Effective marketing

(I) Coal sales

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

1. Long-term contract sales

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

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

2. Spot sales

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

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

3. Domestic and export sales

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

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

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

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

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

4. Sales to external customers and internal power segment

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

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

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

5. Sales of coal purchased from third parties

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

(II) Power sales

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

Business plans for 2010

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

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

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

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

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

Review on the Company's consolidated operating results

A. Consolidated results of operations

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

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

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

(I) Revenues

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

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

(II) Cost of revenues

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

(III) Selling, general and administrative expenses

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

(IV) Profit from operations

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

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

(V) Income tax

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

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

B. Consolidated assets and liabilities

(I) Property, plant and equipment, net

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

(II) Construction in progress

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

(III) Inventories

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

(IV) Accounts and bills receivable, net

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

(V) Borrowings

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

(VI) Capital structure

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

C. Consolidated cash flows

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

Review on operating results by business segment

A. Coal segment

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

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

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

(I) Revenues in coal segment

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

(II) Cost of revenues in coal segment

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

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

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

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

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

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

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

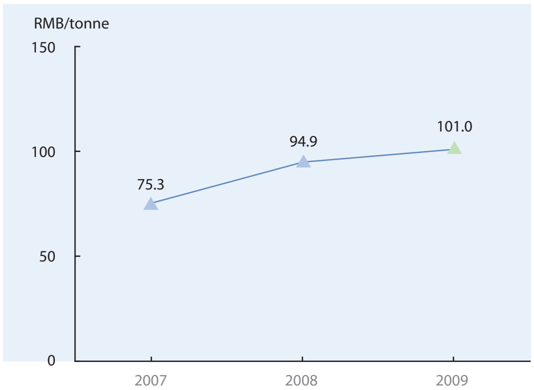
2. The unit cost of others was RMB39.3/tonne (2008: RMB33.3/tonne), representing a year-on-year increase of 18.0%. The increase of RMB6.0 was mainly attributable to the following factors:

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

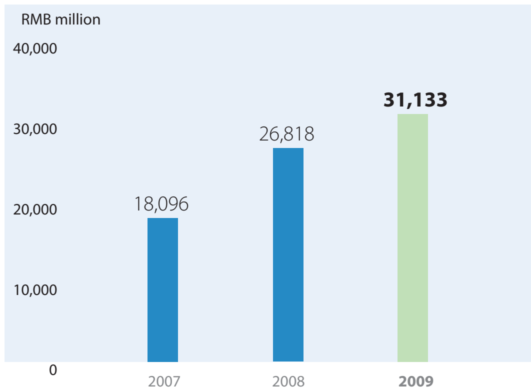
(III) Profit from operations in coal segment

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

Unit cost of self-produced coal



Profit from operations in coal segment



B. Railway segment

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

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

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

(I) Revenues in railway segment

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

(II) Cost of revenues in railway segment

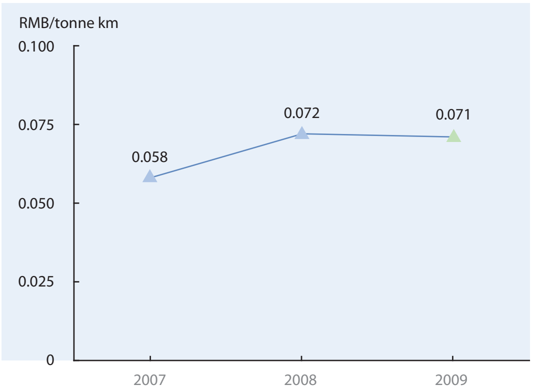
In 2009, cost of revenues of the Group's railway segment was RMB9.962 billion (2008: RMB9.075 billion), representing a year-on-year increase of 9.8% . The increase was mainly attributable to the increase in transportation volume.

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

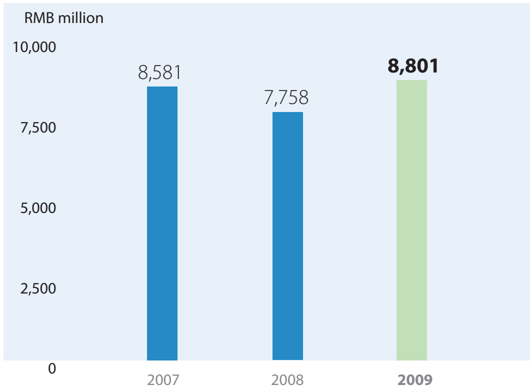
(III) Profit from operations in railway segment

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

Unit cost of transportation in railway segment



Profit form operations in railway segment



C. Port segment

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

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

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

(I) Revenues in port segment

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

(II) Cost of revenues in port segment

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

(III) Profit from operations in port segment

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

D. Power segment

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

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

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

(I) Revenues in power segment

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

Installed capacity of coal-fired power plants in 2009

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

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

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

(II) Cost of revenues in power segment

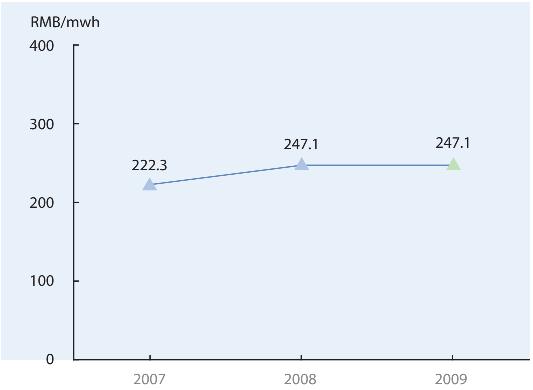
In 2009, cost of revenues of the Group's power segment before elimination on consolidation was RMB24.727 billion (2008: RMB22.828 billion), representing a year-on-year increase of 8.3%.

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

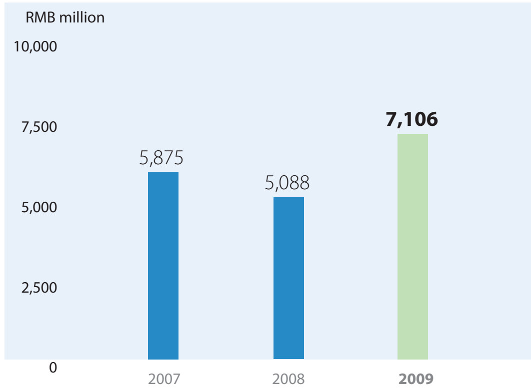
(III) Profit from operations in power segment

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

Unit cost of power output dispatch



Profit from operations in power segment



Review on the status of the Company's investments

A. Capital expenditure plan

(I) Principles of the capital expenditure plan

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

(II) Capital expenditure plan

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

(III) Progress of certain capital expenditure projects

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

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

B. Use of funds raised

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

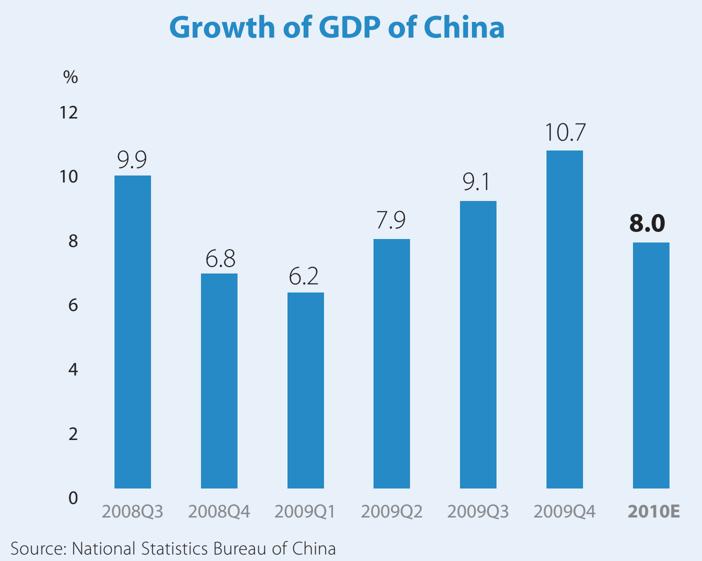
At the 37th meeting of the first session of Board of Directors of the Company, it was reviewed and approved that RMB6.500 billion of the proceeds would be temporarily used as additional cash flows in the six months starting from 21 December 2009. Excluding this amount, the remaining balance of the proceeds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

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

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

A Macroeconomic environment

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



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

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

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

B Coal market environment

(I) The thermal coal market in China

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

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

Review of 2009

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

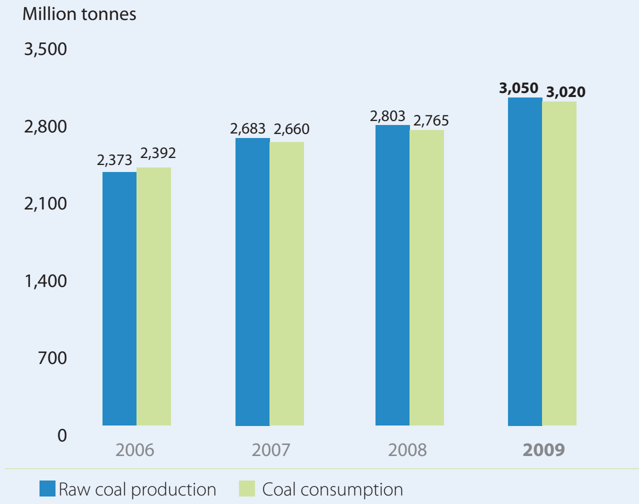
In 2009, the national production of raw coal was 3,050 million tonnes, representing a year-on-year increase of 8.8%. Of which, the production of Shanxi Province was 615 million tonnes, representing a year-on-year decrease of 6.2%. The decrease was due to the closure and consolidation of small coal mines.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

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

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

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

Coal production and consumption in China



Source: National Statistics Bureau of China

Prospect for 2010

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

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

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

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

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

Source: CCTD

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

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

Review of 2009

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

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

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

Prospect for 2010

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

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

Trend of spot price of Australian BJ thermal coal

Source: CCTD

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

C Power market environment

Review of 2009

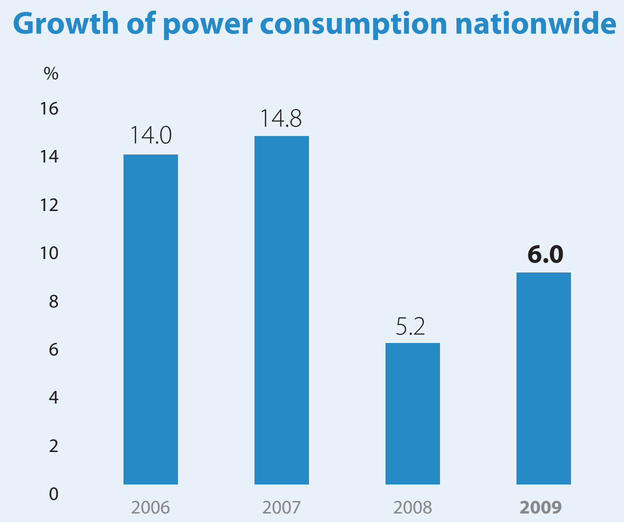
In 2009, the national power consumption recovered month by month, turning from a negative growth to a positive growth for seven straight months. Power consumption of the entire society grew by 6.0% year-on-year, which was 0.8 percentage point higher than that in last year.

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

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

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

Prospect for 2010



Source: National Statistics Bureau of China, CEC

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

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

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

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

Major risk exposures of the Company and their effects

A Risk of macroeconomic periodical fluctuation

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

B Risk of competition in the coal and power industries

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

C Risk of insufficient transportation capacity

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

D Risk of cost increase

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

E Risk of foreign exchange rate

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

F Risk of changes in national macro industrial control policies

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

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

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

H Environmental protection responsibility

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

I Group insurance

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

Operating conditions and results of major subsidiaries and associated companies

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

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

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

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

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

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

Profit distributions

Profit distributions for the past three years

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

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

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

Profit distribution plan for the reporting period

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

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

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

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

In accordance with the Enterprise Income Tax Law of the People's Republic of China and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends to them. Any H shares of the Company registered not under the name of an individual shareholder, including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed as shares held by non-resident enterprise shareholder. Therefore, on this basis, enterprise income tax shall be withheld from dividends payable to such shareholders.

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

Daily operations of the Board

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

Other matters

Major Customers and Suppliers

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

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

Distributable Reserves

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

Employee Retirement Plan and Remuneration Policies

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

Subsidiaries

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

Pre-emptive rights

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

Taxation

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

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

Charge over assets of the Group

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

Significant acquisitions and disposals

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