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Overview of the Company's Operating Results for 2009

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

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

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

| Breakdown of Coal Sales | | 2009 million tonnes | Proportion of domestic sales % | 2008 million tonnes | Percentage change % |
|--|--|---------------------|--------------------------------|---------------------|---------------------|
| Domestic sales | | 240.7 | 100.0 | 211.5 | 13.8 |
| By contract type | | | | | |
| Long-term contract | | 171.6 | 71.3 | 163.9 | 4.7 |
| Spot market sales | | 69.1 | 28.7 | 47.6 | 45.2 |
| By transportation mode | | | | | |
| Direct arrival (along railway line and mine mouth) | | 95.1 | 39.5 | 93.3 | 1.9 |
| Seaborne (port FOB) | | 145.6 | 60.5 | 118.2 | 23.2 |
| By customers | | | | | |
| External customers | | 199.3 | 82.8 | 170.4 | 17.0 |
| The Group's power segment | | 41.4 | 17.2 | 41.1 | 0.7 |
| By region | | | | | |
| Northern China | | 106.6 | 44.2 | 86.2 | 23.7 |
| Eastern China | | 90.7 | 37.7 | 85.3 | 6.3 |
| Central China and Southern China | | 37.7 | 15.7 | 30.9 | 22.0 |
| Northeast China | | 2.1 | 0.9 | 7.3 | (71.2) |
| Others | | 3.6 | 1.5 | 1.8 | 100.0 |
| By usage | | | | | |
| Thermal coal | | 192.2 | 79.9 | 174.5 | 10.1 |
| Metallurgy | | 7.3 | 3.0 | 5.0 | 46.0 |
| Chemical (including coal slurry) | | 7.5 | 3.1 | 4.5 | 66.7 |
| Others | | 33.7 | 14.0 | 27.5 | 22.5 |
| Export sales | | 13.6 | 100.0 | 21.2 | (35.8) |
| South Korea | | 5.8 | 42.7 | 8.5 | (31.8) |
| China Taiwan | | 3.5 | 25.7 | 5.5 | (36.4) |
| Japan | | 3.5 | 25.7 | 5.1 | (31.4) |
| Others | | 0.8 | 5.9 | 2.1 | (61.9) |
| Total sales | | 254.3 | | 232.7 | 9.3 |

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

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

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

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

Overview of Consolidated Operating Results for 2009

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

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

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

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

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

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

Overview of Operating Conditions by Segment for 2009

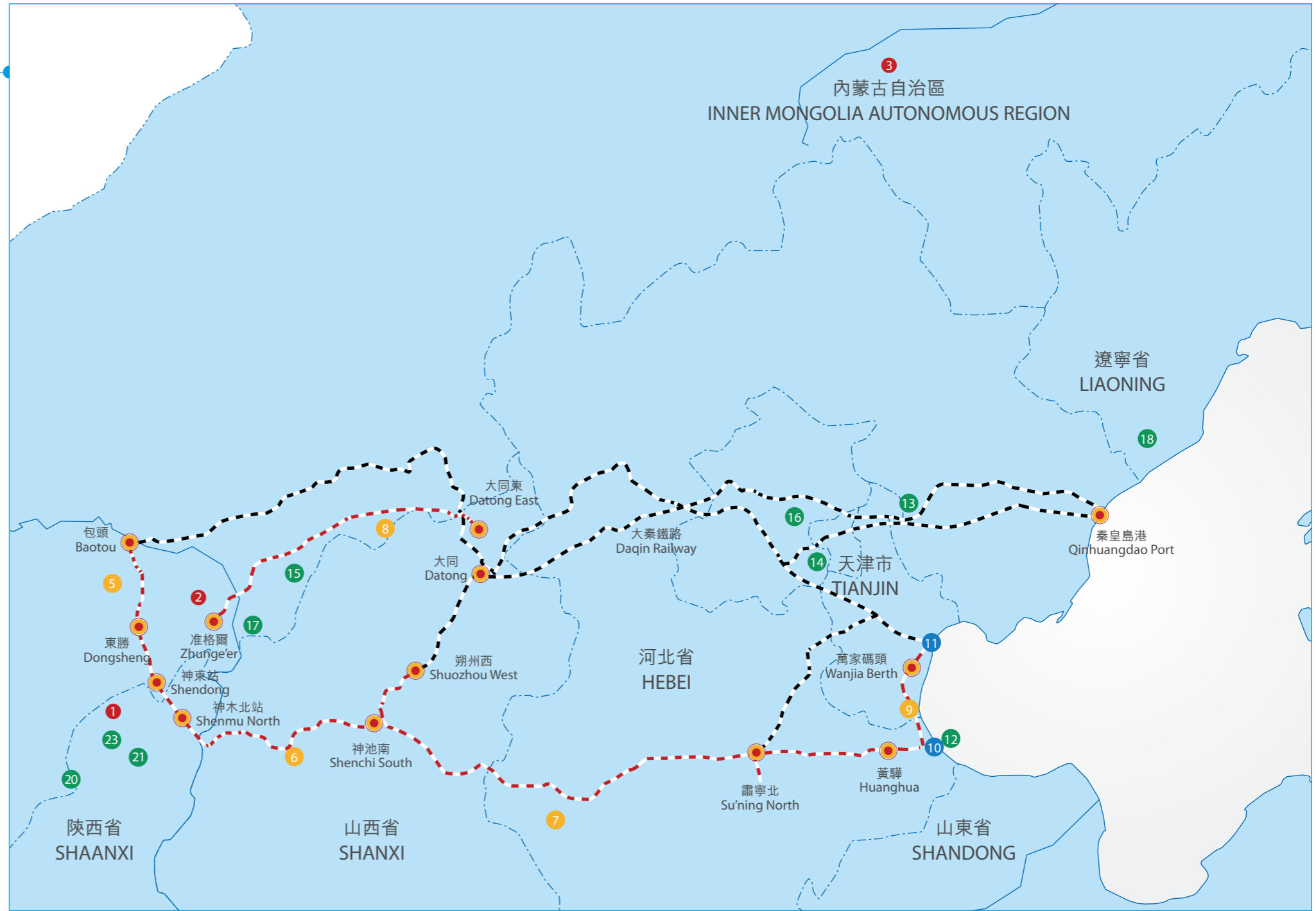
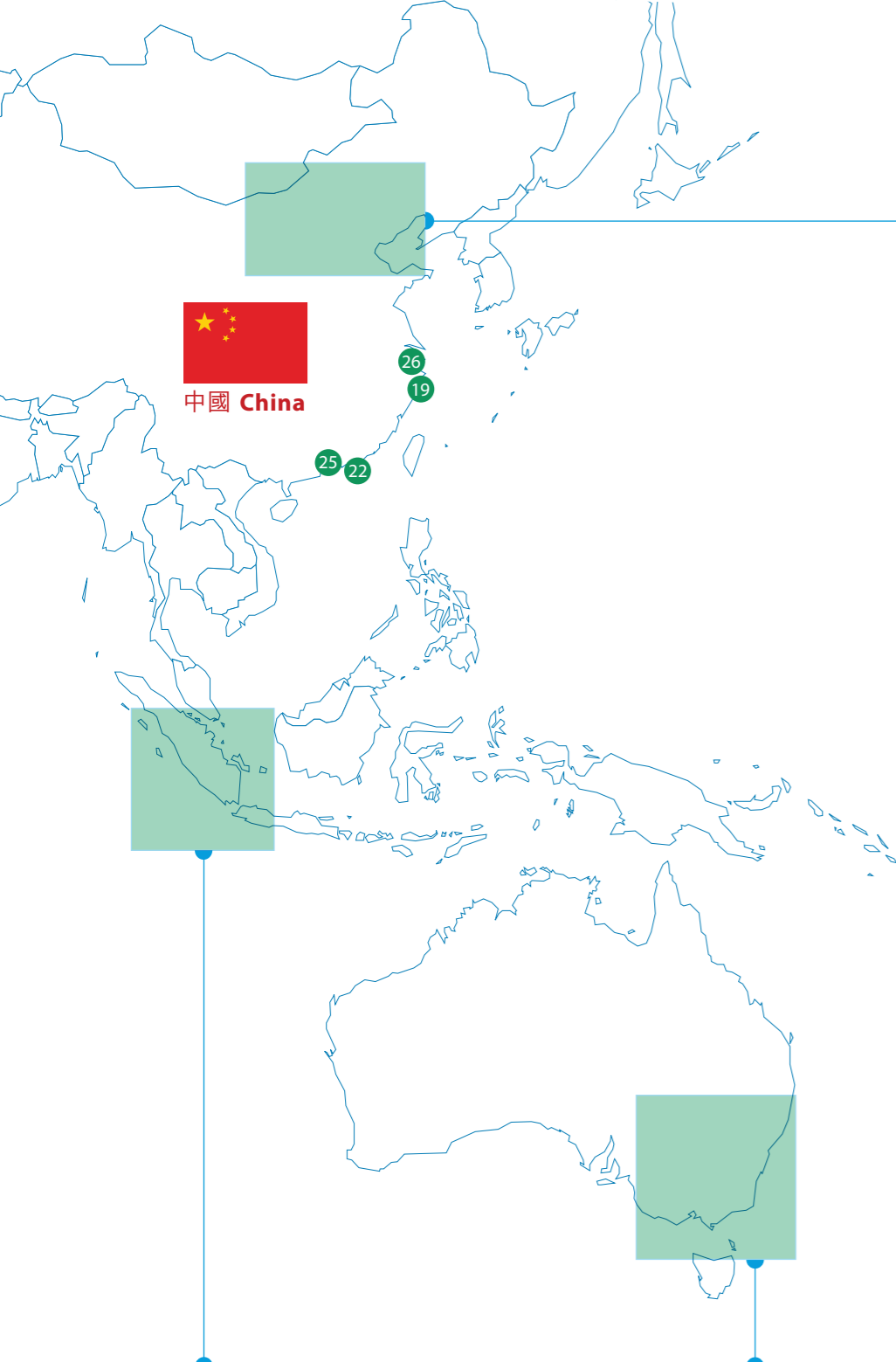
| Segment results | Coal | | Railway | | Port | | Power | | Unallocated items | | Eliminations | | Total | |
|--|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------------|-------------|--------------|-------------|-------------|-------------|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

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

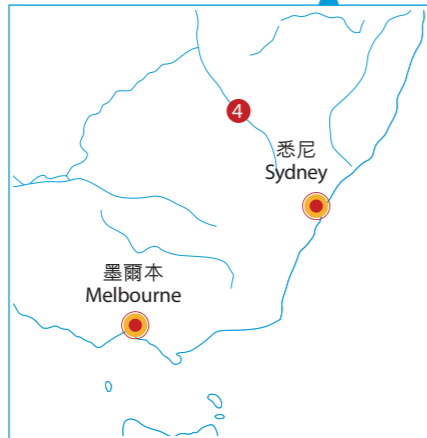
| Cost of revenues of power segment | | | | | | | |
|--|---------------|--------------|-----------|---------------|--------------------------------|-----------|-------|
| | 2009 | | 2008 | | Percentage change in unit cost | | |
| | Cost | Power output | Unit cost | Cost | Power output | Unit cost | %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

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

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



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



煤礦 Coal Mine

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



鐵路 Railway

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



港口 Port

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

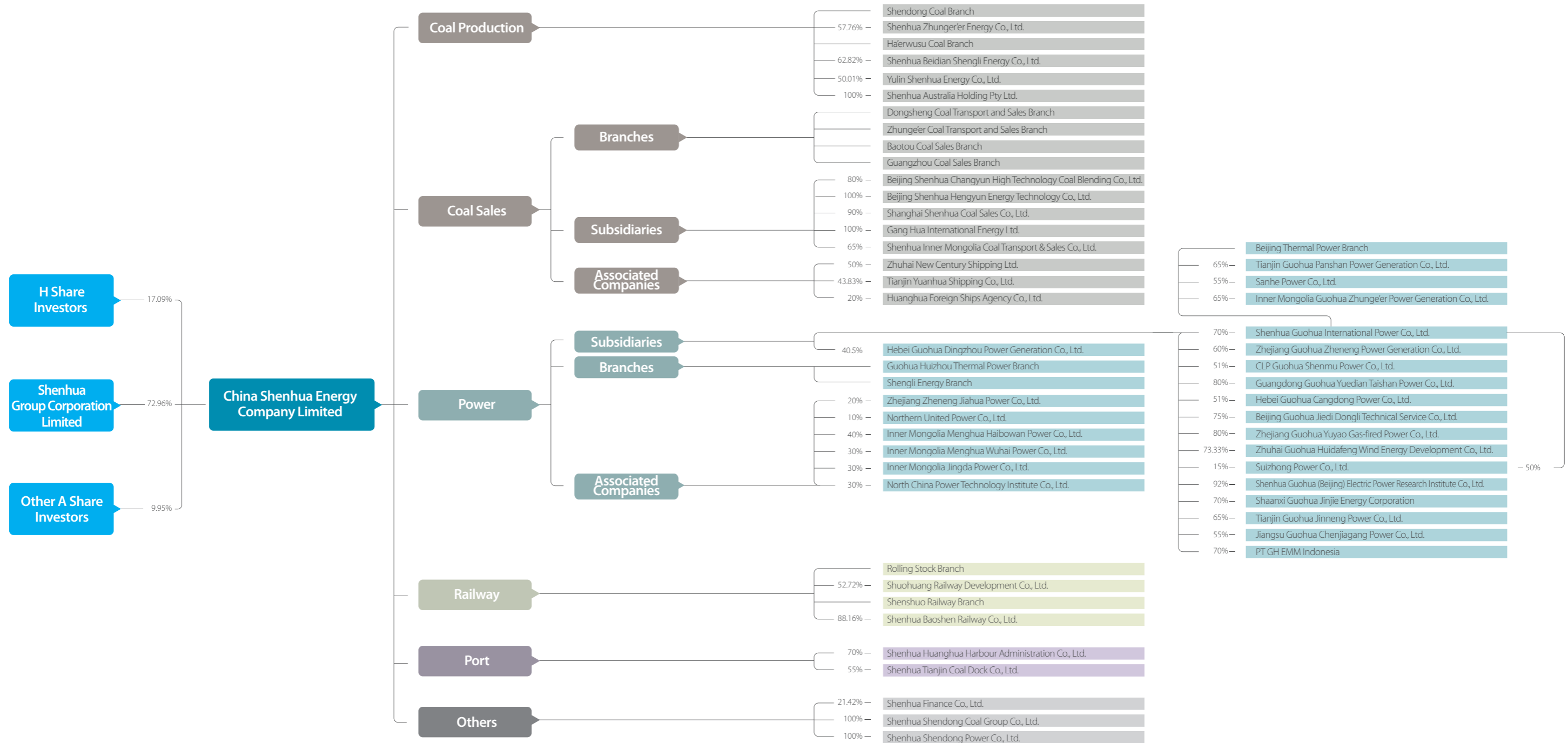


電廠 Power

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

— 國有鐵路 State-owned Railway - - 自有鐵路 Self-owned Railway ● 地名 Place

Group Structure



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

Management discussion and analysis

▼ Overview of operating conditions in 2009 and business plans for 2010

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

Complete fulfillment of operation targets

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

Strong results despite adversity

Profitability of the Company was further enhanced and corporate value was further improved. In 2009, the Company maximized economic benefits significantly through effective measures such as enhanced efficiency and increased coal price, production increase and cost reduction, strengthening of internal management and improvement of operational quality. Pursuant to International Financial Reporting Standards, the revenues of the Group for 2009 was RMB121.312 billion (2008: RMB107.133 billion), representing a year-on-year increase of 13.2%; profit attributable to equity shareholders of the Company for the year was RMB31.706 billion (2008: RMB26.641 billion), representing a year-on-year increase of 19.0%. Basic earnings per share¹ of the Group was RMB1.594 (2008: RMB1.339), representing a year-on-year increase of 19.0%.

As at 31 December 2009, equity attributable to equity shareholders of the Company per share was RMB8.58 (31 December 2008: RMB7.41), representing a year-on-year increase of 15.8%. As at 31 December 2009, the Group's return on total assets² was 11.6%. Return on net assets³ in 2009 was 18.6% (2008: 18.1%), representing a year-on-year increase of 0.5 percentage point; EBITDA⁴ was RMB58.530 billion (2008: RMB49.568 billion), representing a year-on-year increase of 18.1%. As at 31 December 2009, the Group's total debt to equity ratio⁵ was 28.0%, representing a decrease of 2.2 percentage points as compared to 30.2% as at 31 December 2008.

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

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

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

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

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

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

Balanced and stable production

(I) Coal segment

1. Coal production

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

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

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



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

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

2. Coal production technology and equipment

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

3. Coal mine production safety

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

4. Coal resources

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

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

(II) Railway segment

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

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

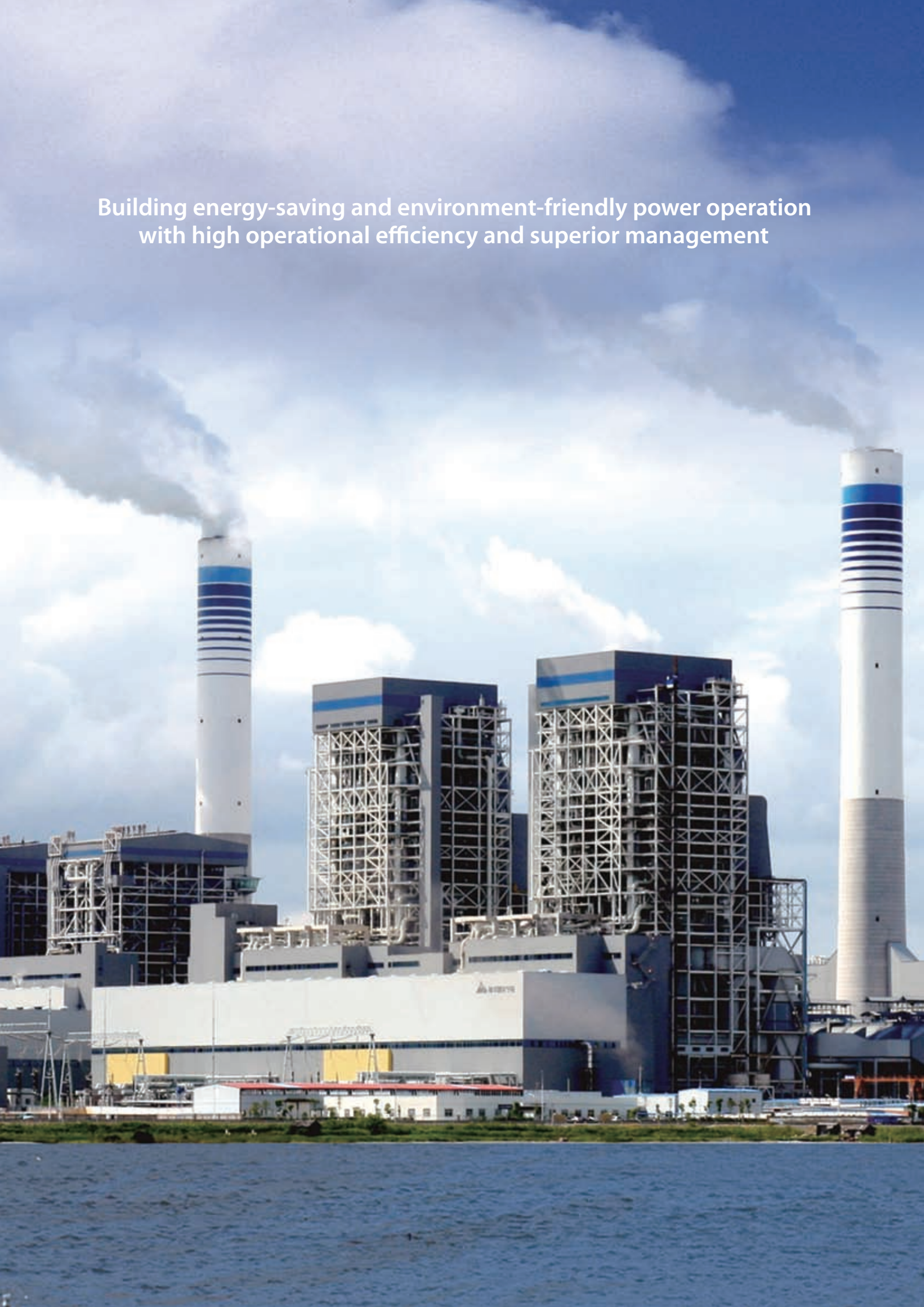


and enhancing the synergies generated from
the Company's business segments

(III) Port segment

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

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



(IV) Power segment

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

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

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