,949
Cash and cash equivalents		**61,437**	77,212
Total current assets		**107,937**	119,461
Current liabilities			
Short-term borrowings and current portion of long-term borrowings		**16,389**	15,317
Accounts and bills payable	10	**23,668**	19,661
Accrued expenses and other payables		**39,296**	36,893
Current portion of long-term payables		**271**	497
Income tax payable		**7,925**	4,558
Total current liabilities		**87,549**	76,926
Net current assets		**20,388**	42,535
Total assets less current liabilities		**313,528**	295,205
Non-current liabilities			
Long-term borrowings, less current portion		**44,013**	52,311
Long-term payables, less current portion		**2,346**	2,133
Accrued reclamation obligations		**1,724**	1,702
Deferred tax liabilities		**1,131**	1,632
Total non-current liabilities		**49,214**	57,778
Net assets		**264,314**	237,427
Equity			
Share capital		**19,890**	19,890
Reserves		**205,932**	185,223
Equity attributable to equity shareholders of the Company		**225,822**	205,113
Non-controlling interests		**38,492**	32,314
Total equity		**264,314**	237,427

Consolidated statement of changes in equity

for the year ended 31 December 2011
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	Revaluation reserve RMB million	Exchange reserve RMB million	Statutory reserves RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
At 1 January 2010 (as previously reported)	19,890	85,001	(6,591)	7,135	610	13,658	124	50,834	170,661	26,757	197,418
Adjustment in relation to the Acquired Entities and Business (Note 1)	–	–	–	–	(2)	296	2,738	714	3,746	994	4,740
Change in accounting policy (Note 2)	–	–	10,203	(7,135)	–	–	(755)	(807)	1,506	830	2,336
At 1 January 2010 (as restated)	19,890	85,001	3,612	–	608	13,954	2,107	50,741	175,913	28,581	204,494
Total comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	38,834	38,834	5,635	44,469
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	–	–	–	–	72	–	–	–	72	(5)	67
Total comprehensive income for the year	–	–	–	–	72	–	–	38,834	38,906	5,630	44,536
Other movements:											
Dividend declared (Note 7)	–	–	–	–	–	–	–	(10,541)	(10,541)	–	(10,541)
Appropriation of maintenance and production funds	–	–	–	–	–	3,410	–	(3,410)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	–	(2,566)	–	2,566	–	–	–
Appropriation of general reserve	–	–	–	–	–	123	–	(123)	–	–	–
Contributions from then shareholders in relation to the Acquired Entities and Business	–	–	–	–	–	–	1,382	–	1,382	–	1,382
Distributions to then shareholders in relation to the Acquired Entities and Business	–	–	–	–	–	–	–	(547)	(547)	(197)	(744)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	381	381
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	(2,814)	(2,814)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	733	733
Sub-total	–	–	–	–	–	967	1,382	(12,055)	(9,706)	(1,897)	(11,603)
At 31 December 2010 (as restated)	19,890	85,001	3,612	–	680	14,921	3,489	77,520	205,113	32,314	237,427

	Share capital RMB million	Share premium RMB million	Capital reserve RMB million	Exchange reserve RMB million	Statutory reserves RMB million	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Non-controlling interests RMB million	Total equity RMB million
	Equity attributable to equity shareholders of the Company									
At 1 January 2011 (as restated)	19,890	85,001	3,612	680	14,921	3,489	77,520	205,113	32,314	237,427
Total comprehensive income:										
Profit for the year	-	-	-	-	-	-	45,677	45,677	6,832	52,509
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	-	-	-	(54)	-	-	-	(54)	(7)	(61)
Total comprehensive income for the year	-	-	-	(54)	-	-	45,677	45,623	6,825	52,448
Other movements:										
Dividend declared (Note 7)	-	-	-	-	-	-	(14,917)	(14,917)	-	(14,917)
Appropriation of maintenance and production funds	-	-	-	-	3,736	-	(3,736)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	(2,677)	-	2,677	-	-	-
Appropriation of general reserve	-	-	-	-	33	-	(33)	-	-	-
Contributions from then shareholders in relation to the Acquired Entities and Business	-	-	-	-	-	455	-	455	-	455
Distributions to then shareholders in relation to the Acquired Entities and Business	-	-	-	-	-	-	(136)	(136)	(105)	(241)
Contributions from non-controlling interests	-	-	-	-	-	-	-	-	2,005	2,005
Distributions to non-controlling interests	-	-	-	-	-	-	-	-	(3,456)	(3,456)
Consideration for the Acquired Entities and Business (Note 1)	-	-	-	-	-	(10,316)	-	(10,316)	-	(10,316)
Acquisition of subsidiaries	-	-	-	-	-	-	-	-	909	909
Sub-total	-	-	-	-	1,092	(9,861)	(16,145)	(24,914)	(647)	(25,561)
At 31 December 2011	19,890	85,001	3,612	626	16,013	(6,372)	107,052	225,822	38,492	264,314

Note:

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 Corporation Limited ("Shenhua Group") were converted into H shares. A total of 3,398,582,500 H shares were listed on the Stock Exchange of Hong Kong Limited.

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

Consolidated statement of cash flows

for the year ended 31 December 2011

(Expressed in Renminbi)

	Note	*2011* *RMB million*	*2010* *RMB million* (restated- Notes 1 and 2)
Operating activities			
Cash generated from operations		**84,656**	70,852
Interest received		**968**	1,248
Interest paid		**(3,219)**	(3,760)
Income tax paid		**(11,740)**	(9,767)
Net cash generated from operating activities		**70,665**	58,573
Investing activities			
Capital expenditure		**(44,713)**	(30,538)
Lease prepayments		**(259)**	(1,633)
Payment for the acquisition of Acquired Entities and Business	1(a)	**(8,702)**	–
Acquisition of subsidiaries	1(b)	**(1,666)**	473
Capital injections in associates		**(90)**	(82)
Purchase of other investments		**–**	(662)
Proceeds from disposal of property, plant and equipment		**50**	130
Dividend received from associates		**151**	273
Dividend received from other investments		**1**	–
Net increase in restricted bank deposits		**(2,063)**	(73)
Increase in time deposits with original maturity over three months		**(5,800)**	(12,651)
Maturity of time deposits with original maturity over three months		**5,241**	16,601
Entrusted loan to a third party		**–**	(3,000)
Repayment of entrusted loan from a third party		**3,000**	30
Net cash used in investing activities		**(54,850)**	(31,132)
Financing activities			
Proceeds from borrowings		**4,671**	31,548
Repayments of borrowings		**(20,814)**	(42,225)
Contributions from non-controlling interests		**2,005**	381
Distributions to non-controlling interests		**(2,742)**	(2,349)
Dividend paid to equity shareholders of the Company		**(14,917)**	(10,541)
Contributions from then shareholders in relation to the Acquired Entities and Business		**455**	1,382
Distributions to then shareholders in relation to the Acquired Entities and Business		**(241)**	(744)
Net cash used in financing activities		**(31,583)**	(22,548)
Net (decreased)/increase in cash and cash equivalents		**(15,768)**	4,893
Cash and cash equivalents, at the beginning of the year		**77,212**	72,321
Effect of foreign exchange rate changes		**(7)**	(2)
Cash and cash equivalents, at the end of the year		**61,437**	77,212

Notes to the financial information

for the year ended 31 December 2011
(Expressed in Renminbi)

1 Acquisitions of subsidiaries

(a) Acquisitions from Shenhua Group

Pursuant to a resolution passed at the extraordinary general meeting on 25 February 2011, the Company acquired the equity interests and assets of certain subsidiaries held directly or indirectly by Shenhua Group, including:

- 56.61% equity interest in Shenhua Baorixile Energy Co., Ltd.;
- 80.00% equity interest in Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.;
- 60.10% equity interest in Hulunbeier Shenhua Clean Coal Co., Ltd.;
- 95.00% equity interest in Shaanxi Jihua Chaijiagou Mining Co., Ltd.;
- 59.29% equity interest in Shenhua Finance Co., Ltd.;
- 100.00% equity interest in Shenhua Material Trading Co., Ltd.;
- 100.00% equity interest in Shenhua Tianhong Trading Co., Ltd.;
- 80.00% equity interest in Shenhua Hollysys Information Technology Co., Ltd.;
- 100.00% equity interest in Shenhua Geological Exploration Co., Ltd.; and
- Major operating assets and related liabilities of Shenhua Group Baotou Mining Co., Ltd.

, collectively referred to as the “Acquired Entities and Business”.

During the year ended 31 December 2011, the Company has paid RMB8,702 million according to the valuation of the Acquired Entities and Business as at 30 June 2010 (the “valuation date”). The Company has to pay an additional RMB1,614 million to Shenhua Group, being the excess of the net assets as at the completion date of the above acquisition over that of the valuation date, for the Acquired Entities and Business.

As the Group and the Acquired Entities and Business were under common control of Shenhua Group, the acquisition of the Acquired Entities and Business is considered as a combination of entities and business under common control. Accordingly, the assets and liabilities of the Acquired Entities and Business have been accounted for at historical cost and the consolidated financial statements of the Group prior to this acquisition have been restated to include the results of operations of the Acquired Entities and Business on a combined basis. The consideration paid and payable by the Company for the Acquired Entities and Business has been accounted for as an equity transaction in the consolidated statement of changes in equity.

(b) ***Acquisitions from third parties***

(i) *During the year ended 31 December 2011*

During the year, the Group obtained control of Guohua Mengjing Power Generation Co., Ltd. ("Guohua Mengjing") by acquiring 51% equity interest in Guohua Mengjing at a cash consideration of RMB950 million. In addition, the Group, through a 51% owned subsidiary, obtained control of Anhui Anqing Wanjiang Power Generation Co., Ltd. ("Anqing Wanjiang"), Anhui Chizhou Jiuhua Power Generation Co., Ltd. ("Chizhou Jiuhua") and Anhui Ma'anshan Wan'nengda Power Generation Co., Ltd. ("Ma'anshan Wan'nengda") by acquiring entire equity interests in Anqing Wanjiang, Chizhou Jiuhua and Ma'anshan Wan'nengda at a total cash consideration of RMB1,726 million, of which RMB867 million has been paid during the year. Guohua Mengjing, Anqing Wanjiang, Chizhou Jiuhua and Ma'anshan Wan'nengda are collectively referred as the "acquired power entities".

Details of fair values of identifiable assets and liabilities of the acquired power entities as at the date of acquisition were as follows:

	RMB million
Cash consideration	**2,676**
Non-current assets	**11,747**
Cash and cash equivalents	**151**
Other current assets	**1,553**
Current liabilities	**(5,044)**
Non-current liabilities	**(5,436)**
Net assets	**2,971**
Non-controlling interests	**(909)**
	2,062
Goodwill recognised	**614**

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of the acquired power entities in 2011:

	RMB million
Cash and cash equivalents acquired	**151**
Cash consideration paid	**(1,817)**
Net outflow of cash and cash equivalents	**(1,666)**

(ii) During the year ended 31 December 2010

On 25 June 2010, the Group increased its equity interest in Shenhua Zhonghai Shipping Company Limited ("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 Zhonghai Shipping in 2010:

	RMB million
Cash and cash equivalents acquired	695
Cash consideration paid	(222)
Net inflow of cash and cash equivalents	473

2 Changes in accounting policies

The International Accounting Standards Board ("IASB") has issued a number of amendments to IFRSs and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (Revised), Related party disclosure
- Improvements to IFRSs (2010)
- IFRIC 19, Extinguishing financial liabilities with equity instruments
- 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

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

Except for the amendment to IFRS 1, First-time adoption of International Financial Reporting Standards, which is part of Improvements to IFRSs (2010), the amendments to IFRSs and the new Interpretation have had no or not yet had a material impact on the Group's financial statements as they were consistent with policies already adopted by the Group or these changes will first be effective as and when the Group enters a relevant transaction.

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of these financial statements.

As a result of amendment to IFRS 1, a first-time adopter of IFRSs is allowed to use an event-driven fair value measurement as deemed cost for its assets and liabilities, even when the measurement date is after the IFRS transition date, provided that the measurement date is before the end of the period covered by the entity's first IFRS financial statements. This amendment can also be adopted retrospectively by existing IFRS reporters at the latest in the first annual period beginning on or after 1 January 2011.

The Company was established in the PRC on 8 November 2004 as a joint stock limited company as a part of a restructuring of Shenhua Group (the "Restructuring"). Pursuant to the Restructuring and as required by the applicable laws and regulations of the PRC, the Group's financial statements prepared under the China Accounting Standards for Business Enterprises included property, plant and equipment and lease prepayments at deemed cost based on the valuation performed by China Enterprise Appraisal Co., Ltd. as of 31 December 2003. The accounting period covered by the Group's first IFRS financial statements is from 1 January 2002 to 31 December 2004. As the valuation was performed as of a date later than the date of transition to IFRSs (i.e. 1 January 2002), the Group was not permitted at that time to adopt these valuations as deemed cost for the purposes of its first IFRS financial statements and instead adopted the following IFRS accounting policies:

– property, plant and equipment were recognised at the revalued amount based on the revaluation performed in 2003 and have been subsequently measured at fair value using the revaluation method; and

– lease prepayments were recognised at historical cost and therefore, the related revaluation gains arising from the valuation in 2003 as mentioned above have not been recognised.

As a result of adoption of amendment to IFRS 1, the Group has adopted the event-driven fair value measurement as of 31 December 2003 as deemed cost for its property, plant and equipment and lease prepayments. In addition, the Group changed its IFRS accounting policy in respect of property, plant and equipment from the revaluation model to the historical cost model in order to align the Group's accounting policy with industry peers to provide more relevant financial information to the users of the Group's financial statements. The change in accounting policy has been applied retrospectively with comparatives restated.

3 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.

4 Total operating expenses

	2011	2010
	RMB million	*RMB million*
		(restated- Notes 1 and 2)
Personnel expenses, including	**14,117**	11,366
– contributions to retirement plans	**1,587**	1,232
– fair value change on revaluation of share appreciation rights	**(70)**	(20)
Depreciation and amortisation	**15,571**	13,698
Net loss on disposal of property, plant and equipment	**167**	80
Cost of inventories	**112,456**	77,502
Auditors' remuneration, including		
– audit services	**27**	23
– other services	**2**	–
Operating lease charges on properties	**450**	350
Allowance for accounts receivable, other receivables and other non-current assets and write down of inventories	**28**	64
Impairment losses on property, plant and equipment	**–**	184
Impairment losses on other long-term equity investments	**138**	229
Donation	**625**	487

5 Finance income/(expenses)

	2011	2010
	RMB million	*RMB million*
		(restated- Notes 1 and 2)
Interest income	**968**	1,248
Gain on remeasurement of derivative financial instruments and trading debt securities	**114**	149
Finance income	**1,082**	1,397
Interest on loans from banks and other financial institutions, and other borrowings	**(3,483)**	(3,969)
Less: Interest expense capitalised	**352**	789
Net interest expense	**(3,131)**	(3,180)
Foreign exchange loss, net	**(87)**	(465)
Finance expenses	**(3,218)**	(3,645)
Net finance costs	**(2,136)**	(2,248)

6 Income tax

	2011	*2010*
	RMB million	*RMB million*
		(restated-Notes 1 and 2)
Provision for PRC income tax	**15,107**	11,217
Deferred taxation	**(1,156)**	256
	13,951	11,473

The provision for PRC current income tax is based on a statutory rate of 25% (2010: 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 subsidiaries of the Company, which are taxed at preferential rates.

Pursuant to the grandfathering arrangement under the Corporate Income Tax Law of the PRC and the relevant documents issued by the state tax bureau of the PRC, the Group's branches and subsidiaries with operations in the western developing region of the PRC were entitled to preferential tax rate of 15% until 2010. In accordance with the relevant documents issued by the state and local tax bureau of the PRC in 2011, certain of the Group's subsidiaries operating in the western developing region of the PRC previously granted the preferential tax rate of 15% continued to enjoy such preferential tax rate during the year. 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% (2010: 30%) and 25% (2010: 25%) respectively. No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during the current and prior years.

7 Dividends

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

	2011	*2010*
	RMB million	*RMB million*
Final dividend proposed after the end of the reporting period of RMB0.90 (2010: RMB0.75) per ordinary share	**17,901**	14,917

The final dividend proposed after the end of the reporting period date 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

	2011	*2010*
	RMB million	*RMB million*
Final dividend in respect of the previous financial year, approved and paid during the year, of RMB0.75 (2010: RMB0.53) per ordinary share	**14,917**	10,541

8 Earnings per share

The calculation of basic earnings per share is based on the profit attributable to ordinary equity shareholders of the Company of RMB45,677 million (2010: RMB38,834 million as restated) and the number of shares in issue during the year of 19,890 million shares (2010: 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.

9 Accounts and bills receivable, net

Credit of up to 60 days is granted to customers with established trading history, otherwise sales on cash terms are required.

The following is the ageing analysis of accounts and bills receivable, net of allowance for doubtful debts:

	2011	*2010*
	RMB million	*RMB million*
		(restated- Notes 1 and 2)
Current	**13,280**	11,332
Less than one year past due	**85**	92
	13,365	11,424

10 Accounts and bills payable

At 31 December 2011, accounts payable of the Group amounting to RMB56 million (2010: RMB20 million as restated) are expected to be settled after one year.

11 Segment information

(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 2011 and 2010 is set out below.

	Coal		*Power*		*Railway*		*Port*		*Shipping*		*Total*	
	2011	*2010*	***2011***	*2010*	***2011***	*2010*	***2011***	*2010*	***2011***	*2010*	***2011***	*2010*
	RMB million	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*
		(restated-Notes 1 and 2)		(restated-Notes 1 and 2)		(restated-Notes 1 and 2)		(restated-Notes 1 and 2)		(restated-Notes 1 and 2)		(restated-Notes 1 and 2)
Revenue from external customers	**142,718**	108,774	**58,845**	45,194	**2,745**	2,285	**147**	152	**2,961**	902	**207,416**	157,307
Inter-segment revenue	**29,600**	22,875	**395**	336	**20,181**	19,021	**2,673**	2,448	**2,138**	659	**54,987**	45,339
Reportable segment revenue	**172,318**	131,649	**59,240**	45,530	**22,926**	21,306	**2,820**	2,600	**5,099**	1,561	**262,403**	202,646
Reportable segment profit before income tax	**46,593**	39,149	**7,940**	5,947	**9,626**	8,880	**520**	270	**670**	143	**65,349**	54,389
Including:												
Net interest expense	**(504)**	(470)	**(2,293)**	(2,400)	**(345)**	(347)	**(231)**	(230)	**(22)**	(9)	**(3,395)**	(3,456)
Depreciation and amortisation	**(6,483)**	(5,654)	**(6,163)**	(5,218)	**(2,108)**	(2,031)	**(676)**	(675)	**(85)**	(37)	**(15,515)**	(13,615)
Share of profits less losses of associates	**199**	266	**58**	138	**–**	–	**6**	7	**–**	–	**263**	411

(b) ***Reconciliations of reportable segment revenues and profit or loss***

	2011	*2010*
	RMB million	*RMB million*
		(restated-Notes 1 and 2)
Revenues		
Reportable segment revenue	**262,403**	202,646
Elimination of inter-segment revenue	**(54,987)**	(45,339)
Unallocated head office and corporate items	**781**	355
Consolidated revenues	**208,197**	157,662
Profit		
Reportable segment profit	**65,349**	54,389
Elimination of inter-segment profits	**(298)**	(139)
Unallocated head office and corporate items	**1,409**	1,692
Consolidated profit before income tax	**66,460**	55,942

(c) ***Geographical information***

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, intangible assets, interest in associates, other long-term equity investments, other non-current assets and lease prepayments ("specified non-current assets").

	Revenues from external customers		***Specified non-current assets***	
	2011	*2010*	***2011***	*2010*
	RMB million	*RMB million*	***RMB million***	*RMB million*
		(restated-Notes 1 and 2)		(restated-Notes 1 and 2)
Asia Pacific markets				
– PRC (place of domicile)	**204,691**	151,850	**286,387**	246,903
– Other Asia Pacific markets	**3,506**	5,732	**5,820**	5,299
Other markets	**–**	80	**–**	–
	208,197	157,662	**292,207**	252,202

12 Subsequent events

The following significant transactions took place subsequent to 31 December 2011:

On 23 March 2012, the Board of Directors proposed a final dividend of RMB0.90 per ordinary share totalling RMB17,901 million to the equity shareholders of the Company.

13 Comparative figures

Certain comparative figures have been adjusted or re-classified as a result of the acquisition of the Acquired Entities and Business and the change in accounting policy. Further details are disclosed in Notes 1 and 2.

CHAIRMAN'S STATEMENT

The Board is delighted to present the 2011 annual report of China Shenhua and report to all shareholders on the Company's performance for the year.

In 2011, on the basis of rapid and steady growth of the overall economy in the PRC, China Shenhua improved operating efficiency and achieved continuously healthy development. Adhering to the development strategy of the Company, the board of directors of China Shenhua pursued its core philosophy of value creation. The Company made great efforts to step up transition of development mode, enhance integrated capabilities, strengthen safe production, reinforce cost control and implement mergers and acquisitions.

In 2011, the Company realised balanced development of its business segments namely coal, power, railway, port and shipping:

- the production volume of commercial coal reached 281.9 million tonnes and sales volume reached 387.3 million tonnes, representing a year-on-year growth of 14.8% and 23.7% respectively.

- the total power output dispatch reached 167.61 billion kwh, representing a year-on-year increase of 27.3%; the total installed capacity of power generators reached 37,153 MW, representing a year-on-year increase of 29.8% as compared with the beginning of the year.

- the transportation turnover of self-owned railway was 162.3 billion tonne km, representing a year-on-year increase of 8.0%, and the seaborne coal sales volume reached 210.1 million tonnes, representing a year-on-year increase of 23.2%; shipping volume reached 80.6 million tonnes.

- Revenues amounted to RMB208.197 billion, representing a year-on-year increase of 32.1%.

- Profit attributable to equity shareholders of the Company for the year was RMB45.677 billion, representing a year-on year increase of 17.6%.

- Basic earnings per share were RMB2.296, representing a year-on-year increase of 17.6%.

- Net cash generated from operating activities was RMB70.665 billion, representing a year-on-year increase of 20.6%;

The coal segment achieved balanced and efficient production and carried out capacity expansion projects actively. Shendong Mines promoted the application of fully-mechanized and large-scale working face mining technology. With strengthened quality management, Shendong Mines made great strides in steady and efficient production and improved the quality of commercial coal. The restructuring and capacity expansion projects in Jinjie mine successfully completed and reached the designed capacity. Huangyuchuan mine has entered pre-production preparatory phase. Zhunge'er Mines tapped into the potential of its production capacity, with further increase in the production volume of commercial coal. The capacity expansion projects in Heidaigou and Ha'erwusu mine were progressing smoothly with steady enhancement of production capacity. Shengli Mines and Shenbao mine stepped up its efforts in management of production, equipment and safety, which resulted in a relatively higher growth rate of production of commercial coal. Shengli Mines commenced pilot production upon completion of its capacity expansion project, while the preparatory work for the capacity expansion of Shenbao mine was well in progress. The mining license and permits application and the pre-construction preparation work of Xinjie Taigemiao Exploration Area for the modernized new mines with annual capacity of 100 million tonnes were making smooth progress. Watermark Coal Project in Australia commenced the preparation of its environmental assessment report with monumental progress achieved in the overall planning of the mining area, etc. The integrated coal and power project in South Sumatra, Indonesia had been put into operation.

The power segment accelerated the pace of development and further improved its efficiency. The management of operation of the power business was strengthened so as to further increase the utilization hours of power generators and improve efficiency. In 2011, the average utilization hours of coal-fired generators were 5,914 hours, 620 hours above the average of thermal power plants of the PRC; and the net increase in installed capacity of power generators of the Company reached 8,520 MW.

The transportation segment steadily launched capacity expansion projects. Through various refined management measures, it tapped into the potential capacity of the existing railway. Shenshuo Railway further expanded transportation capacity by optimizing operational management, launching more trains with individual capacity of 10,000 tonnes and carrying out station renovations. The construction of new railways were pressed forward and the capacity expansion projects of Dazhun Railway, the new Ganquan Railway, Bazhun Railway and Zhunchi Railway were carried out steadily as planned. The seaborne coal sales volume of Huanghua Port was approximately 100 million tonnes in 2011 and its capacity expansion project witnessed smooth progress, leading to further enhancement of port capacity and overall functions.

The results of the assets injected in the beginning of 2011 by the controlling shareholder registered significant growth. During the reporting period, the net profit attributable to equity shareholders of parent of the injected assets amounted to RMB1.656 billion under Accounting Standards for Business Enterprises, representing a year-on-year growth of 66.8%. The Company actively adopted Shareholders' opinions and disclosed the relevant information on the operation and risk control of Shenhua Finance Company in its regular reports. In the second half of 2011, the Company initiated a new round of asset injection. Approval for such acquisition was obtained from the board of directors in March 2012.

Since 2011, the Company leveraged on its advantages in securing coal supply and seized the favorable opportunity to carry out mergers and acquisitions in the power industry. Through the combination of developing quality power sources with the construction of coal storage base and market expansion, the Company strengthened strategic cooperation with various provinces and cities along coasts and rivers as well as in the central region and acquired Mengjin Power and Bashu Power Company, established Shenwan Energy Company, Shenhua (Fujian) Energy Company and Zhuhai Coal Dock, etc, which became the new driving force of the economic growth of the Company.

In 2011, the Company strengthened its dominance and control over resources, logistics and market through the solid implementation of its mega-sales strategy.

The Company established and improved its organizational structure that focused on sizable regional companies. It optimized the spot coal pricing mechanism with reference to the Bohai Bay Thermal Coal Price Index, expanded coal sourcing in locations such as ports and developed new channels of coal import.

The Company actively promoted the construction of coal transhipment and coal storage base along railways, rivers and coastal areas, which generated a radiation effect on neighboring areas. The Company also optimized industrial layout to expand sales markets, which consolidated and increased the market shares of the Company's coal products.

Based on the principle of "professional management and intensified operation", the Company established a number of professional management companies, such as Overseas Development and Investment Company, thereby achieving a more reasonable and efficient resources allocation.

The Company continued to enhance its cost control measures and adhered to low-cost operation, enhanced its refined management and further improved the application of information technology. The Company also increased the weight of economic value added (EVA) in the assessment mechanism to further uplift the operation quality.

The Company adheres to the social responsibility philosophy of "Energy Contribution, Scientific Development and Mutual Success", taking heed to the interests of shareholders, customers, employees, suppliers, communities and regulatory authorities, etc, thereby blending the social responsibility philosophy into corporate strategy, cultural and production operation processes. In 2011, the Company set the goal of building a five-model enterprise that possesses "quality and efficiency, intrinsic safety, technological innovation, resource conservation and harmonious development", monitoring the process with reference to feedback, increasing the efforts on carrying out social responsibility, advancing and enhancing safety production, technological innovation, low carbon economy and harmonious development, etc, taking a solid step on promoting the coordinated development of economic, environmental and social benefit.

In 2012, uncertainties will overshadow the international economic growth and the domestic economic environment will be even more difficult and complicated. In this year, the Company shall be facing increasing operating pressure while its competitive edge as an integrated enterprise will be further enhanced. The board of director of the Company has set its operational target and strategy of 2012 based on the operating strategy of "charting a steady course": production volume of commercial coal in 2012 to reach 289.9 million tonnes, representing a year-on-year growth of 2.8%; sales volume of coal to reach 410.5 million tonnes, representing a year-on-year growth of 6.0%; power output dispatch to reach 199.6 billion kwh, representing a year-on-year growth of 19.1%.

Adhering to its development strategy of "building a world first-class coal-based integrated energy enterprise with global competitiveness", China Shenhua will further strengthen its core corporate competitiveness. In 2012, China Shenhua will focus on the following major endeavors:

- To realize its operational targets and create more values for the shareholders. The Company will balance the organizational structure and strengthen coordination and cooperation. The Company will take such internal measures that will tap into its potential and enhance management, and allocate implementation responsibilities. Externally, the Company will realize the growth of sales and revenue through expanding markets and seizing opportunities, to ensure the achievement of the 2012 operational goals.

- To steadily press ahead with its developmental strategy of establishing itself as a world-class enterprise. The Company will embrace every standard of being a world-class enterprise, improve the level, quality and result of our work by adhering to the basic working principle of "revealing insufficiencies, proceeding with rectification and facilitating improvements", so as to emerge as the best in the world and further consolidate competitive edge as an integrated enterprise. It will transform its economic development mode so as to speed up clean coal utilization projects and comprehensive utilization projects and step up efforts in technological innovation, informatization, energy conservation and emission reduction, etc. It will also intensify its EVA assessment so as to perfect the economic development mode.

- To advance the mega-sales strategy in a pragmatic manner. Through strategic alliance with business partners, the Company will utilize its coal storage and transshipment base as a platform to explore new resources and markets at home and abroad, optimize the pricing mechanism as well as the coal source structure and service system, rationalize sales system and coordinate logistics resources, so as to implement the mega-sales strategy.

- To make more efforts in the domestic and overseas development of the Company. The Company will leverage on its advantage in securing the supply of coal and its integrated operation, actively expand the distribution of its business such as power source and steadily proceed with new projects; carry out the internationalization of the Company and accelerate the progress of its international projects.

- To continuously maintain production safety. The Company will unswervingly push forward the establishment of intrinsic-safety system by fully implementing accountability, execution and supervision, strengthening the standardization of safety quality, intensifying safety training and continuously implementing production safety measures.

- To persist in maintaining effective cost control. The Company will continue to implement its cost control measures regarding various operational and managerial areas such as production, procurement, sales and financing. It will further upgrade its refined financial management and strengthen risk control with a view to further consolidate its competitive edge brought by low-cost operation.

Facing new challenges and opportunities in 2012, China Shenhua will tackle the complex business environment in serious manner, embrace world-class standards, implement its development strategy, actively promote reforms and make unremitting efforts to realize its business goals in order to build China Shenhua into a worldwide first-class coal-based integrated energy enterprise with strong global competitiveness, thus maximizing the return for all shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

Overview of the Company's Operating Results

<u>Business Data Master Table</u>

		2011	2010 (Restated)	Percentage change %
Commercial coal production	(million tonnes)	**281.9**	245.6	14.8
Commercial coal sales	(million tonnes)	**387.3**	313.1	23.7
Of which: Export	(million tonnes)	**5.6**	10.3	(45.6)
Turnover of self-owned railway transportation	(billion tonne km)	**162.3**	150.3	8.0
Seaborne coal	(million tonnes)	**210.1**	170.5	23.2
Of which: Huanghua Port	(million tonnes)	**95.7**	87.2	9.7
Shenhua Tianjin Coal Dock	(million tonnes)	**25.5**	22.5	13.3
Shipping volume	(million tonnes)	**80.6**	25.9	N/A
Shipment turnover	(billion tonne nm)	**71.5**	21.9	N/A
Gross power generation	(billion kwh)	**179.97**	141.46	27.2
Total power output dispatch	(billion kwh)	**167.61**	131.69	27.3

Breakdown of Commercial Coal Production

	2011 *million tonnes*	2010 (Restated) *million tonnes*	Percentage change %
Shendong Coal Group	**155.4**	151.4	2.6
Bulianta	**25.0**	24.3	2.9
Daliuta-Huojitu	**23.3**	21.1	10.4
Yujialiang	**16.8**	17.1	(1.8)
Shangwan	**13.9**	13.8	0.7
Halagou	**13.0**	12.9	0.8
Baode (Kangjiatan)	**10.1**	9.5	6.3
Shigetai	**11.2**	11.1	0.9
Wulanmulun	**6.6**	6.6	–
Buer'tai	**10.5**	9.2	14.1
Wanli No.1 mine (Changhangou)	**11.5**	9.6	19.8
Liuta mine	**6.0**	6.4	(6.3)
Cuncaota No. 1 mine	**3.6**	3.4	5.9
Cuncaota No. 2 mine	**3.3**	3.7	(10.8)
Others	**0.6**	2.7	(77.8)
Zhunge'er Energy Company	**29.2**	25.3	15.4
Heidaigou	**29.2**	25.3	15.4
Ha'erwusu Branch	**25.1**	19.3	30.1
Beidian Shengli Energy	**24.4**	14.3	70.6
Jinjie Energy	**17.1**	14.5	17.9
Shenbao Energy Company	**26.2**	17.4	50.6
Baotou Energy Company	**3.0**	2.3	30.4
Shuiquan Opencast Mine	**1.8**	1.5	20.0
Adaohai Mine	**0.8**	0.8	–
Lijiahao Mine	**0.4**	–	N/A
Chaijiagou Mining	**1.0**	1.1	(9.1)
Indonesia Coal Power	**0.5**	–	N/A
Total production	**281.9**	245.6	14.8
By Regions			
Inner Mongolia	**188.9**	158.3	19.3
Shaanxi	**82.4**	77.8	5.9
Shanxi	**10.1**	9.5	6.3
Overseas	**0.5**	–	N/A

Breakdown of Coal Sales

		2011 *million tonnes*	Proportion of domestic sales %	2010 (Restated) *million tonnes*	Percentage change %
Domestic sales		**381.7**	100.0	302.8	26.1
By contract type	Long-term contract	**171.7**	45.0	169.0	1.6
	Spot market sales	**210.0**	55.0	133.8	57.0
By transportation mode	Mine mouth	**52.0**	13.6	31.3	66.1
	Direct arrival (along railway)	**125.2**	32.8	111.3	12.5
	Seaborne	**204.5**	53.6	160.2	27.7
By customers	External customers	**308.2**	80.7	243.9	26.4
	Power segment of the Group	**73.5**	19.3	58.9	24.8
By region	Northern China	**198.7**	52.0	136.9	45.1
	Eastern China	**129.6**	34.0	102.7	26.2
	Central China and Southern China	**47.0**	12.3	37.8	24.3
	Northeast China	**3.5**	0.9	2.5	40.0
	Others	**2.9**	0.8	22.9	(87.3)
By usage	Thermal coal	**311.2**	81.5	223.0	39.6
	Metallurgy	**6.9**	1.8	6.2	11.3
	Chemical (including coal slurry)	**17.7**	4.6	11.8	50.0
	Others	**45.9**	12.1	61.8	(25.7)

		2011 *million tonnes*	Proportion of export sales %	2010 (Restated) *million* tonnes	Percentage change %
Export Sales		**5.6**	100.0	10.3	(45.6)
	South Korea	**1.9**	33.9	3.2	(40.6)
	China Taiwan	**1.2**	21.4	3.0	(60.0)
	Japan	**2.5**	44.7	3.6	(30.6)
	Others	**–**	–	0.5	(100.0)
Total coal sales		**387.3**		313.1	23.7

Breakdown of Railway Turnover

	2011 *billion tonne km*	2010 (Restated) *billion tonne km*	Percentage change %
Self-owned railways	**162.3**	150.3	8.0
Shenshuo Railway	**39.8**	37.1	7.3
Shuohuang-Huangwan Railway	**96.4**	88.8	8.6
Dazhun Railway	**17.5**	16.2	8.0
Baoshen Railway	**8.6**	8.2	4.9
State-owned railways	**49.8**	41.8	19.1
Total railway turnover	**212.1**	192.1	10.4

Breakdown of Seabone Coal in Port

	2011 *million tonnes*	2010 (Restated) *million tonnes*	Percentage change %
Self-owned ports	**121.2**	109.7	10.5
Huanghua Port	**95.7**	87.2	9.7
Shenhua Tianjin Coal Dock	**25.5**	22.5	13.3
Third-party ports	**88.9**	60.8	46.2
Total seaborne coal in port	**210.1**	170.5	23.2

Breakdown of Shipping Volume

	2011 *million tonnes*	2010 (Restated) *million tonnes*	Percentage change %
Shenhua Zhonghai Shipping Company			
The Group's internal customers	**34.4**	7.8	N/A
External customers	**46.2**	18.1	N/A
Total of shipping volume	**80.6**	25.9	N/A

Breakdown of Power Generation Business

Power plants	Regional grid	Location	Gross power generation	Total power output dispatch	Average utilisation hours	Standard coal consumption rate for power output dispatch	Power tariff	Total installed capacity as at 31 December 2010 (Restated)	Increase in installed capacity for 2011	Total installed capacity as at 31 December 2011	Equity installed capacity as at 31 December 2011
			100 million kwh	*100 million kwh*	*hours*	*g/kwh*	*RMB/mwh*	*MW*	*MW*	*MW*	*MW*
Huanghua Power	North China Power Grid	Hebei	163.2	155.5	6,477	312	332	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	76.6	71.3	5,892	323	347	1,300	–	1,300	715
Dingzhou Power	North China Power Grid	Hebei	158.8	147.2	6,300	325	323	2,520	–	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	62.3	58.1	6,044	330	380	1,030	–	1,030	469
Zhunge'er Power	North China Power Grid	Inner Mongolia	17.5	15.6	4,386	388	229	400	660	1,060	613
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	164.1	147.0	5,174	369	254	2,867	600	3,467	2,957
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	69.6	63.3	5,273	324	245	1,320	–	1,320	858
Guohua Hudian	Northeast Power Grid	Inner Mongolia	54.3	48.6	4,529	338	236	1,200	–	1,200	960
Beijing Thermal	North China Power Grid	Beijing	23.9	21.2	5,987	278	406	400	–	400	280
Suizhong Power	Northeast Power Grid	Liaoning	188.3	176.2	5,231	319	333	3,600	–	3,600	1,800
Ninghai Power	East China Power Grid	Zhejiang	289.0	275.5	6,569	305	397	4,400	–	4,400	2,640
Jinjie Energy	North China Power Grid	Shaanxi	167.0	153.6	6,958	333	274	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	14.7	13.1	6,704	379	312	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	249.8	236.3	6,462	312	421	3,000	2,000	5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	44.7	40.9	6,780	327	429	660	–	660	660
Mengjin Power	Central China Power Grid	Henan	27.0	25.4	3,800	322	359	–	1,200	1,200	612
Indonesia Coal Power	PLN(Perusahaan Listrik Negara)	Indonedia	4.8	4.1	5,577	417	275	–	300	300	210
Chenjiagang Power	East China Power Grid	Jiangsu	0.1	0.1	39	117	308	–	1,320	1,320	726
Shenwan Energy	East China Power Grid	Anhui	–	–	–	–	–	–	2,440	2,440	1,244
Coal-fired power plant total/Weighted average			**1,775.7**	**1,653.0**	**5,914**	**324**	**341**	**27,837**	**8,520**	**36,357**	**22,842**
Other power plants											
Zhuhai Wind Energy	South China Power Grid	Guangdong	0.3	0.3	1,807	–	597	16	–	16	12
Yuyao Power	East China Power Grid	Zhejiang	23.7	22.8	3,044	234	609	780	–	780	624

Breakdown of Coal Resources/Reserve

Mines	Recoverable coal reserve (under PRC standard) As at 31 December 2011 100 million tonnes	As at 31 December 2010 100 million tonnes	Percentage change %	Marketable coal reserve (under JORC standard) As at 31 December 2011 100 million tonnes	As at 31 December 2010 100 million tonnes	Percentage change %	Coal resources As at 31 December 2011 100 million tonnes	As at 31 December 2010 100 million tonnes	Percentage change %
Shendong Mines	**83.06**	74.23	11.9	**46.54**	45.87	1.5	**158.13**	126.85	24.7
Zhunge'er Mines	**34.77**	25.77	34.9	**21.83**	18.67	16.9	**43.13**	27.57	56.4
Shengli Mines	**14.48**	14.73	(1.7)	**8.03**	8.28	(3.0)	**20.65**	20.90	(1.2)
Baorixile Mines	**13.36**			**13.93**			**15.51**		
Baotou Mines (including Lijiahao Mine)	**6.82**			**3.11**			**16.48**		
Other Mines	**0.05**			**0.02**			**0.10**		
Total	**152.54**	114.73	33.0	**93.46**	72.82	28.3	**254.00**	175.32	44.9

Summary of operation in 2011

In 2011, the management of China Shenhua adhered to its strategic goal and focused on improving ability as an integrated enterprise. China Shenhua reinforced the foundation of the Company's management, strengthened the management of safety production, pressed forward the construction of new projects and became engaged in strategic partnership, merger and acquisition proactively. Supported by the hard work of entire staff, the operating results of the Company hit a record high.

I. Production and operation hit a record high

In 2011, the Company optimized its production organizations in response to market needs, with commercial coal production volume amounting to 281.9 million tonnes (2010: 245.6 million tonnes (restated)), representing a year-on-year increase of 14.8% and completing 109.3% of the annual target; fully leveraging on its transportation and brand advantages, the Company expanded sales coverage and promoted the sales of coal purchased from third parties, with coal sales volume reaching 387.3 million tonnes (2010: 313.1 million tonnes (restated)), representing a year-on-year increase of 23.7%, completing 110.7% of the annual target; seizing the opportunities arising from the inadequate generation of hydro power in Southern China and leveraging on its competitive edge of being an integrated enterprise, the Company stepped up efforts in the sales of electricity, with total power output dispatch reaching 167.61 billion kwh (2010: 131.69 billion kwh (restated)), representing a year-on-year increase of 27.3% and completing 110.3% of the annual target. In 2011, the Company's transportation business achieved stable growth and its logistic chain operated in peak efficiency, with transportation turnover of self-owned railway reaching 162.3 billion tonne kilometers (2010: 150.3 billion tonne kilometer (restated)), representing a year-on-year growth of 8.0%; seaborne coal sales volume reached 210.1 million tonnes (2010: 170.5 million tonnes (restated)), representing a year-on-year growth of 23.2%; shipping volume amounted to 80.6 million tonnes and shipment turnover reached 71.5 billion tonne nautical miles.

II. Steadily improved economic efficiency with fast-growing scale of operation

The Company attaches great importance to the creation of value. Through refined management and reinforcement of cost control, the Company successfully improved its operating efficiency. In 2011, the Company further optimized its economic value added (EVA)-based performance appraisal system, thereby significantly improved its capability in value management, production management and energy consumption management. The Company actively established its strategic financial management model and enhanced cost control and the centralized management of funds, hence further improved the quality of operation.

Pursuant to the International Financial Reporting Standards, the revenues of the Group for 2011 were RMB208.197 billion (2010: RMB157.662 billion (restated)), representing a year-on-year increase of 32.1%. Profit attributable to equity shareholders of the Company for the year were RMB45.677 billion (2010: RMB38.834 billion (restated)), representing a year-on-year increase of 17.6%. Basic earnings per share was RMB2.296 (2010: RMB1.952 (restated)), representing a year-on-year increase of 17.6%.

As at 31 December 2011, the equity attributable to equity shareholders of the Group per share was RMB11.35 (2010: RMB10.31 (restated)), representing a year-on-year increase of 10.1%. At as 31 December 2011, the Group's return on total assets was 13.1%. Return on net assets for 2011 was 20.2% (2010: 18.9% (restated)), representing a year-on-year increase of 1.3 percentage points. EBITDA was RMB83.876 billion (2010: RMB71.223 billion (restated)), representing a year-on-year increase of 17.8%. As at 31 December 2011, the Group's total debt to equity ratio was 18.6%, representing a decrease of 3.6 percentage points as compared to 22.2% (restated) as at 31 December 2010.

III. Core competitiveness continuously enhanced with integrated layout gradually improved

(I) Coal segment

1. Coal production and mining operation

In 2011, the Company acquired the relevant mine assets of Shenhua Group, further expanding the coal resource reserve. With safe production as its priority, the Company achieved continuous growth in coal production volume through in-depth optimization of its production organization and acceleration of mines capacity expansion. The production volume of commercial coal amounted to 281.9 million tonnes (2010: 245.6 million tonnes (restated)), representing a year-on-year increase of 14.8%.

Shendong Mines overcame several adverse factors, including launching the integrated inspection and maintenance of large-sized equipment and the changes of geological conditions of working face of certain mines, tapping into its mining potential and efficiency. The production volume of commercial coal amounted to 172.5 million tonnes, accounting for 61.2% of the total production volume of the Group's commercial coal during the same period. Construction of new mines and reconstruction and expansion of the existing mines were proceeding in an orderly manner. The 5^{-2} coal working face of Daliuta mine, with a designed production capacity of 9.0 million tonnes per year, commenced trial production; the reconstruction and expansion projects in Jinjie Mines, with a designed capacity of 20.0 million tonnes per year, were completed and have commenced trial production by the end of the year. Through a number of measures such as strengthening the onsite management over coal quality, optimizing coal washing and selection skills, sales of different types of coal and increasing sales volume of specialized coal, the average unit heat value of Shendong Mines' commercial coal recorded a year-on-year increase.

Zhunge'er Mines has tackled the problem of rainy and snowy weather and its production volume of commercial coal amounted to 54.3 million tonnes, representing a year-on-year increase of 21.7%. Capacity expansion and reconstruction projects of Heidaigou open-cut mine and Ha'erwusu open-cut mine have commenced on schedule, and are expected to be completed in 2012. Upon completion, the raw coal output capacity of both open-cut mines will reach 30.0 million tonnes per year respectively.

Shengli Mines has enhanced its management on production, operation and equipment safety and its production volume of commercial coal amounted to 24.4 million tonnes, representing a year-on-year increase of 70.6%. Construction of capacity expansion of Shengli mines was smoothly completed.

Having overcome the adverse effects of extreme cold weather and the short supply of equipment, Shenbao Energy Company enhanced refined management in its equipment, thus maximizing the production capacity. Shenbao Energy Company's production volume of commercial coal hit 26.2 million tonnes, marking its first breakthrough of over 20.0 million tonnes (2010: 17.4 million tonnes), and representing a year-on-year increase of 50.6%.

The production volume of commercial coal of Baotou Energy Company for the year amounted to 3.0 million tonnes. Lijiahao Coal Mine, which has a designed production capacity of 6.0 million tonnes, was put into production in 2011.

2. Coal production technology and equipment

In 2011, the Company has strengthened the building of the coal production and technology management system as well as the auxiliary systems, with an aim to advance the digitalization of Shenhua mines projects and the application of the comprehensive technology of the fully-mechanized and large-sized working face, thus further improving the resources recovery rate. In 2011, the recovery rate of underground mines and open-cut mines amounted to 80.9% and 97.3% respectively. The Company applied the coal selection techniques and the technology of reducing mud found in coal, which are suitable for major mines such as Shendong Mines, resulting in a further improvement in the technology of quality upgrade of coal. Moreover, the Company has basically realized the equipment modernization of mining working face by improving the modernization level of mines equipment. Following the progress of equipment localization, the Company has achieved the localization of the high-end hydraulic roof support used in underground mines and the electric shovel used in open-cut mines.

3. Coal mine production safety

The Company insists on the strategy of safe and people-oriented development. Apart from establishing a management system for production safety and occupational health and further improving the safety management system, the Company also promoted the application of technology for safety protection and emergency and rescue equipment, as well as paying attention to improving the working environment of mines, strengthening the inspection and elimination of potential risks and putting more efforts in prevention and control of sources of material dangers. In 2011, the trend of the Company's production safety maintained at a stable level, with a fatality rate per million tonnes of raw coal output of 0.0196.

4. Coal resources

As at 31 December 2011, the Group's coal resources reserve, recoverable coal reserve under PRC standard and marketable coal reserve under JORC standards amounted to 25.400 billion tonnes, 15.254 billion tonnes and 9.346 billion tonnes respectively.

The Company has adopted effective measures to protect the exploration progress of coal resources in 2011 and the exploration expenses amounted to approximately RMB326 million (2010: RMB1,050 million (restated)). The exploration work of Watermark Coal Project in Australia has smoothly commenced, and up to the end of 2011, the work of in-depth inspection on coal resources within the mining area was basically completed and a preliminary planning of mines has been completed.

During 2011, the Company has steadily advanced the mining development and exploration works, relevant capital expenditure of which amounted to approximately RMB14.681 billion (2010: RMB12.096 billion (restated)). The expenditure mainly covered the coal mining at Shendong Mines, the construction of new mines such as Huangyuchuan mine and the capacity expansion and reconstruction projects of Ha'erwusu open-cut mine and Heidaigou open-cut mine.

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

No	Mines	Major types of coal	Calorific value range of major commercial coal products	Sulphur content range
1	Shendong Mines	Long flame coal/non-caking coal	>5,270 kcal/kg	0-0.6%
2	Zhunge'er Mines	Long flame coal	>4,560 kcal/kg	0-0.5%
3	Shengli Mines	Lignite	>3,080 kcal/kg	0-1.0%
4	Baorixile Mines	Lignite	>3,600 kcal/kg	0-0.5%
5	Baotou Mines	Long flame coal/non-caking coal	>4,500 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 washing, selecting and processing, transportation loss and coal blending ratio.

(II) Power segment

In 2011, the Company proactively accelerated the development of power business through merger and acquisition. By launching strategic cooperation with a number of provinces (districts) and municipals, including Anhui and Fujian, etc, the Company rooted its power business to form a layout along the coast and the rivers. The Company also established Shenwan Energy Company as a platform to develop power business in Anhui area. All 2x600 MW supercritical coal-fired generators of Henan Mengjin Power acquired by the Company were put into operation during the year. Meanwhile, the Company stepped up efforts in building new power plant. Indonesia South Sumatra 2×150 MW coal-fired generators were put into production as planned. Zhunge'er Energy Company Gangue Power Plant 2×330 MW generators, Chenjiagang Power Plant 2×660 MW generators and Taishan Power Plant 2×1,000 MW generators have all passed 168 hours of trial operation.

In 2011, the Company has an additional installed capacity of 8,520 MW, of which, the coal-fired genertaors with 3,640 MW installed capacity were obtained through acquisition. By the end of the year, the total installed capacity amounted to 37,153 MW, representing an increase of 29.8% as compared with 28,633 MW (restated) at the end of last year. As at 31 December 2011, the Company controlled and operated 85 units of coal-fired generator and the average unit capacity was 428 MW.

The Company has put greater efforts in marketing of power business. By combining all market features in different districts, the Company seized the opportunity arising from the decrease of hydraulic power generation as well as increased needs during summer peaks in Southern area etc, thereby recorded a gross power generation for the year, which amounted to 179.97 billion kwh, representing a year-on-year increase of 27.2% (restated). The total power output dispatch amounted to 167.61 billion kwh, representing a year-on-year increase of 27.3% (restated). The average utilization hour of the coal-fired generators of power segment was 5,914 hours, representing an excess of 620 hours as compared with 5,294 hours, the average utilization hour of national 6,000 kw and above coal-fired equipment in PRC. In 2011, the power tariff of the Company's coal-fired power plant amounted to RMB341/mwh, representing an increase of RMB7/mwh as compared with RMB334/mwh (restated). At the same time, the Company enhanced the quality management on environment, seriously control the key indicator of energy consumption and built low-carbon environmental-friendly power plant. In 2011, the standard coal consumption for power output dispatch of coal-fired generators was 324g/kwh, 6g/kwh below the average level in the PRC (the standard coal consumption of 6,000 kw and above power output dispatch of power plant in the PRC was 330g/kwh).

Leveraging on the advantage of integration, the Company ensured the coal supply for its power plants. The coal consumption of the power generation of the Company for the year was 80.1 million tonnes, of which 64.2 million tonnes were from internal coal segment, accounting for 80.1% of the total amount.

(III) Railway segment

Railway segment plays an important role as a component of the integrated operation of the Company and contributes an essential part in the mega-sales and mega-logistics strategy. In 2011, under the pressure of inadequate transportation capacity and intensive construction projects, the Company utilized more heavy-loaded trains with capacity of 10,000 tonnes, optimized transportation organization, accelerated wagon turnover and increased the purchase of locomotives to further improve the transport capacity of self-owned railways. In 2011, the transportation turnover of self-owned railway of the Company was 162.3 billion tonne km (2010: 150.3 billion tonne km (restated)), representing a year-on-year increase of 8.0%. The transportation turnover of self-owned railway was 76.5% of total turnover, decreasing by 1.7 percentage points as compared with 78.2% (restated) for 2010 , which was mainly caused by the volume increase in seaborne coal transported to third party ports such as Qinhuangdao Port and Caofeidian Port through state-owned railway.

The capacity expansion and construction of new railways progressed smoothly during 2011. New transportation capacity is expected to be further released during 2013 to 2014. Shenshuo Railway completed the technical renovation of 5 stations, including Daliuta station and Huangyangcheng station, which resulted in a continuous increase of the proportion of trains with 10,000 tonnes loading capacity, and thus the transportation capacity is expected to reach 220 million tonnes per year gradually. As a major channel for the outbound transportation of the Company's coal, Shuohuang Railway is stepping up efforts in capacity expansion and projects upgrading, which are expected to enter service by the end of 2012, upon which the transportation capacity will be further increased to 230 million tonnes per year. The construction of the new Ganquan Railway, Bazhun Railway and Zhunchi Railway went smoothly, with the Jinquan-Ganqimaodu Port segment of the Ganquan Railway entering provisional management and operation. Diandaigou-Erdaohe segment of the second extention line of Dazhun Railway is expected to complete in 2012.

(IV) Port segment

The Company owns and operates Huanghua Port and Shenhua Tianjin Coal Dock which are the major transhipment hubs of the Company for coal sales to domestic coastal and overseas markets. The seaborne coal volume of the Company completed by self-owned ports and third party ports amounted to 210.1 million tonnes in 2011, accounting for 54.2% of the total volume of coal sales. Of the total, Huanghua Port and Shenhua Tianjin Coal Dock completed seaborne coal sales of 121.2 million tonnes.

The Company vigorously promoted port construction in 2011. The completion of the project of two-way sea channel in Huanghua Port further improved the capacity and overall functions of the Port. The Phase III project of Huanghua Port with a designed capacity of 50.0 million tonnes is under construction in full swing. Huanghua Port was named one of the first batch of emergency coal reserve bases in China, and will play an increasingly significant role in the national energy transportation system. Shenhua Tianjin Coal Dock managed to overcome adverse factors such as severe weathers and train arrival imbalance to maintain stable and efficient production operations. Application for approval of Phase II project is proceeding in an orderly manner.

(V) Shipping segment

As a platform of the Company's shipping business, Shenhua Zhonghai Shipping Company leveraged on the green channel created by the integrated operation of the Company and its competitive edge in laytime to provide clients with high quality and efficient services at low cost, realizing a rapid growth in 2011. Shenhua Zhonghai Shipping Company has completed shipping volume of 80.6 million tonnes in 2011, and shipment turnover amounted to 71.5 billion tonnes nautical miles. With the company's business chain extending to inland waterway and river transportation, Shenhua Zhonghai Shipping Company will play a more significant role in improving the Company's integrated ability.

IV. Steady implementation of mega-sales strategy

In 2011, The Company enhanced its refined management and system innovation of coal sales, and made new progress in the implementation of mega-sales strategy.

Sales region further expanded. In 2011, taking advantage of the opportunities of the strategic co-operation with local enterprises and the construction of the emergency coal reserve base plan implemented by the Chinese government, the Company further expanded its territory of coal sales by developing the markets in Central China (including Henan, Anhui, Hunan and Jiangxi). Coal from Shengli Mines has been shipped and sold via Caofeidian Port, expanding the sales radius of lignite.

Sales price oriented. The client management system and pricing system of the Company have been improved in 2011, which enabled the coal sales to be more market-oriented. From 4 April 2011, spot price in major markets was determined weekly according to the Price Index of Bohai Bay Thermal Coal. The Company strengthened the sales of spot coal, raising the proportion of spot coal sales to total sales from 42.7% (restated) in the previous year to 54.3% in 2011.

Diversified coal source supply. In addition to selling self-produced coal, the Company also purchased coal from third parties in places such as mining areas and along the railway, started coal-importing business from foreign countries, such as Indonesia, Russia and Mongolia in response to the needs of coal sales and coal blending. The Company also expanded its domestic coal purchase operation, increased market share, enhanced brand awareness and efficacy.

Coal sales hit a new record. Coal sales of the Company reached 387.3 million tonnes in 2011, of which sales of coal purchased from third parties amounted to 105.0 million tonnes, accounting for 27.1% of the total sales volume.

(1) Domestic and export sales

	2011			2010 (Restated)			
	Sales volume	Proportion to total sales	Price	Sales volume	Proportion to total sales	Price	Change in price
	million tonnes	*%*	*RMB/tonne*	*million tonnes*	*%*	*RMB/tonne*	*%*
Domestic sales	**381.7**	**98.6**	**431.3**	302.8	96.7	404.0	6.8
Long-term contract sales	**171.7**	**44.3**	**337.8**	169.0	54.0	362.1	(6.7)
Mine mouth	**11.4**	**2.9**	**162.3**	6.2	2.0	162.9	(0.4)
Direct arrival (along railway)	**80.5**	**20.8**	**251.0**	75.6	24.1	262.8	(4.5)
Seaborne	**79.8**	**20.6**	**450.5**	87.2	27.9	462.4	(2.6)
Spot sales	**210.0**	**54.3**	**507.7**	133.8	42.7	457.0	11.1
Mine mouth	**40.6**	**10.5**	**171.0**	25.1	8.0	142.2	20.3
Direct arrival (along railway)	**44.7**	**11.6**	**473.0**	35.7	11.4	406.2	16.4
Seaborne	**124.7**	**32.2**	**629.7**	73.0	23.3	590.0	6.7
Export Sales	**5.6**	**1.4**	**747.7**	10.3	3.3	566.5	32.0
Total sales volume/weighted average price	**387.3**	**100.0**	**435.8**	313.1	100.0	409.4	6.4

In 2011, domestic sales volume of the Company was 381.7 million tonnes (2010: 302.8 million tonnes (restated)), representing a year-on-year increase of 26.1% and accounted for 98.6% of the total coal sales volume, among which, the spot coal sales volume was 210.0 million tonnes (2010: 133.8 million tonnes (restated)), representing an increase of proportion to total sales volume from 42.7% (restated) in 2010 to 54.3% in 2011.

In 2011, the Company's domestic seaborne coal sales volume was 204.5 million tonnes while the national coal transhipment volume for domestic coal sales through domestic ports was 639 million tonnes, based on which the market share of China Shenhua in coastal coal markets was estimated at approximately 32.0%. In 2011, the weighted average domestic coal sales price of the Company was RMB431.3/tonne (2010: RMB404.0/tonne (restated)), representing a year-on-year increase of 6.8%.

In 2011, the sales volume of the Company to the top five domestic coal customers was 45.5 million tonnes, which accounted for 11.9% of the total domestic sales volume, of which, the sales volume to the largest customer was 12.8 million tonnes, which accounted for 3.4% of total domestic sales volume. The top five domestic coal customers were primarily either power generation companies or fuel companies.

(2) Sales to external customers and internal power segment

	2011			2010 (Restated)			
	Sales volume	**Percentage**	**Price**	Sales volume	Percentage	Price	Change in price
	million tonnes	**%**	***RMB/tonne***	*million tonnes*	%	*RMB/tonne*	%
Sales to external customers	**313.8**	**81.0**	**446.5**	254.2	81.2	417.4	7.0
Sales to internal power segment	**73.5**	**19.0**	**390.4**	58.9	18.8	374.7	4.2
Total sales volume/weighted average price	**387.3**	**100.0**	**435.8**	313.1	100.0	409.4	6.4

In 2011, coal sales volume of the Company to external customers was 313.8 million tonnes (2010: 254.2 million tonnes (restated)), representing a year-on-year increase of 23.4%. Coal sales price to external customers increased by 7.0% year-on-year to RMB446.5/tonne from RMB417.4/tonne. In 2011, the sales volume of the Company to the top five external coal customers was 45.5 million tonnes, which accounted for 11.7% of the total sales volume.

Sales of coal to internal power segment is a unique model of integrated operation of the Group. In 2011, the volume of coal sales of the Company to the power segment of the Group was 73.5 million tonnes (2010: 58.9 million tonnes (restated)), and its proportion to total sales volume of coal was 19.0%, remaining basically flat as compared with that of the same period of last year. The sales of coal to the power segment of the Group was mainly conducted under long-term contracts. The sales price increased by 4.2% to RMB390.4/tonne from RMB374.7/tonne (restated).

The Company adopts the same pricing policy for the sales of coal to internal power segment and external customers.

V. Proactively carried out assets injection and mergers and acquisitions

In 2011, Shenhua Group injected coal, power and other related assets into the Company, further boosting the Company's coal reserve, production and sales volume. Assets injected during the year contributed to the Company a total commercial coal production volume of 30.2 milllion tonnes, total commercial coal sales volume of 27.6 million tonnes and net profit attributable to the owners of parent of RMB1,656 million in 2011.

In 2011, the Company obtained 51% equity interests in Mengjin Power by acquisition. The 2×600 MW power generation units of the phase I project were put into operation during the year, realizing an annual power output dispatch of 2.54 billion kwh in total. The Company established Shenwan Energy Company in Anhui, and leveraged it as a platform to develop new power business. Through acquisition, the Company's installed capacity increased by

3,640 MW, accounting for 42.7% of the new installed capacity of the Company and laying a solid foundation for the future expansion of power generation business. New power sources also expanded the Company's presence of coal sales and further increased market radius.

On 3 February 2012, the Company's second session of the Board convened its 21st meeting in written form, during which it considered and approved by writing to obtain a controlling interest in Sichuan Bashu Electric Power Development Co., Ltd. by way of capital contribution in cash and increasing share capital. The Company operated its power segment in the South-West region for the first time, which is conducive to the development of the Company in that region.

On 1 March 2012, the Company's acquisition of the equity interests or assets of four companies engaged in power and coal related businesses held by Shenhua Group Corporation and its subsidiaries was approved at the 22nd meeting of the second session of the Board of the Company. This acquisition will further expand the Company's business scale, improve its business structure and enhance its integrated advantages.

Business Target for 2012

In 2012, against the backdrop of uncertainties in global environment and the domestic economic growth, the Company is confronted with increased pressures in its operation. And yet, the Company's integrated synergy has also become more appealing. Adhering to the philosophy of value creation as the core and enhancing development quality as the primary trend, the Company will seize the opportunity and chart a steady course so as to further sharpen its competitive edge and strengthen its sustainability.

Major business targets set by the Company for 2012 are as follows:

Item	**Unit**	**Target of 2012**[Note]	**Accomplishment in 2011**	**Percentage change of the target of 2012 to the accomplishment in 2011** *(%)*
Commercial coal production	million tonnes	**289.9**	281.9	2.8
Coal sales	million tonnes	**410.5**	387.3	6.0
Total power output dispatch	billion kwh	**199.6**	167.61	19.1

Note: The 2012 business target does not include the 2012 business target of the Target Companies, the acquisition of which was approved at the 22nd meeting of the second session of the Board of the Company held on 1 March 2012.

The growth in output of the Company's self-produced commercial coal in 2012 is realized mainly through the increase in production growth and capacity expansion of the existing coal mines. The mines which will ramp up production chiefly include Daliuta mine, Jinjie mine, Baorixile open-cut mine, Beidian Shengli open-cut mine and Ha'erwusu open-cut mine. The Company will continue to carry out the business of coal purchased from third parties so as to maintain stable growth in the coal operations on an on-going basis.

The Company shall further leverage on its advantage as an integrated coal and power operator, to speed up the operation of new power plants and acquisitions of new power source, increase installed capacity, strengthen marketing, consolidate and raise direct power output dispatch and the power produced in excess of the planned power output, and strive for the achievement of sales target for power output. The major contributors of power-generation companies for additional power output dispatch in 2012 are Chenjiagang Power Plant, Mengjin Power, Shenwan Energy Company and Bashu Power Company, etc.

Review on the consolidated operating results

1. Consolidated comprehensive income

No	Projects	2011 *RMB million*	2010 (Restated) *RMB million*	Percentage change %	Reasons for change
1	Revenues	**208,197**	157,662	32.1	Mainly attributable to the increase in coal sales and power output dispatch, and the increase in the price of spot coal sales
	Of which: Domestic market	**204,691**	151,850	34.8	
	Asia Pacific market	**3,506**	5,732	(38.8)	
	Other markets	**–**	80	(100.0)	
2	Cost of revenues	**128,092**	90,142	42.1	The increase in volume of coal and power operations resulted in the increase in relevant expenses, of which the cost of coal purchased from third parties and transportation cost recorded a significant increase
3	Selling, general and administrative expenses	**10,973**	9,219	19.0	Mainly attributable to the increase in the wages of management staff, relevant taxes and other management expenses
4	Finance income	**1,082**	1,397	(22.5)	Mainly attributable to the decrease in interest income
5	Investment income	**1**	174	(99.4)	Mainly attributable to the gain on investment arising from disposal of subsidiaries last year, no such gain was recorded during the reporting period
6	Income tax	**13,951**	11,473	21.6	Mainly attributable to increase in taxable profit arising from the increase in operating revenue. The effective income tax rate for the Group was 21.0%, representing an increase of 0.5 percentage point from 20.5% (restated) in 2010.

2. Consolidated financial position

No	Projects	2011 *RMB million*	2010 (Restated) *RMB million*	Percentage change %	Reasons for change
1	Property, plant and equipment, net	**219,904**	188,061	16.9	Mainly attributable to the increase in machinery and equipment related to power generation and coal mines transferred from construction in progress, and the increase in railway and port structures
2	Construction in progress	**34,169**	33,088	3.3	Mainly attributable to the capacity expansion and reconstruction projects of the Bazhun, Ganquan and Shuohuang Railway under construction and power plants under construction
3	Other non-current assets	**18,746**	12,605	48.7	Mainly attributable to the increase in prepayment in connection with construction works and purchase of equipment and the increase in initial payment for the Xinjie mine
4	Deferred tax assets	**933**	468	99.4	Mainly due to the increase in unrealized profit of the Group's internal sales
5	Inventories	**12,628**	11,574	9.1	Mainly attributable to the increase in inventory of spare parts, ancillary parts and coal related to the Company's businesses such as coal and power, etc.
6	Accounts and bills receivable, net	**13,365**	11,424	17.0	Receivables for coal and power sales increased during the reporting period, which mainly represent receivables aged within one year (included one year)

No	Projects	2011 *RMB million*	2010 (Restated) *RMB million*	Percentage change %	Reasons for change
7	Restricted bank deposits	**4,115**	2,052	100.5	Mainly attributable to the increase in the statutory deposit reserve deposited in the People's Bank of China by Shenhua Finance Company, and the funds of restricted usage, such as the coal mine industry transformation fund
8	Cash and cash equivalents	**61,437**	77,212	(20.4)	Mainly aimed at increasing the efficiency of internal fund utilization and reducing external borrowings
9	Accounts and bills payable	**23,668**	19,661	20.4	Mainly attributable to the increase in payables for the construction works and equipment related to power plant construction and coal mining
10	Income tax payable	**7,925**	4,558	73.9	Mainly attributable to increase in taxable profit arising from the increase in operating revenue

As at 31 December 2011, the Group's gearing ratio (total liabilities/total assets) was 34.1% (31 December 2010: 36.2% (restated)), repesenting a year-on-year decrease of 2.1%. The interest cover ratio (profit before interest and tax/interest expenses) was 19.7 times (2010: 14.7 times (restated)).

3. *Consolidated cash flows*

No	Projects	**2011** *RMB million*	2010 (Restated) *RMB million*	Percentage change %	**Reasons for change**
1	Cash generated from operations	**84,656**	70,852	19.5	Mainly from the increase in revenue from sales of coal and power
2	Capital expenditure	**44,713**	30,538	46.4	Mainly used in the capacity expansion of existing mines and railways, and the construction of new railway lines
3	Acquisition of subsidiaries	**1,666**	(473)	452.2	Payment of consideration for acquiring the equity interests in Mengjin Power, Shenwan Energy acquiring the equity interest in the three power companies during the reporting period
4	Net increase in restricted bank deposits	**2,063**	73	2,726.0	Mainly due to the increase in statutory deposit reserve deposited by Shenhua Finance Company in the People's Bank of China
5	Repayment of entrusted loan from a third party	**3,000**	30	9,900.0	The entrusted loan of RMB3.00 billion was collected during the reporting period
6	Proceeds from borrowings	**4,671**	31,548	(85.2)	Mainly because less loans were obtained during the reporting period as compared with the same period of last year
7	Repayments of borrowings	**20,814**	42,225	(50.7)	Mainly because less loans were repaid during the reporting period as compared with the same period of last year

Review on operating results by segment

1. Coal Segment

The operating results of the coal segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	**Change**	**Reason for change**
Revenues	RMB million	**172,318**	131,649	30.9%	Increased coal sales and price
Cost of revenues	RMB million	**117,986**	86,066	37.1%	Mainly due to the increases in the costs of coal purchased from third parties, coal transportation charges, and the costs of raw materials, fuel and power in relation to coal production
Of which: 1. Cost of coal production	RMB million	**33,500**	26,853	24.8%	Mainly due to the increase in the production volume of coal and unit production cost
2. Cost of coal purchased from third parties	RMB million	**45,753**	26,437	73.1%	(1) Sales of coal purchased from third parties has increased substantially in 2011 to 105.0 million tonnes (2010: 72.0 million tonnes (restated)), representing an increase of 33.0 million tonnes or 45.8%. Its proportion to total sales has increased from 23.0% (restated) in 2010 to 27.1% in 2011; (2) Increase in unit purchasing cost of coal purchased from third parties, which was RMB435.7/tonne in 2011 (2010: RMB367.2/tonne (restated)), representing a year-on-year increase of RMB68.5/tonne or 18.7%.
Gross profit margin	%	**31.5**	34.6	Decreased by 3.1 percentage points	–
Profit from operations	RMB million	**46,809**	39,142	19.6%	–
Margin of profit from operations	%	**27.2**	29.7	Decreased by 2.5 percentage points	–
Profit from operations/ average total assets during the reporting period	%	**24.7**	26.9	Decreased by 2.2 percentage points	–

In 2011, unit production cost of self-produced coal in the coal segment was RMB118.7/tonne (2010: RMB111.4/tonne (restated)), representing a year-on-year increase of 6.6%. The main reasons affecting the unit production cost are:

1. Costs of raw materials, fuel and power were RMB22.8/tonne (2010: RMB21.9/tonne (restated)), representing a year-on-year increase of 4.1%. This increase was mainly due to the increased costs of spare parts, materials, fuel and power in relation to coal mining as a result of mining extension;

2. Personnel expenses were RMB14.6/tonne (2010: RMB14.1/tonne (restated)), representing a year-on-year increase of 3.5%. This increase was mainly due to the increase in the number of employees and the rise of wages;

3. Repairs and maintenance were RMB7.5/tonne (2010: RMB9.8/tonne (restated)), representing a year-on-year decrease of 23.5%. This decrease was mainly due to the impact of the major overhaul cycle of machinery and the comparatively high growth rate of production at certain open-cut mines that incurred lower repair expenses, which diluted the overall unit cost for repairs and maintenance;

4. Depreciation and amortisation were RMB20.8/tonne (2010: RMB21.2/tonne (restated)), representing a year-on-year decrease of 1.9%. This decrease was mainly due to (1) the higher growth rate of coal sales as compared with that of depreciation and amortisation; (2) the comparatively high growth rate of production at Beidian Shengli open-cut mine and Baorixile open-cut mine with lower depreciation costs, which diluted the overall unit cost for depreciation and amortisation of the Group;

5. Other costs were RMB53.0/tonne (2010: RMB44.4/tonne (restated)), representing a year-on-year increase of 19.4%. This increase was mainly due to the increase in environmental protection related expenses. Other costs consist of the following three components: (1) expenses directly related to production, including production maintenance and safety expenses, washing, selecting and processing expenses, mining engineering expenses, etc., accounting for approximately 58%; (2) auxiliary production expenses, accounting for approximately 7%; (3) land claiming and surface subsidence compensation, environmental protection expenses, local levy expenses, etc., accounting for approximately 35%.

2. *Power segment*

The operating results of the power segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	Change	Reason for change
Revenues	RMB million	**59,240**	45,530	30.1%	Increase in power output dispatch
Cost of revenues	RMB million	**46,715**	35,331	32.2%	Mainly due to the price rise of coal consumed for power generation and increase in depreciation and amortisation, and personnel expenses
Gross profit margin	%	**21.1**	22.4	Decreased by 1.3 percentage points	–
Profit from operations	RMB million	**10,087**	8,171	23.4%	–
Margin of profit from operations	%	**17.0**	17.9	Decreased by 0.9 percentage point	–
Profit from operations/average total assets during the reporting period	%	**7.7**	6.8	Increased by 0.9 percentage point	–

The unit cost of power output dispatch of 2011 was RMB275.2/mwh (2010: RMB264.7/mwh (restated)), representing a year-on-year increase of 4.0%. This increase was mainly attributable to the increase in the costs of raw materials, fuel and power as a result of the rise in coal price, and the increase in personnel expenses due to increased number of employees and rise of wages.

3. Railway Segment

The operating results of the railway segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	**Change**	**Reason for change**
Revenues	RMB million	**22,926**	21,306	7.6%	The volume of railway transportation of the Company increased as the production and sales volume of coal increased
Cost of revenues	RMB million	**11,902**	10,873	9.5%	The volume of railway transportation increased, elevating the related costs of repairs and maintenance, personnel expenses and materials, fuel and power
Gross profit margin	%	**48.1**	49.0	Decreased by 0.9 percentage point	–
Profit from operations	RMB million	**9,896**	9,690	2.1%	–
Margin of profit from operations	%	**43.2**	45.5	Decreased by 2.3 percentage points	–
Profit from operations/ average total assets during the reporting period	%	**17.4**	21.3	Decreased by 3.9 percentage points	–

The revenue generated from the internal transportation service provided by the railway segment for the Group amounted to RMB20.181 billion in 2011 (2010: RMB19.021 billion (restated)), representing a year-on-year increase of 6.1%; accounting for 88.0% of the operating revenue of the railway segment. Meanwhile, certain railway lines of the Group utilized the excessive transportation capacity to provide transportation services to third parties, generated transportation revenue.

The unit transportation cost in the railway segment was RMB0.072/tonne km in 2011 (2010: RMB0.071/tonne km), representing a year-on-year increase of 1.4%.

4. *Port Segment*

The operating results of the port segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	**Change**	**Reason for change**
Revenues	RMB million	**2,820**	2,600	8.5%	Mainly due to the increase in operating revenue brought by the growth in seaborne coal of the Company
Cost of revenues	RMB million	**1,833**	1,836	(0.2%)	Mainly due to the year-on-year decrease in port dredging expenses
Gross profit margin	%	**35.0**	29.4	Increased by 5.6 percentage points	–
Profit from operations	RMB million	**729**	512	42.4%	–
Margin of profit from operations	%	**25.9**	19.7	Increased by 6.2 percentage points	–
Profit from operations/ average total assets during the reporting period	%	**6.3**	5.0	Increased by 1.3 percentage points	–

The revenue generated from the internal transportation service provided by the port segment for the Group amounted to RMB2.673 billion in 2011 (2010: RMB2.448 billion), representing a year-on-year increase of 9.2% and accounting for 94.8% of the operating revenue of the port segment. The unit cost of internal transportation service provided for the Group was RMB14.2/ tonne (2010: RMB15.6/tonne), representing a year-on-year decrease of 9.0%. This decrease was mainly due to a year-on-year decrease in port dredging expenses.

5. *Shipping Segment*

The operating results of the shipping segment of the Group before elimination on consolidation in 2011 were as follows:

		2011	2010 (Restated)	Change
Revenues	RMB million	**5,099**	1,561	N/A
Cost of revenues	RMB million	**4,377**	1,353	N/A
Gross profit margin	%	**14.2**	13.3	N/A
Profit from operations	RMB million	**681**	150	N/A
Margin of profit from operations	%	**13.4**	9.6	N/A
Profit from operations/average total assets during the reporting period	%	**21.8**	6.9	N/A

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

The unit transportation cost in the shipping segment in 2011 was RMB0.061/tonne nautical miles.

Review and prospect of business environment

(I) Macroeconomic conditions

In 2011, amid the capricious internal and external economic environment, the national economy of China showed positive signs with faster growth and stabilized prices. GDP for the year amounted to RMB47,100 billion, representing a year-on-year growth of 9.2%. The consumer price index (CPI) for the year showed a year-on-year increase of 5.4%.

Currently the economic and social development of China is still under the stage of strategic opportunity resulting from urbanization, industrialization and coordinated regional development, and the economy shall continue to grow steadily. Due to the complicated environment from both home and abroad at the moment, the Chinese economy shall mainly deal with the downward fluctuation in economic development and the pressure of possible rise in prices.

Looking forward to 2012, the central government shall keep rolling out active fiscal policies and prudent monetary policies. The macroeconomic condition of China shall chart on a steady course with an expected annual GDP growth rate of 7.5%. Macroeconomic growth is beneficial to the increase in energy demand, including coal.

(II) Market environment of the coal industry

1. Thermal coal market in China

Item	**2011**	2010
Raw coal output (million tonnes)	**3,520**	3,238
Coal transportation by railway (million tonnes)	**2,269**	2,007
Coal import (million tonnes)	**182**	163
Coal export (million tonnes)	**14.6**	12.0

Data 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.)

Review for 2011

Coal production and transportation in China maintained faster growth in 2011. Market demand was high and the spot price dropped from its peak. Supply could generally meet demand except for temporary short supply for power and coal in certain regions. An anti-season phenomenon of "neither slack in weak season nor booming in peak season" was recorded during the year. Coal export kept on dropping while import reached record high. The FOB spot price of Qinhuangdao thermal coal (5,500 kcal/kg) peaked at RMB860/tonne and bottomed at RMB815/tonne at the end of the year.

Coal supply grew stably following the completion in modification and the commencement of production of the newly built, modified or integrated coal mines. Domestic output of raw coal for the year amounted to 3,520 million tonnes, representing a year-on-year growth of 8.7%.

Domestic coal-fired power generation for the year amounted to 3,813.73 billion kwh, representing a year-on-year growth of 13.9%; crude steel output amounted to 683 million tonnes, representing a year-on-year growth of 8.9%; cement output amounted to 2,063 million tonnes, representing a year-on-year growth of 16.1%. The demand of coal achieved faster growth in 2011 as motivated by the rapid growth of major coal consuming industries.

In 2011, the national volume of coal transported by railway was 2,269 million tonnes, representing a year-on-year increase of 13.4%, in which the Daqin Railway amounted to 440 million tonnes, representing a year-on-year increase of 8.7%. Seaborne coal volume through major northern ports reached 580 million tonnes, representing a year-on-year growth of 17.1%.

The changes emerged in the regional supply and demand landscape in 2011 became a new characteristic of the Chinese coal market. Henan, Guizhou and Anhui, being the traditional sources of outbound coal volume recorded noticeable decreases in outbound coal volume in recent years due to the economic growth and fast growing energy demand in the central region of China, in contrast with the continued increase in the demand for coal in regions of inbound coal including Hubei, Hunan, Jiangxi and Guangxi. The change in regional supply and demand landscape has increased the difficulty in achieving a balanced demand and supply, and it also increased the difficulty in coordinating daily supply and railway transportation.

The overall price increases in production factors including materials, fuel and personnel expenses, together with the increasing expenses in energy conservation and emission reduction, production safety and environmental protection, led to a continuous increase in the unit production cost of coal for coal enterprises.

National coal import stepped up in 2011 along with the international coal prices rising at the beginning and dropped at the end. China imported a total of 167 million tonnes of coal during the year, representing a year-on-year growth of 15.2%, and became a net importer of coal for three consecutive years.

Prospect for 2012

Uncertainties in the global context shall pose an impact to the stability of domestic economic growth. As China's economic growth is expected to slow down in 2012, a slower yet steady growth is estimated for the coal demand from major coal consuming industries such as power, iron and steel, construction materials and chemicals, etc.

As the consolidation of coal mines in certain provinces (regions) including Shanxi and Hebei is nearly completed, the future production volume is expected to maintain a steady and non-exponent growth. Due to limited transportation capacity, the coal production capacity in the Northwestern region was confined. The thermal coal market is estimated to witness ample supply in major producing areas as well as undersupply in non-producing areas, and the Central and Southern regions shall face tight supply frequently. With the slightly tight railway transportation capacity during the peak season of coal consumption, it is estimated that the coastal market will still experience tight coal supply in the peak season.

Due to mandatory increase in staff wages and policy factors, it is expected that coal production cost will continue to rise. The government will implement more strict standards for environment protection and production safety in the "Twelfth Five-year Plan" period. Also the resource tax reform and other measures will push up the policy costs for coal enterprises. It is estimated that the production cost of the coal industry will continue to increase in 2012.

It is expected that the coal demand in Europe and America will continue to weaken, whereas Asia-Pacific markets such as China, India and Japan will keep their growth momentum. China is expected to remain as a net importer of coal in 2012.

Domestic coal demand in 2012 is expected to continue its growth, albeit at a slower pace. Coal production capacity will increase steadily but, due to the inadequate transportation capacity, will contribute limited increment to effective coal supply. Coal supply and demand are expected to maintain an overall balance, yet with regional or occasional coal surplus or deficit.

2. Thermal coal market in Asia Pacific region

Review for 2011

In 2011, the European debt crisis and the slow-down of emerging economies resulted in lowered demand for coal in certain regions. Hence, the international coal market shifted from undersupply at the beginning of the year to balanced with slight surplus at the end of the year. Thermal coal prices started high but dropped since then.

Japan imported 164 million tonnes of coal in the year, representing a year-on-year decrease of 3.0%. China posted a year-on-year increase of 11.6% in coal import to 182 million tonnes, and India imported 84 million tonnes of thermal coal in last three quarters of 2011, representing a year-on-year increase of 11.7%.

In 2011, the exports of major coal exporting countries continued their growth momentum. Thermal coal export in Australia reached 147 million tonnes, representing a year-on-year growth of 4.2%. Coal export in Indonesia amounted to 292 million tonnes, representing a year-on-year growth of 11.1%.

Thermal coal price in the Asia-Pacific region experienced a roller coaster ride in 2011 – significant rise in spot prices of thermal coal in the beginning of 2011 as a result of the Australian flood and Japanese earthquake, and the subsequent price drop in the second half of the year, which saw the Australia BJ thermal coal spot price peaked off from USD134/tonne to USD115/tonne at the end of December.

Prospect for 2012

As a result of the stagnant macro-economic environment, it is expected that coal demand from Europe and America will decline, while China and India in the Asia Pacific region will become the major coal importers in 2012. In addition, Japan's demand for coal will realize growth as its economy gradually recovers.

Moderate rise in the growth of coal supply is expected in the Asia-Pacific region in 2012. As the effect of the flood in Australia diminished, export will be on par with that of 2011 or see a slight increase; in Indonesia, coal export growth will be limited by its insufficient railway and port transportation capacity and the potential coal export tax policies; thermal coal export volume to Asia from countries such as South Africa and Russia is also expected to grow.

The supply and demand of the international coal market shall maintain an overall equilibrium in 2012. The international thermal coal spot prices will remain at the average level of 2011.

(III) Market environment of the power industry

Review for 2011

In 2011, power consumption exhibited minor fluctuations and slight reduction. The growth rate of power consumption in China peaked off from 15.8% in February to 10.6% in December.

The power supply capacity steadily increased. In 2011, the nation's total power generation reached 4,721.7 billion kwh, representing a year-on-year increase of 11.68%. As at the end of the year, the national installed capacity of power generators reached 1.056 billion KW, representing a year-on-year growth of 9.2%, of which the proportion of installed capacity of non-coal-fired generators reached 27.50%, representing a year-on-year increase of 0.93 percentage point.

Due to strict policies and reduced profit in the coal-fired power generation business and other factors, investment in power generation across the country registered a third consecutive year of year-on-year decrease – only 46.4% of the investment of 2005 in terms of coal-fired power generation and the sixth consecutive year of year-on-year decrease. The proportion of investment in clean energy increased.

In 2011, insufficient hydropower output was recorded due to reduced water flow of the major rivers in China. The proportion of coal-fired power generation registered growth as compared with the previous years. The average utilization hours of coal-fired equipments were 5,294 hours, representing a year-on-year growth of 264 hours.

The supply and demand of power in China was balanced in general in 2011. However, shortage of power was seen in certain areas and time periods.

Prospect for 2012

The growth rate of power consumption in 2012 is expected to be lower than that of 2011. It is likely that power consumption for the year will show an upward trend.

In 2012, the nation's power consumption growth structure will be further altered as the high energy consumption region in the west will make a greater contribution to the growth in power consumption. Power consumption from tertiary industries and residential power consumption in most regions will also contribute more to such growth.

Power supply capacity will be further released as an effect of price adjustment. Due to the long construction cycle of projects and slow-down of investment, it is expected that the new installed capacity of coal-fired generators in 2012 will be less than that in 2011. Hydroelectric power generation nationwide in 2012 is expected to perform better than 2011.

It is expected that the power supply and demand in China will be balanced or slightly tight in general in 2012 and the average utilization hours of coal-fired equipment remain flat year-on-year. Given the impact of factors such as seasonality, power supply will continue to run tight in some regions and during certain periods.

PROFIT DISTRIBUTIONS

Net profit attributable to equity shareholders of the Company for 2011 under the Accounting Standards for Business Enterprises amounted to RMB44.822 billion, representing basic earnings per share of RMB2.253. The Board recommends payment of a final dividend for 2011 of RMB0.90 per share (inclusive of tax), totalling approximately RMB17.901 billion (inclusive of tax), which represents 39.9% of net profit attributable to equity shareholders of the Company.

The Company shall hold the 2011 annual general meeting on 25 May 2012 (Friday) to consider and approve relevant resolutions, including the above proposed final dividend for the year 2011 as proposed by the Board.

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

According to the Articles of Association of China Shenhua:

(1) After the Shanghai Stock Exchange is closed in the afternoon on 25 April 2012 (Wednesday), the shareholders of A shares of the Company and the proxy of shareholders as registered in the China Securities Depository and Clearing Corporation Shanghai Branch are entitled to attend and vote at the 2011 annual general meeting of the Company;

(2) Under relevant regulations of China Securities Depository and Clearing Corporation Shanghai Branch and according to the market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement in respect of final dividend distribution to holders of A shares for the year 2011 after the annual general meeting of 2011 to determine the record date and ex-rights date for dividend distribution to holders of A shares for the year 2011.

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

(1) The register of members will be closed from 25 April 2012 (Wednesday) to 25 May 2012 (Friday) (both days inclusive) to determine the identity of the shareholders of H Shares who are entitled to attend and vote at the 2011 annual general meeting. In order to be eligible for attending and vote at the 2011 annual general meeting, shareholders of H shares shall lodge the share certificates with the instrument of transfer to Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30 pm on 24 April 2012 (Tuesday) to effect the transfer of shares.

(2) The register of members will be closed from 4 June 2012 (Monday) to 8 June 2012 (Friday) (both days inclusive) to determine the identity of the shareholders of H Shares who are entitled to the proposed final dividend for the year 2011. In order to be eligible for receiving the proposed 2011 final dividend, shareholders of H shares shall lodge the share certificates with the instrument of transfer to Computershare Hong Kong Investor Services Limited, the Company's share registrar for H shares no later than 4:30 pm on 1 June 2012 (Friday) to effect the transfer of shares.

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

Investors are advised to read the above content carefully. Should there any changes to their status as shareholders, they should consult their agent or custodian organisation for the relevant procedures. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose name appeared in the register of members for H Shares of the Company on 8 June 2012.

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

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

The Company shall take the registered address (hereby referred to as "registered address") as recorded in the register of members on 8 June 2012 as the criterion in determining the residence of the individual shareholders of H shares, and withhold individual income tax whereby. Should the residence of the individual shareholders of H shares is inconsistent with the registered address, they should notify the Company's share registrar for H shares on or before 4:30 pm on 1 June 2012 with relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre,183 Queen's Road East, Wan Chai, Hong Kong. For the individual shareholders of H shares who failed to provide relevant evidence to the Company's share registrar for H shares within the above deadline, the Company shall determine their residence according to the registered address as recorded in the register of members on 8 June 2012.

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

CORPORATE GOVERNANCE

The Company has 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 2011.

Operation of Board Committees of the Company

Performance of duties by the Audit Committee

The Audit Committee of the second session of the Board is comprised of 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", "Working Rules of the Audit Committee of the Board of Directors" and "Working Rules for Annual Reports of the Audit Committee of the Board of Directors" of China Shenhua. The principal duties of the audit committee are:

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

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

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

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

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

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

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

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

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

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

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

(12) to review the Group's financial and accounting policies and practices;

(13) to review the external auditors' letter to the management for reporting the status of the audit, any material queries raised by the auditor to the management about accounting records, financial accounts or systems of control and management's response;

(14) to ensure that the Board will provide a timely response to the issues raised in the external auditor's letter to the management for reporting the status of the audit; and

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

In 2011, the Audit Committee held nine meetings, and all members of the Committee attended all meetings in person.

The Audit Committee has performed the following necessary procedures for the preparation of the 2011 annual report of the Company:

On 19 August 2011, the Internal Control and Audit Department reported to the Audit Committee for the status of audit on internal control, self-assessment on internal control for the year 2011 and financial statements audit for 2012.

On 27 October 2011, the Audit Committee reviewed the annual audit and internal control audit proposal of the Company in 2011.

On 31 December 2011, the Internal Control and Audit Department submitted the progress report of the audit on internal control in 2011 to the Audit Committee.

On 14 March 2012, the Audit Committee reviewed the unaudited financial report for 2011 (draft) and the 2011 Assessment Report for Internal Control of China Shenhua Energy Company Limited (draft).

On 19 March 2012, the Audit Committee considered the report from the Financial Department of the Company, on the accounting policies, the preparation of the financial statements and the audit progress.

On 19 March 2012, the Audit Committee approved the audited annual financial statements, the assessment report for internal control and the corporate social responsibility report for the year 2011 by way of poll, 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 second session of the Board is comprised of Dr. Zhang Xiwu, Dr. Zhang Yuzhuo and Dr. Ling Wen, with Dr. Zhang Xiwu as the chairman.

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

In 2011, the Strategy Committee held one meeting, and all members of the Committee attended the meeting in person.

Performance of duties by the Remuneration Committee

The Remuneration Committee of the second session of the Board is comprised of Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. 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 determine the specific remuneration package, including non-monetary benefits, pension and compensation (including compensation for loss or termination of office or appointment) for all executive directors, supervisors, the president and other members of the senior management, to ensure that none of the directors or any of their respective associates participates in the determination of his/her own remuneration; and carry out other matters as authorized by the Board.

In 2011, the Remuneration Committee held two meetings, and all members of the Committee attended both of the meetings in person.

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

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

Performance of duties by the Nomination Committee

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

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

In 2011, the Nomination Committee held one meeting, and all members of the Committee attended the meeting in person.

Performance of duties by the Safety, Health and Environment Committee

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

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

In 2011, the Safety, Health and Environment Committee held two meetings in total, and all members of the Committee attended both of the meetings in person.

Others

For the year ended 31 December 2011, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company as defined in the Hong Kong Listing Rules.

ANNUAL REPORT

The 2011 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2011 annual report, which contains consolidated financial statements for the year ended 31 December 2011, with an unqualified auditor's report, will be despatched to shareholders as well as made available on the Company's website at http://www.csec.com.

DEFINITIONS

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

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
Australia Pty	Shenhua Australia Holdings Pty Limited

Baotou Energy Company	Shenhua Baotou Energy Co., Ltd
Baoshen Railway Company	Shenhua Baoshen Railway Co., Ltd.
Baotou Mining	Shenhua Group Baotou Mining Co., Ltd.
Bashu Power Company	Sichuan Bashu Electric Power Development Co., Ltd.
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.
Beijing Thermal	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
Branches and Subsidiaries	Branches and subsidiaries of the Company, unless otherwise specified in the context
Chaijiagou Mining	Shaanxi Jihua Chaijiagou Mining Co., Ltd.
Clean Coal Company	Hulunbeier Shenhua Clean Coal Co., Ltd.
Coal Liquefaction Company	China Shenhua Coal Liquefaction and Chemical Co., Ltd
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
EMM Indonesia	PT.GH EMM INDONESIA
Geological Exploration Company, formerly “Beiyao Company”	Shenhua Geological Exploration Co., Ltd, formerly “Shenhua (Beijing) Remote Sensing Exploration Co., Ltd.”
Guohua Energy	Guohua Energy Investment Co., Ltd.
Guohua Hulunbeier Power	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.
Guohua International	Shenhua Guohua International Power Co., Ltd.
Guohua Power	Beijing Guohua Power Company Limited
Guohua Power Branch	China Shenhua Energy Company Limited Guohua Power Branch
Guohua Zhunge’er	Inner Mongolia Guohua Zhunge’er Power Generation Co., Ltd.
Ha’erwusu Coal Branch	China Shenhua Energy Company Limited Ha’erwusu Coal Branch

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
Huanghua Power	Hebei Guohua Cangdong Power Co., Ltd.
Huanghua Harbour Administration Company	Shenhua Huanghua Harbour Administration Co., Ltd.
Huizhou Thermal	China Shenhua Energy Company Limited Guohua Huizhou Thermal Power Branch
Information Company	Shenhua Hollysys Information Technology Co., Ltd.
International Trading Company	Shenhua International Trading Co., Ltd.
Jihua Industry	Beijing Jihua Industry Coal Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Material Company	Shenhua Group Material Trading Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Ninghai Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
Overseas Investment Company	China Shenhua Overseas Development & Investment Co., Ltd.
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Rolling Stock Branch	China Shenhua Energy Company Limited Rolling Stock Branch
Sanhe Power	Sanhe Power Co., Ltd.
Shanghai Listing Rules	Rules Governing the Listing of Shares on the Shanghai Stock Exchange
Shanghai Stock Exchange	Shanghai Stock Exchange
Shenbao Energy Company	Shenhua Baorixile Energy Co., Ltd.

Shendong Coal Branch	China Shenhua Energy Company Limited Shendong Coal Branch
Shendong Coal Group	the corporation conglomerate consisting of Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
Shendong Coal Group Corporation	Shenhua Shendong Coal Group Co., Ltd.
Shendong Power Company	Shenhua Shendong Power Co., Ltd.
Shenhua Finance Company	Shenhua Finance Co., Ltd.
Shenhua Group	Shenhua Group Corporation and its controlling subsidiaries
Shenhua Group Corporation	Shenhua Group Corporation Limited
Shenhua Trading Company	Shenhua Coal Trading Co., Ltd.
Shenhua Trading Group	Shenhua Trading Group Limited
Shenhua Zhonghai Shipping Company	Shenhua Zhonghai Shipping Co., Ltd.
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Shenshuo Railway Branch	China Shenhua Energy Company Limited Shenshuo Railway Branch
Shenwan Energy Company	Shenwan Energy Company Limited
Shuohuang Railway Company	Shuohuang Railway Development Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
The Group	China Shenhua and its subsidiaries
Taishan Power	Guangdong Guohua Yuedian Taishan Power Co., Ltd.
Tianhong Company	Shenhua Tianhong Trading Co., Ltd.
Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co., Ltd.
Watermark	Shenhua Watermark Coal Pty Limited

Wuhai Energy Company	Shenhua Wuhai Energy Company Limited
Xinjie Energy Company	Shenhua Xinjie Energy Co., Ltd.
Xinzhun Railway Company	Shenhua Xinzhun Railway Co., Ltd.
Yu Shen Energy Company	Yulin Shenhua Energy Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Zhuhai Coal Dock	Shenhua Yuedian Zhuhai Port Coal Dock Co., Ltd.
Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
Zhunge'er Power	Power-generating arm controlled and operated by Shenhua Zhunge'er Energy Co., Ltd.
Zhunge'er Coal Gangue Power	Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.
Zhunge'er Energy Company	Shenhua Zhunge'er Energy Co., Ltd.

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

Beijing, 23 March 2012

As at the date of this announcement, the Board comprises the following: Dr. Zhang Xiwu, Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo as executive directors, Mr. Liu Benren and Mr. Xie Songlin as non-executive directors, and Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. Guo Peizhang as independent non-executive directors.