

Consolidated Statement of Changes in Equity

for the year ended 31 December 2005

(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Revaluation reserve	Future development fund	Statutory reserves	Other reserves	Retained earnings/ shareholder's equity	Total	Minority interests	Total equity
	RMB million (Note 31)	RMB million (Note i)	RMB million (Note ii)	RMB million (Note iii)	RMB million (Note iv)	RMB million (Note v)	RMB million (Note vi)	RMB million (Note vii)	RMB million	RMB million (Note viii)	RMB million
At 1 January 2004 (Note 1)	-	-	-	7,203	138	284	849	7,987	16,461	11,628	28,089
Capitalisation upon legal establishment of the Company (Note 1)	15,000	-	(6,591)	-	(138)	(284)	-	(7,987)	-	-	-
Profit for the year	-	-	-	-	-	-	-	8,935	8,935	1,631	10,566
Appropriations	-	-	-	-	338	230	-	(568)	-	-	-
Revaluation surplus realised	-	-	-	(17)	-	-	-	17	-	-	-
Capital contributions from minority interests	-	-	-	-	-	-	-	-	-	133	133
Distributions to minority interests	-	-	-	-	-	-	-	-	-	(307)	(307)
At 31 December 2004	15,000	-	(6,591)	7,186	338	230	849	8,384	25,396	13,085	38,481
At 1 January 2005	15,000	-	(6,591)	7,186	338	230	849	8,384	25,396	13,085	38,481
Issuance of shares upon public offering	3,090	21,568	-	-	-	-	-	-	24,658	-	24,658
Shares issue expenses	-	(755)	-	-	-	-	-	-	(755)	-	(755)
Profit for the year	-	-	-	-	-	-	-	15,632	15,632	2,380	18,012
Appropriations	-	-	-	-	543	2,898	-	(3,441)	-	-	-
Revaluation surplus realised	-	-	-	(2)	-	-	-	2	-	-	-
Realisation of deferred tax	-	-	-	-	-	-	(10)	10	-	-	-
Dividend for 2004 (Note 13)	-	-	-	-	-	-	-	(7,549)	(7,549)	-	(7,549)
Capital contributions from minority interests	-	-	-	-	-	-	-	-	-	830	830
Distributions to minority interests	-	-	-	-	-	-	-	-	-	(1,188)	(1,188)
At 31 December 2005	18,090	20,813	(6,591)	7,184	881	3,128	839	13,038	57,382	15,107	72,489

Notes:

- (i) The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received upon the global initial public offering.
- (ii) The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets, net of revaluation and other reserves, transferred from Shenhua in connection with the Restructuring (as defined in Note 1).
- (iii) As required by the relevant PRC rules and regulations with respect to the Restructuring (as defined in Note 1), the property, plant and equipment of the Group as at 31 December 2003 were revalued by China Enterprise Appraisal Co., Ltd., independent valuers registered in the PRC, on a depreciated replacement cost basis.

The notes on pages 91 to 156 form part of these financial statements.

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(iv) Pursuant to regulations in the PRC, the Company and its subsidiaries are required to make a transfer to future development fund based on RMB7.00 to RMB8.00 (2004: RMB6.50 to RMB8.00) per tonne of raw coal mined (net of usage). The fund can only be used for the future development of the coal mining business and is not available for distribution to shareholders.

(v) Statutory reserves

Statutory surplus reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

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

For the year ended 31 December 2005, the Company transferred RMB1,449 million, being 10% of the current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this reserve.

For the year ended 31 December 2004, the Company transferred RMB115 million, being 10% of the net profit for the period from its establishment date of 8 November 2004 to 31 December 2004, which was calculated on a pro-rata basis of the full year profit of RMB7,779 million, as determined in accordance with the PRC Accounting Rules and Regulations to this reserve.

Statutory public welfare fund

According to the Company's Articles of Association, the Company is required to transfer 5% to 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to the statutory public welfare fund. This fund can only be utilised on capital items for the collective benefits of the Company's employees such as the construction of dormitories, canteen and other staff welfare facilities. This fund is non-distributable other than on liquidation. The transfer to this fund must be made before distribution of a dividend to shareholders.

The directors proposed to transfer RMB1,449 million, subject to shareholders' approval, being 10% of the current year's net profit as determined in accordance with the PRC Accounting Rules and Regulations, to this fund.

For the year ended 31 December 2004, the Company transferred RMB115 million, being 10% of the net profit for the period from its establishment date of 8 November 2004 to 31 December 2004, which was calculated on a pro-rata basis of the full year profit of RMB7,779 million, as determined in accordance with the PRC Accounting Rules and Regulations to this fund.

Discretionary surplus reserve

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

The directors have not proposed any appropriation to the discretionary surplus reserve in 2005 and 2004.

- (vi) In connection with the Restructuring (as defined in Note 1), the land use rights of the Group were revalued as required by the relevant PRC rules and regulations as at 31 December 2003. The revalued amount will serve as the tax base for future years. The land use rights were not revalued for financial reporting purpose and accordingly, a deferred tax asset was created with an increase in shareholders' equity, net of minority interests.
- (vii) The shareholder's equity prior to the establishment of the Company mainly represents the then capital of the entities now comprising the Group and the equity contributions from or distribution to the Parent Company.
- (viii) Minority interests were presented separately from liabilities and equity at 31 December 2003 and 2004. Minority interests are presented within the equity with effect from 1 January 2005 and the presentation of minority interests for the comparative year has been restated accordingly. Details are set out in Note 3.

The notes on pages 91 to 156 form part of these financial statements.