Consolidated statement of comprehensive income

for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	**2009 RMB million**	*2008 RMB million*
Revenues			
Coal revenue		**84,618**	74,572
Power revenue		**33,157**	29,393
Other revenues	5	**3,537**	3,168
Total operating revenues	4	**121,312**	107,133
Cost of revenues			
Coal purchased from third parties		**(14,187)**	(15,585)
Materials, fuel and power		**(9,513)**	(8,433)
Personnel expenses		**(5,727)**	(5,343)
Depreciation and amortisation		**(10,624)**	(9,396)
Repairs and maintenance		**(5,035)**	(4,717)
Transportation charges		**(9,273)**	(7,227)
Others	6	**(11,133)**	(8,677)
Total cost of revenues		**(65,492)**	(59,378)
Selling, general and administrative expenses		**(8,055)**	(6,961)
Other operating expenses, net		**(657)**	(1,119)
Total operating expenses	7	**(74,204)**	(67,458)
Profit from operations		**47,108**	39,675
Finance income	8	**1,286**	1,288
Finance expenses	8	**(3,324)**	(4,681)
Net finance costs		**(2,038)**	(3,393)
Investment income		**11**	39
Share of profits less losses of associates		**731**	654
Profit before income tax		**45,812**	36,975
Income tax	9	**(9,626)**	(7,076)
Profit for the year		**36,186**	29,899
Other comprehensive income	13		
Exchange differences on translation of financial statements of overseas subsidiaries		**724**	(115)
Revaluation surplus arising from business combination achieved in stage		**–**	109
		724	(6)
Total comprehensive income for the year		**36,910**	29,893
Profit attributable to:			
Equity shareholders of the Company		**31,706**	26,641
Minority interests		**4,480**	3,258
Profit for the year		**36,186**	29,899
Total comprehensive income attributable to:			
Equity shareholders of the Company		**32,431**	26,589
Minority interests		**4,479**	3,304
Total comprehensive income for the year		**36,910**	29,893
Earnings per share (RMB)	15		
– Basic		**1.594**	1.339
– Diluted		**1.594**	1.339

The notes on pages 141 to 204 form part of these financial statements. Details of dividends payable to equity shareholders of the Company attributable to the profit for the year are set out in Note 14(b).

Consolidated balance sheet

at 31 December 2009
(Expressed in Renminbi)

	Note	**2009 RMB million**	*2008 RMB million*
Non-current assets			
Property, plant and equipment, net	16	**163,645**	145,253
Construction in progress	17	**33,045**	33,017
Intangible assets	18	**2,928**	2,435
Interest in associates	20	**3,503**	3,045
Other investments	21	**805**	831
Other non-current assets	22	**7,435**	6,373
Lease prepayments	23	**7,202**	6,011
Deferred tax assets	28(b)	**655**	669
Total non-current assets		**219,218**	197,634
Current assets			
Inventories	24	**7,727**	7,842
Accounts and bills receivable, net	25	**8,781**	8,236
Prepaid expenses and other current assets	26	**2,484**	2,337
Restricted bank deposits		**656**	241
Time deposits with original maturity over three months		**6,867**	196
Cash and cash equivalents	27(a)	**65,944**	59,054
Total current assets		**92,459**	77,906
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	29	**22,252**	18,213
Accounts and bills payable	30	**13,890**	9,642
Accrued expenses and other payables	31	**16,338**	12,410
Current portion of long-term payables	32	**275**	264
Income tax payable	28(a)	**2,929**	2,127
Total current liabilities		**55,684**	42,656
Net current assets		**36,775**	35,250
Total assets less current liabilities		**255,993**	232,884
Non-current liabilities			
Long-term borrowings, less current portion	29	**53,931**	56,045
Long-term payables, less current portion	32	**2,314**	2,765
Accrued reclamation obligations	33	**1,513**	1,869
Deferred tax liabilities	28(b)	**817**	462
Total non-current liabilities		**58,575**	61,141
Net assets		**197,418**	171,743
Equity			
Share capital	34	**19,890**	19,890
Reserves		**150,771**	127,542
Equity attributable to equity shareholders of the Company		**170,661**	147,432
Minority interests		**26,757**	24,311
Total equity		**197,418**	171,743

Approved and authorised for issue by the Board of Directors on 12 March 2010.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 141 to 204 form part of these financial statements.

Balance sheet

at 31 December 2009
(Expressed in Renminbi)

	Note	**2009 RMB million**	*2008 RMB million*
Non-current assets			
Property, plant and equipment, net	16	**53,243**	49,216
Construction in progress	17	**7,836**	7,478
Intangible assets	18	**218**	302
Investments in subsidiaries	19	**34,126**	30,541
Investments in associates	20	**1,526**	1,456
Other investments	21	**800**	812
Other non-current assets	22	**5,763**	5,714
Lease prepayments	23	**1,179**	786
Total non-current assets		**104,691**	96,305
Current assets			
Inventories	24	**4,845**	4,531
Accounts and bills receivable, net	25	**3,430**	4,145
Prepaid expenses and other current assets	26	**19,810**	19,229
Restricted bank deposits		**427**	241
Time deposits with original maturity over three months		**6,846**	78
Cash and cash equivalents	27(a)	**62,364**	56,232
Total current assets		**97,722**	84,456
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	29	**2,846**	5,041
Accounts and bills payable	30	**8,179**	5,797
Accrued expenses and other payables	31	**16,493**	13,477
Current portion of long-term payables	32	**275**	264
Income tax payable	28(a)	**2,113**	1,623
Total current liabilities		**29,906**	26,202
Net current assets		**67,816**	58,254
Total assets less current liabilities		**172,507**	154,559
Non-current liabilities			
Long-term borrowings, less current portion	29	**9,899**	12,828
Long-term payables, less current portion	32	**2,113**	2,561
Accrued reclamation obligations	33	**1,032**	1,406
Deferred tax liabilities	28(b)	**466**	147
Total non-current liabilities		**13,510**	16,942
Net assets		**158,997**	137,617
Equity			
Share capital	34	**19,890**	19,890
Reserves		**139,107**	117,727
Total equity		**158,997**	137,617

Approved and authorised for issue by the Board of Directors on 12 March 2010.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 141 to 204 form part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2009
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital RMB million (Note 34)	Share premium RMB million (Note (i))	Capital reserve RMB million (Note (ii))	Revaluation reserve RMB million (Note (iii))	Exchange reserve RMB million	Statutory reserves RMB million (Note (iv))	Other reserves RMB million	Retained earnings RMB million (Note (iv))	Total RMB million	Minority interests RMB million	Total equity RMB million
At 1 January 2008	19,890	85,001	(6,591)	7,180	–	6,263	(230)	18,275	129,788	20,016	149,804
Total comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	26,641	26,641	3,258	29,899
Other comprehensive income											
– Revaluation surplus arising from business combination achieved in stage (Note (v))	–	–	–	–	–	–	63	–	63	46	109
– Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	(115)	–	–	–	(115)	–	(115)
Total comprehensive income for the year	–	–	–	–	(115)	–	63	26,641	26,589	3,304	29,893
Other movements:											
Dividend declared (Note 14(a))	–	–	–	–	–	–	–	(9,325)	(9,325)	–	(9,325)
Adjustment of profit appropriation for prior years (Note (iv))	–	–	–	–	–	278	–	(278)	–	–	–
Appropriation of profits (Note (iv))	–	–	–	–	–	2,274	–	(2,274)	–	–	–
Appropriation of maintenance and production funds (Note (iv))	–	–	–	–	–	3,368	–	(3,368)	–	–	–
Utilisation of maintenance and production funds (Note (iv))	–	–	–	–	–	(2,119)	–	2,119	–	–	–
Capital contributions from minority shareholders	–	–	–	–	–	–	–	–	–	2,169	2,169
Distributions to minority shareholders	–	–	–	–	–	–	–	–	–	(953)	(953)
Acquisition of minority interests	–	–	–	–	–	–	271	–	271	(271)	–
Realisation of deferred tax	–	–	–	–	–	–	(12)	12	–	–	–
Realisation of revaluation reserve	–	–	–	(20)	–	–	–	20	–	–	–
Others	–	–	–	–	–	–	109	–	109	46	155
Sub-total	–	–	–	(20)	–	3,801	368	(13,094)	(8,945)	991	(7,954)
At 31 December 2008	19,890	85,001	(6,591)	7,160	(115)	10,064	201	31,822	147,432	24,311	171,743

The notes on pages 141 to 204 form part of these financial statements.

Consolidated statement of changes in equity (continued)

for the year ended 31 December 2009
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital RMB million (Note 34)	Share premium RMB million (Note (i))	Capital reserve RMB million (Note (ii))	Revaluation reserve RMB million (Note (iii))	Exchange reserve RMB million	Statutory reserves RMB million (Note (iv))	Other reserves RMB million	Retained earnings RMB million (Note (iv))	Total RMB million	Minority interests RMB million	Total equity RMB million
At 1 January 2009	19,890	85,001	(6,591)	7,160	(115)	10,064	201	31,822	147,432	24,311	171,743
Total comprehensive income:											
Profit for the year	–	–	–	–	–	–	–	31,706	31,706	4,480	36,186
Other comprehensive income											
– Exchange differences on translation of financial statements of overseas subsidiaries	–	–	–	–	725	–	–	–	725	(1)	724
Total comprehensive income for the year	–	–	–	–	725	–	–	31,706	32,431	4,479	36,910
Other movements:											
Dividend declared (Note 14(a))	–	–	–	–	–	–	–	(9,149)	(9,149)	–	(9,149)
Adjustment of profit appropriation for prior years (Note (iv))	–	–	–	–	–	(339)	–	339	–	–	–
Appropriation of profits (Note (iv))	–	–	–	–	–	2,957	–	(2,957)	–	–	–
Appropriation of maintenance and production funds (Note (iv))	–	–	–	–	–	3,124	–	(3,124)	–	–	–
Utilisation of maintenance and production funds (Note (iv))	–	–	–	–	–	(2,148)	–	2,148	–	–	–
Capital contributions from minority shareholders	–	–	–	–	–	–	–	–	–	2,123	2,123
Distributions to minority shareholders	–	–	–	–	–	–	–	–	–	(4,136)	(4,136)
Acquisition of minority interests	–	–	–	–	–	–	(53)	–	(53)	(20)	(73)
Realisation of deferred tax	–	–	–	–	–	–	(24)	24	–	–	–
Realisation of revaluation reserve	–	–	–	(25)	–	–	–	25	–	–	–
Sub-total	–	–	–	(25)	–	3,594	(77)	(12,694)	(9,202)	(2,033)	(11,235)
At 31 December 2009	19,890	85,001	(6,591)	7,135	610	13,658	124	50,834	170,661	26,757	197,418

Notes:

(i) The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received upon the global initial public offering of H shares in 2005 and the issue of A shares in 2007.

(ii) The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets, net of revaluation and other reserves, transferred from Shenhua Group Corporation Limited ("Shenhua Group") in connection with the Restructuring (as defined in Note 1).

(iii) As required by the relevant PRC rules and regulations with respect to the Restructuring (as defined in Note 1), the property, plant and equipment of the Group as at 31 December 2003 were revalued by China Enterprise Appraisal Co., Ltd., independent valuers registered in the PRC, on a depreciated replacement cost basis.

The notes on pages 141 to 204 form part of these financial statements.

(iv) Statutory reserves

Statutory surplus reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the China Accounting Standards for Business Enterprises ("China Accounting Standards") to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

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

During the year ended 31 December 2009, the Company transferred RMB2,957 million (2008: RMB2,274 million), being 10% of the net profit for the year as determined in accordance with the China Accounting Standards, to this reserve.

Specific reserve – maintenance and production funds

Pursuant to the relevant PRC regulations for coal mining companies, provision for production maintenance, production safety and other related expenditures are accrued by the Group at fixed rates based on coal production volume (the "maintenance and production funds").

Before December 2008, provision for maintenance and production funds was recognised as expense in profit or loss according to the China Accounting Standards and other relevant regulations in the PRC. According to the China Accounting Standards Explanatory Notice No.2 and other relevant accounting regulations issued in December 2008, effective for the year ended 31 December 2008, the Group was required to make a transfer for the provision of the maintenance and production funds from retained earnings to a specific reserve in the Group's consolidated financial statements prepared in accordance with the China Accounting Standards. The maintenance and production funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of maintenance and production funds utilised would be transferred from the specific reserve back to retained earnings. As a result of the change in net profits arising from the prior year adjustments made, due to the change in the regulations of maintenance and production funds in accordance with the China Accounting Standards Explanatory Notice No.2, appropriations to statutory surplus reserve for prior years were adjusted by the Group in its 2008 consolidated financial statements prepared in accordance with the China Accounting Standards in December 2008.

According to the China Accounting Standards Explanatory Notice No.3 and other relevant regulations issued in June 2009, effective for the financial periods beginning on or after 1 January 2009, instead of making an appropriation of the maintenance and production funds from retained earnings to the specific reserve, provision for maintenance and production funds is recognised as expense in profit or loss with a corresponding adjustment to the specific reserve. As a result of the change in net profits under the China Accounting Standards arising from the prior year adjustments made, due to the change in the regulations of maintenance and production funds in accordance with the China Accounting Standards Explanatory Notice No.3, appropriations to statutory surplus reserve for prior years were adjusted by the Group in its 2009 consolidated financial statements prepared in accordance with the China Accounting Standards during the year.

The notes on pages 141 to 204 form part of these financial statements.

(iv) Statutory reserves (continued)

Discretionary surplus reserve

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

The directors have not proposed any appropriation to the discretionary surplus reserve in 2009 and 2008.

(v) In February 2008, the Group acquired an additional 60% equity interest in Inner Mongolia Zhunge'er Coal Gangue Power Company Limited ("Zhunge'er Coal Gangue Power") from a third party. Prior to the acquisition, Zhunge'er Coal Gangue Power was an associate of the Group in which the Group held 40% equity interest. The Group's previously owned 40% equity interest in Zhunge'er Coal Gangue Power was revalued at the date of acquisition and the change in fair value of the previously owned interest was recognised in other comprehensive income.

The notes on pages 141 to 204 form part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2009
(Expressed in Renminbi)

	Note	**2009 RMB million**	*2008 RMB million*
Operating activities			
Cash generated from operations	27(b)	**64,557**	51,163
Interest received		**1,117**	816
Interest paid		**(3,874)**	(4,521)
Income tax paid		**(8,455)**	(6,840)
Net cash generated from operating activities		**53,345**	40,618
Investing activities			
Capital expenditure		**(30,229)**	(35,980)
Lease prepayments		**(1,308)**	(566)
Acquisition of a subsidiary	27(c)	**–**	(367)
Purchase of associates		**(78)**	(84)
Purchase of other investments		**–**	(12)
Acquisition of minority interests		**(73)**	–
Proceeds from disposal of other investments		**5**	9
Proceeds from disposal of property, plant and equipment		**141**	90
Dividend received from associates		**351**	343
Dividend received from other investments		**11**	39
Increase in restricted bank deposits		**(675)**	(241)
Decrease in restricted bank deposits		**260**	–
Increase in time deposits with original maturity over three months		**(19,992)**	(201)
Maturity of time deposits with original maturity over three months		**13,321**	37
Net cash used in investing activities		**(38,266)**	(36,933)
Financing activities			
Proceeds from borrowings		**49,255**	41,004
Repayments of borrowings		**(47,140)**	(27,652)
Repayments of bonds		**–**	(1,453)
Contributions from minority shareholders		**1,994**	1,739
Distributions to minority shareholders		**(3,200)**	(2,348)
Dividend paid to equity shareholders of the Company		**(9,149)**	(9,325)
Net cash (used in)/generated from financing activities		**(8,240)**	1,965
Net increase in cash and cash equivalents		**6,839**	5,650
Cash and cash equivalents, at the beginning of the year		**59,054**	53,404
Effect of foreign exchange rate changes		**51**	–
Cash and cash equivalents, at the end of the year		**65,944**	59,054

The notes on pages 141 to 204 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2009
(Expressed in Renminbi)

1 Principal activities and organisation

Principal activities

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

Organisation

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

In connection with the Restructuring (as defined below), Shenhua Group's principal coal production and power generation operations together with the related assets and liabilities that were transferred to the Company were segregated and separately managed effective on 31 December 2003 (the "Restructuring"). Pursuant to the Restructuring, property, plant and equipment related to the operations and businesses that were transferred to the Company were revalued as at 31 December 2003 as required by the PRC rules and regulations.

On 8 November 2004, in consideration for Shenhua Group transferring the coal mining and power generating assets and liabilities to the Company, the Company issued 15 billion domestic state-owned ordinary shares with a par value of RMB1.00 each to Shenhua Group. The shares issued to Shenhua Group represented the entire registered and paid-up share capital of the Company at that date.

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

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

2 Significant accounting policies

(a) Statement of compliance

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

The IASB has issued certain new and revised IFRSs that are first effective or available for early adoption for the current accounting period of the Group and the Company. Note 3 provides information on any changes in accounting policies resulting from initial application of these developments to the extent that they are relevant to the Group for the current and prior accounting periods reflected in these financial statements.

(b) Basis of preparation of the financial statements

The consolidated financial statements for the year ended 31 December 2009 comprise the Company and its subsidiaries and the Group's interest in associates.

These financial statements are prepared on the historical cost basis as modified by the revaluation of certain property, plant and equipment (see Note 2(h)); and that financial instruments classified as available-for-sale or trading (see Note 2(f)) and derivative financial instruments (see Note 2(g)) are stated at fair value.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial statements and major sources of estimation uncertainty are discussed in Note 41.

(c) Subsidiaries and minority interests

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

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

2 Significant accounting policies (continued)

(c) Subsidiaries and minority interests (continued)

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated statement of comprehensive income as an allocation of the total profit or loss and total comprehensive income for the year between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

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

In the Company's balance sheet, an investment in a subsidiary is stated at cost less impairment losses (see Note 2(n)).

(d) Associates

An associate is an entity in which the Group or the Company has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets and any impairment loss relating to the investment (see Notes 2(e) and 2(n)). The Group's share of the post-acquisition, post-tax results of the associates and any impairment losses for the year are recognised in profit or loss, whereas the Group's share of the post-acquisition post-tax items of the associates' other comprehensive income are recognised in other comprehensive income in the consolidated statement of comprehensive income.

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

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

In the Company's balance sheet, investments in associates are stated at cost less impairment losses (see Note 2(n)).

2 Significant accounting policies (continued)

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill arising on a business combination is allocated to each cash-generating unit, or groups of cash-generating units, that is expected to benefit from the synergies of the combination and is tested annually for impairment (see Note 2(n)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate and the investment as a whole is tested for impairment whenever there is objective evidence of impairment (see Note 2(n)).

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

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

(f) Other investments in debt and equity securities

The Group's and the Company's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at fair value, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

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

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

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see Note 2(n)).

2 Significant accounting policies (continued)

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

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in other comprehensive income and accumulated separately in equity in the fair value reserve, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in profit or loss in accordance with the policy set out in Note 2(w)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in Note 2(w)(v). When these investments are derecognised or impaired (see Note 2(n)), the cumulative gain or loss is reclassified from equity to profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Property, plant and equipment

Property, plant and equipment, which consist of freehold land, buildings, mining structures and mining rights, mining related machinery and equipment, generators and related machinery and equipment, railway and port transportation structures and furniture, fixtures, motor vehicles and other equipment, are initially stated at cost less accumulated depreciation and impairment losses (see Note 2(n)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognised as an expense in profit or loss in the period in which it is incurred.

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. All other expenditures, including the costs of removing waste materials and "stripping costs", the cost of repairs and maintenance and major overhaul, are expensed as they are incurred.

2 Significant accounting policies (continued)

(h) Property, plant and equipment (continued)

Subsequent to the revaluation which was required by the PRC rules and regulations in connection with the Restructuring and which was based on depreciated replacement costs, property, plant and equipment are carried at revalued amount, being the fair value at the date of the revaluation, less subsequent accumulated depreciation and impairment losses (Note 2(n)).

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. When an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued simultaneously. When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to other comprehensive income and accumulated separately in equity in the revaluation reserve. However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense in profit or loss. However, a revaluation decrease is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Revaluations are to be performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from revaluation reserve to retained earnings and is not reclassified to profit or loss.

Depreciation is calculated to write off the cost/revalued amount of item of property, plant and equipment, other than mining structures and mining rights, over their estimated useful lives using the straight line method, after taking into account their estimated residual values. The estimated useful lives of property, plant and equipment are as follows:

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

Freehold land is not depreciated.

Mining structures and mining rights are depreciated on the units-of-production method utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

2 Significant accounting policies (continued)

(i) Lease prepayments

Lease prepayments represent land use rights paid to the relevant PRC governmental authorities for acquiring land held under operating leases. Lease prepayments are carried at cost less accumulated amortisation and impairment losses (see Note 2(n)). Amortisation of lease prepayments is charged to profit or loss on a straight-line basis over the respective periods of the rights.

(j) Construction in progress

Construction in progress is stated at cost less impairment losses (see Note 2(n)). Cost comprises direct costs of construction, borrowing costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(k) Intangible assets (other than goodwill)

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads and borrowing costs, where applicable (see Note 2(y)). Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(n)). Other development expenditure is recognised as an expense in the period in which it is incurred.

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortisation (where the estimated useful life is finite) and impairment losses (see Note 2(n)).

Amortisation of intangible assets with finite useful lives is charged to profit or loss from the date they are available for use on a straight-line basis over the assets' estimated useful lives.

Both the period and method of amortisation are reviewed annually.

(l) Exploration and evaluation expenditure

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation expenditure comprises costs which are directly attributable to:

- researching and analysing historical exploration data;
- gathering exploration data through topographical, geochemical and geophysical studies;
- exploratory drilling, trenching and sampling;
- determining and examining the volume and grade of the resource;
- surveying transportation and infrastructure requirements; and
- conducting market and finance studies

2 Significant accounting policies (continued)

(l) Exploration and evaluation expenditure (continued)

Expenditure during the initial exploration stage of a project is charged to profit or loss as incurred. Exploration and evaluation costs, including the costs of acquiring licenses, are capitalised as exploration and evaluation assets on a project-by-project basis pending determination of the technical feasibility and commercial viability of the project.

The capitalised costs are presented as either tangible or intangible exploration and evaluation assets according to the nature of the assets. Tangible and intangible exploration and evaluation assets that are available for use are depreciated/amortised over their useful lives. When a project is abandoned, the related irrecoverable costs are written off to profit or loss immediately.

(m) Obligations for land reclamation

The Group's obligations for land reclamation consist of spending estimates at both surface and underground mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and the corresponding asset are recognised at the appropriate discount rate.

(n) Impairment losses

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

Investments in debt and equity securities (other than investments in subsidiaries: see Note 2(n)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

2 Significant accounting policies (continued)

(n) Impairment losses (continued)

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

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

– For investments in associates recognised using the equity method (see Note 2(d)), the impairment loss is measured by comparing the recoverable amount of the investment as a whole with its carrying amount in accordance with Note 2(n)(ii). The impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount in accordance with Note 2(n)(ii).

– For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities carried at cost are not reversed.

– For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

  If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

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

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

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

2 Significant accounting policies (continued)

(n) Impairment losses (continued)

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

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable, whose recovery is considered doubtful but not remote. In this case, the allowance for doubtful debts is recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- construction in progress;
- intangible assets;
- investments in subsidiaries and associates;
- other investments;
- other non-current assets; and
- lease prepayments.

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

- Calculation of recoverable amount

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

2 Significant accounting policies (continued)

(n) Impairment losses (continued)

(ii) Impairment of other assets (continued)

– Recognition of impairment losses

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

– Reversals of impairment losses

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

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

(iii) Interim financial reporting and impairment

Under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, the Group is required to prepare an interim financial report in compliance with IAS 34, *Interim financial reporting*, in respect of the first six months of the financial year. At the end of the interim period, the Group applies the same impairment testing, recognition, and reversal criteria as it would at the end of the financial year (see Notes 2(n)(i) and 2(n)(ii)).

Impairment losses recognised in an interim period in respect of goodwill, available-for-sales equity securities and unquoted equity securities carried at cost are not reversed in a subsequent period. This is the case even if no loss, or a smaller loss, would have been recognised had the impairment been assessed only at the end of the financial year to which the interim period relates. Consequently, if the fair value of an available-for-sale equity security increases in the remainder of the annual period, or in any other period subsequently, the increase is recognised in other comprehensive income and not profit or loss.

2 Significant accounting policies (continued)

(o) Inventories

Coal inventories are stated at the lower of cost and net realisable value.

Cost is calculated using the weighted average cost formula and comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When coal inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescence.

(p) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for impairment of doubtful debts (see Note 2(n)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for impairment of doubtful debts.

(q) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

2 Significant accounting policies (continued)

(r) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(v)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(s) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

(t) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the year in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these accounts are stated at their present value.

(ii) Defined contribution retirement plans

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

(iii) Share appreciation rights

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

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

2 Significant accounting policies (continued)

(u) Income tax

Income tax for the year comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised in other comprehensive income or directly in equity, in which case the relevant amounts of tax are recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

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

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

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

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

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

2 Significant accounting policies (continued)

(u) Income tax (continued)

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

– in the case of current tax assets and liabilities, the Company or the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

– in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  – the same taxable entity; or

  – different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(v) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(v)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

2 Significant accounting policies (continued)

(v) Financial guarantees issued, provisions and contingent liabilities (continued)

(ii) Other provisions and contingent liabilities

Provisions are recognised for other liabilities of uncertain timing or amount when the Group or the Company has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(w) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenues associated with the sale of coal is recognised when the risks and rewards to the ownership of the goods have been passed to the customer.

(ii) Revenue from sale of power is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies annually.

(iii) Revenue from the rendering of transportation and other services is recognised upon the delivery or performance of the services.

(iv) Dividend income from unlisted investments is recognised when the shareholder’s right to receive payment is established.

(v) Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies (continued)

(x) Translation of foreign currencies

The Group's functional and presentation currency is Renminbi ("RMB"). Foreign currency transactions during the year are translated into RMB at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the applicable PBOC rates ruling at the balance sheet date. Foreign exchange differences, other than those capitalised as construction in progress, are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated using the foreign exchange rates ruling at the dates the fair value was determined.

The results of foreign operations are translated into RMB at the exchange rates approximating the applicable PBOC rates prevailing on the dates of the transactions. Balance sheet items are translated into RMB at the applicable PBOC rates ruling at the balance sheet date. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve.

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

(y) Borrowing costs

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale are capitalised as part of the cost of that asset. Other borrowing costs are expensed in the year in which they are incurred.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(z) Operating lease charges

Where the Group has the use of assets held under operating leases, payments made under the leases are charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

2 Significant accounting policies (continued)

(aa) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(ab) Segment reporting

Operating segments, and the amounts of each segment item reported in the financial statements, are identified from the financial information provided regularly to the Group's most senior executive management for the purposes of allocating resources to, and assessing the performance of, the Group's various lines of business and geographical locations.

Individually material operating segments are not aggregated for financial reporting purposes unless the segments have similar economic characteristics and are similar in respect of the nature of products and services, the nature of production processes, the type or class of customers, the methods used to distribute the products or provide the services, and the nature of the regulatory environment. Operating segments which are not individually material may be aggregated if they share a majority of these criteria.

3 Changes in accounting policies

The IASB has issued one new IFRS, a number of amendments to IFRSs and new interpretations that are first effective for the current accounting period of the Group and the Company. Of these, the following developments are relevant to the Group's financial statements:

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- Amendments to IFRS 7, *Financial instruments: Disclosures – improving disclosures about financial instruments*
- Amendments to IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*

The impact of these developments on the financial statements is as follows:

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. The adoption of IFRS 8 has not resulted in significant changes in the presentation of the Group's segment information as segment information has been previously presented on a basis consistent with the internal information reported to the Group's chief operating decision maker.
- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the year arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are recognised as part of profit or loss, or otherwise as other comprehensive income, for the year. Entities may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Group has elected to present the components of profit or loss in a single consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- As a result of the adoption of the amendments to IFRS 7, the financial statements include expanded disclosures in Note 40(d) about the fair value measurement of the Group's financial instruments, categorising these fair value measurements into a three-level fair value hierarchy according to the extent to which they are based on observable market data.

3 Changes in accounting policies (continued)

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investment in the investee, rather than as income. As a result, as from 1 January 2009, all dividends receivable from subsidiaries and associates, whether out of pre– or post-acquisition profits, will be recognised in the Company's profit or loss and the carrying amount of the investment in the investee will not be reduced unless that carrying amount is assessed to be impaired as a result of the investee declaring the dividend. In such cases, in addition to recognising dividend income in profit or loss, the Company would recognise an impairment loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 44).

4 Revenues

The Group is principally engaged in the production and sale of coal, generation and sale of power and the provision of transportation services in the PRC. Revenues represent the aggregate of the invoiced value of goods sold and services provided, net of sales taxes.

5 Other revenues

	2009 ***RMB million***	*2008* *RMB million*
Rendering of transportation and other services	**2,529**	2,389
Sale of ancillary materials and other goods	**238**	453
Others	**770**	326
	3,537	3,168

6 Cost of revenues – others

	2009 ***RMB million***	*2008* *RMB million*
Coal selection and minery fees	**3,606**	2,930
Coal extraction service costs	**263**	332
Taxes and surcharges	**1,197**	1,053
Dredging expenses	**233**	208
Relocation compensation expenses	**997**	468
Operating lease charges	**203**	167
Resources compensation fees	**392**	551
Pollutants discharge expenses	**1,064**	298
Cost of sale of ancillary materials and other goods, and provision of other services	**1,379**	1,211
Others	**1,799**	1,459
	11,133	8,677

for the year ended 31 December 2009
(Expressed in Renminbi)

7 Total operating expenses

	2009 RMB million	*2008 RMB million*
Personnel expenses, including	**8,617**	7,185
– contributions to retirement plans	**1,014**	871
– fair value loss/(gain) on revaluation of share appreciation rights	**63**	(52)
Depreciation and amortisation	**11,422**	9,893
Net loss on disposal of property, plant and equipment	**287**	434
Cost of inventories (Note)	**55,962**	50,662
Auditors' remuneration, including		
– audit services	**43**	42
– other services	**1**	1
Operating lease charges on properties	**287**	264
Allowance for accounts receivable and other receivables and write down of inventories	**150**	638
Impairment losses on property, plant and equipment	**396**	447
Impairment losses on other investments	**1**	204

Note:

Cost of inventories includes RMB10,831 million (2008: RMB10,301 million) for the year ended 31 December 2009, relating to personnel expenses, depreciation and amortisation, operating lease charges and write down of inventories which amounts are also included in the respective amounts disclosed separately above for each of these types of expenses.

8 Finance income/(expenses)

	2009 RMB million	*2008 RMB million*
Interest income	**1,117**	816
Foreign exchange gain, net	**169**	–
Gain on remeasurement of derivative financial instruments at fair value	**–**	472
Finance income	**1,286**	1,288
Interest on loans from banks and other financial institutions, and other borrowings	**(4,087)**	(4,830)
Less: Interest expense capitalised*	**941**	1,044
Net interest expense	**(3,146)**	(3,786)
Foreign exchange loss, net	**–**	(895)
Loss on remeasurement of derivative financial instruments at fair value	**(178)**	–
Finance expenses	**(3,324)**	(4,681)
Net finance costs	**(2,038)**	(3,393)
* Interest expense was capitalised in construction in progress at the following rates per annum	**L+2.80%; 3.60%-7.18%**	3.69%-7.83%

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

9 Income tax

	2009 **RMB million**	*2008* *RMB million*
Provision for PRC income tax (Note 28(a))	**9,257**	6,769
Deferred taxation (Note 28(b))	**369**	307
	9,626	7,076

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

	2009 **RMB million**	*2008* *RMB million*
Profit before income tax	**45,812**	36,975
Expected PRC income tax expense at a statutory tax rate of 25% (2008: 25%) (Note (i))	**11,453**	9,244
Tax effect of differential tax rate on branches and subsidiaries' income (Note (i))	**(2,411)**	(2,586)
Tax effect of non-deductible expenses (Note (ii))	**423**	512
Tax effect in respect of share of profits less losses of associates	**(183)**	(166)
Tax effect of tax losses not recognised	**67**	32
Others	**277**	40
Actual tax expense	**9,626**	7,076

Notes:

(i) The provision for PRC current income tax is based on a statutory rate of 25% (2008: 25%) of the assessable profit of the entities comprising the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain branches and subsidiaries of the Company, which are exempted or taxed at preferential rates.

Pursuant to the grandfathering arrangement under the Corporate Income Tax Law of the PRC and the relevant documents issued by the state tax bureau of the PRC, the Group's branches and subsidiaries with operations in the western developing region of the PRC are entitled to preferential tax rate of 15% until 2010, whereas the Group's other subsidiaries which are entitled to preferential tax rates would be subject to a transitional tax rate beginning in year 2008. The transitional tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 and after, respectively.

The applicable tax rates of the subsidiaries established in Australia and Indonesia are 30% (2008: 30%) and 28% (2008: 30%) respectively. No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during the current and prior years.

(ii) Non-deductible expenses mainly represent personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purposes.

10 Directors' and supervisors' emoluments

Details of directors' and supervisors' emoluments are set out below:

	2009					
	Fees RMB million	***Basic salaries, housing and other allowances and benefits in kind RMB million***	***Discretionary bonuses RMB million***	***Retirement scheme contributions RMB million***	***Total RMB million***	***Share appreciation rights (Note) RMB million***
Executive directors						
Zhang Xiwu	**–**	**–**	**–**	**–**	**–**	**2.81**
Ling Wen	**–**	**0.39**	**0.40**	**0.11**	**0.90**	**2.21**
Non-executive directors						
Zhang Yuzhuo	**–**	**–**	**–**	**–**	**–**	**3.88**
Han Jianguo	**–**	**–**	**–**	**–**	**–**	**2.14**
Independent non-executive directors						
Huang Yicheng	**0.45**	**–**	**–**	**–**	**0.45**	**–**
Anthony Francis Neoh	**0.45**	**–**	**–**	**–**	**0.45**	**–**
Chen Xiaoyue	**0.45**	**–**	**–**	**–**	**0.45**	**–**
Gong Huazhang	**0.26**	**–**	**–**	**–**	**0.26**	**–**
Supervisors						
Xu Zufa	**–**	**–**	**–**	**–**	**–**	**2.44**
Wu Gaoqian	**–**	**0.35**	**0.27**	**0.08**	**0.70**	**–**
Li Jianshe	**–**	**0.35**	**0.16**	**0.05**	**0.56**	**–**
	1.61	**1.09**	**0.83**	**0.24**	**3.77**	**13.48**

	2008					
	Fees RMB million	*Basic salaries, housing and other allowances and benefits in kind RMB million*	*Discretionary bonuses RMB million*	*Retirement scheme contributions RMB million*	*Total RMB million*	*Share appreciation rights (Note) RMB million*
Executive directors						
Chen Biting (resigned on 30 December 2008)	–	–	–	–	–	(7.23)
Zhang Xiwu	–	–	–	–	–	(3.22)
Ling Wen	–	0.39	0.35	0.10	0.84	(2.11)
Non-executive directors						
Zhang Yuzhuo	–	–	–	–	–	(4.03)
Han Jianguo	–	–	–	–	–	(2.13)
Yun Gongmin (resigned on 29 August 2008)	–	–	–	–	–	0.11
Independent non-executive directors						
Huang Yicheng	0.45	–	–	–	0.45	–
Anthony Francis Neoh	0.45	–	–	–	0.45	–
Chen Xiaoyue	0.45	–	–	–	0.45	–
Supervisors						
Xu Zufa	–	–	–	–	–	(2.61)
Wu Gaoqian	–	0.26	0.29	0.07	0.62	–
Li Jianshe	–	0.26	0.14	0.05	0.45	–
	1.35	0.91	0.78	0.22	3.26	(21.22)

10 Directors' and supervisors' emoluments (continued)

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

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

11 Individuals with highest emoluments

Of the five highest paid individuals of the Group, none are directors of the Company for the years ended 31 December 2009 and 2008 whose emoluments are included in Note 10 above.

The following table sets out the emoluments of the Group's five highest paid individuals for the years ended 31 December 2009 and 2008 who are not director nor supervisor of the Company:

	2009 **RMB million**	*2008* *RMB million*
Basic salaries, housing and other allowances and benefits in kind	**1.77**	1.80
Discretionary bonuses	**2.55**	2.25
Retirement scheme contributions	**0.49**	0.44
	4.81	4.49
Share appreciation rights	**9.88**	(10.30)

The emoluments of these individuals are within the following band:

	Number of individual **2009**	*2008*
HKD500,001 to HKD1,000,000	**–**	5
HKD1,000,001 to HKD2,000,000	**5**	–
	5	5

12 Profit attributable to equity shareholders of the Company

The consolidated profit attributable to equity shareholders of the Company includes a profit of RMB24,444 million (2008: RMB20,331 million) which has been dealt with in the financial statements of the Company.

Reconciliation of the above amount to the Company's profit for the year:

	2009 **RMB million**	*2008* *RMB million*
Amount of consolidated profit attributable to equity shareholders dealt with in the Company's financial statements	**24,444**	20,331
Dividends from subsidiaries and associates attributable to the profits of the previous financial year, approved and paid during the year	**6,085**	2,474
	30,529	22,805

13 Other comprehensive income

The components of other comprehensive income do not have any significant tax effect for the years ended 31 December 2009 and 2008.

14 Dividends

(a) Dividends approved during the year

	2009 **RMB million**	*2008* *RMB million*
Special dividend to the Company's domestic state-owned share and H share shareholders, resolved and paid during the year	**–**	5,745
Final dividend in respect of the previous financial year, declared and paid during the year	**9,149**	3,580
	9,149	9,325

(i) Special dividends

Pursuant to the approval by the shareholders at the extraordinary general meeting of the Company held on 24 August 2007, as part of the arrangement of the issue of A shares, it was resolved that the Company's domestic state-owned share and H share shareholders would be entitled to receive a distribution from the entire distributable reserves of the Group as at 30 June 2007 amounting to RMB22,544 million. The amount of such distributable reserves is the lower of the amount determined in accordance with the China Accounting Standards and the amount determined in accordance with IFRSs after the appropriation of reserves. The directors duly authorised by the shareholders declared special dividends of RMB16,799 million and RMB5,745 million to the Company's domestic state-owned share and H share shareholders on 25 October 2007 and 15 March 2008, respectively.

(ii) Final dividend

A final dividend of RMB0.46 per share totalling RMB9,149 million in respect of the year ended 31 December 2008 was approved at the annual general meeting held on 5 June 2009 and was subsequently paid on 30 June 2009.

Pursuant to the shareholders' approval at the annual general meeting held on 16 May 2008, a final dividend of RMB0.18 per share totalling RMB3,580 million in respect of the year ended 31 December 2007 was paid on 10 June 2008.

14 Dividends (continued)

(b) Dividends proposed after the balance sheet date

	2009 **RMB million**	*2008* *RMB million*
Final dividend proposed of RMB0.53 (2008: RMB0.46) per ordinary share to the equity shareholders of the Company	**10,541**	9,149

On 12 March 2010, the directors proposed a final dividend of RMB0.53 per share totalling RMB10,541 million to the equity shareholders of the Company for the shareholders' approval at the forthcoming annual general meeting.

The final dividend resolved and proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

15 Earnings per share

The calculation of basic earnings per share for the year ended 31 December 2009 was based on the profit attributable to equity shareholders of the Company for the year of RMB31,706 million (2008: RMB26,641 million) and the number of shares in issue during the year ended 31 December 2009 of 19,890 million shares (2008: 19,890 million shares).

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

16 Property, plant and equipment, net

The Group

	Land and buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators and related machinery and equipment RMB million	Railway and port structures RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Cost/valuation:							
At 1 January 2008	16,737	17,684	23,925	56,601	48,637	4,700	168,284
Additions	692	2,387	737	42	721	466	5,045
Acquisition of a subsidiary	29	–	–	1,071	–	55	1,155
Transferred from construction in progress	2,313	992	8,441	3,604	2,084	1,286	18,720
Disposals	(151)	(33)	(644)	(104)	(407)	(142)	(1,481)
At 31 December 2008	19,620	21,030	32,459	61,214	51,035	6,365	191,723
Representing:							
Cost	11,862	14,448	25,627	39,270	20,945	4,556	116,708
Valuation – 2003 (Note (ii))	7,758	6,582	6,832	21,944	30,090	1,809	75,015
	19,620	21,030	32,459	61,214	51,035	6,365	191,723
Accumulated depreciation and impairment losses:							
At 1 January 2008	3,966	1,779	6,953	11,628	10,605	2,294	37,225
Charge for the year	838	555	2,498	2,923	2,289	652	9,755
Impairment losses (Note (vi))	1	–	113	331	–	2	447
Written back on disposals	(69)	(11)	(465)	(59)	(245)	(108)	(957)
At 31 December 2008	4,736	2,323	9,099	14,823	12,649	2,840	46,470
Net book value:							
At 31 December 2008	14,884	18,707	23,360	46,391	38,386	3,525	145,253
Cost/valuation:							
At 1 January 2009	**19,620**	**21,030**	**32,459**	**61,214**	**51,035**	**6,365**	**191,723**
Exchange adjustment	**46**	**–**	**–**	**–**	**–**	**–**	**46**
Additions	**530**	**576**	**661**	**81**	**691**	**666**	**3,205**
Transferred from construction in progress	**4,054**	**371**	**5,088**	**14,977**	**2,690**	**575**	**27,755**
Disposals	**(226)**	**(63)**	**(224)**	**(395)**	**(119)**	**(230)**	**(1,257)**
Reduction (Note (vii))	**–**	**(538)**	**–**	**–**	**–**	**–**	**(538)**
At 31 December 2009	**24,024**	**21,376**	**37,984**	**75,877**	**54,297**	**7,376**	**220,934**
Representing:							
Cost	**16,492**	**14,857**	**31,376**	**54,328**	**24,326**	**5,797**	**147,176**
Valuation – 2003 (Note (ii))	**7,532**	**6,519**	**6,608**	**21,549**	**29,971**	**1,579**	**73,758**
	24,024	**21,376**	**37,984**	**75,877**	**54,297**	**7,376**	**220,934**
Accumulated depreciation and impairment losses:							
At 1 January 2009	**4,736**	**2,323**	**9,099**	**14,823**	**12,649**	**2,840**	**46,470**
Charge for the year	**956**	**734**	**3,260**	**3,299**	**2,347**	**656**	**11,252**
Impairment losses (Note (vi))	**70**	**–**	**185**	**122**	**–**	**19**	**396**
Written back on disposals	**(154)**	**(11)**	**(121)**	**(294)**	**(66)**	**(183)**	**(829)**
At 31 December 2009	**5,608**	**3,046**	**12,423**	**17,950**	**14,930**	**3,332**	**57,289**
Net book value:							
At 31 December 2009	**18,416**	**18,330**	**25,561**	**57,927**	**39,367**	**4,044**	**163,645**

16 Property, plant and equipment, net (continued)

The Company

	Buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Railway and port structures RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
Cost/valuation:						
At 1 January 2008	2,964	13,787	18,305	13,097	1,237	49,390
Additions	648	2,344	598	337	417	4,344
Transferred from construction in progress	1,142	621	7,941	485	744	10,933
Disposals	(70)	(33)	(542)	(208)	(52)	(905)
At 31 December 2008	4,684	16,719	26,302	13,711	2,346	63,762
Representing:						
Cost	3,068	11,213	22,598	4,982	2,033	43,894
Valuation – 2003 (Note (ii))	1,616	5,506	3,704	8,729	313	19,868
	4,684	16,719	26,302	13,711	2,346	63,762
Accumulated depreciation and impairment losses:						
At 1 January 2008	579	1,612	4,514	3,887	551	11,143
Charge for the year	151	504	2,208	764	266	3,893
Impairment losses (Note (vi))	–	–	113	–	–	113
Written back on disposals	(12)	(11)	(416)	(125)	(39)	(603)
At 31 December 2008	718	2,105	6,419	4,526	778	14,546
Net book value:						
At 31 December 2008	3,966	14,614	19,883	9,185	1,568	49,216
Cost/valuation:						
At 1 January 2009	**4,684**	**16,719**	**26,302**	**13,711**	**2,346**	**63,762**
Additions	**242**	**551**	**532**	**31**	**455**	**1,811**
Transferred from construction in progress	**1,916**	**332**	**4,694**	**957**	**168**	**8,067**
Disposals	**(52)**	**(63)**	**(219)**	**(2)**	**(83)**	**(419)**
Reduction (Note (vii))	**–**	**(527)**	**–**	**–**	**–**	**(527)**
At 31 December 2009	**6,790**	**17,012**	**31,309**	**14,697**	**2,886**	**72,694**
Representing:						
Cost	**5,226**	**11,569**	**27,824**	**5,970**	**2,656**	**53,245**
Valuation – 2003 (Note (ii))	**1,564**	**5,443**	**3,485**	**8,727**	**230**	**19,449**
	6,790	**17,012**	**31,309**	**14,697**	**2,886**	**72,694**
Accumulated depreciation and impairment losses:						
At 1 January 2009	**718**	**2,105**	**6,419**	**4,526**	**778**	**14,546**
Charge for the year	**205**	**657**	**3,003**	**735**	**315**	**4,915**
Impairment losses (Note (vi))	**–**	**–**	**185**	**–**	**–**	**185**
Written back on disposals	**(9)**	**(11)**	**(118)**	**(2)**	**(55)**	**(195)**
At 31 December 2009	**914**	**2,751**	**9,489**	**5,259**	**1,038**	**19,451**
Net book value:						
At 31 December 2009	**5,876**	**14,261**	**21,820**	**9,438**	**1,848**	**53,243**

16 Property, plant and equipment, net (continued)

Notes:

(i) The Group's freehold land with a carrying amount of RMB285 million at 31 December 2009 (2008: Nil) is located in Australia. The Group's other property, plant and equipment are mainly located in the PRC.

(ii) As required by the relevant PRC rules and regulations with respect to the Restructuring, the property, plant and equipment of the Group as at 31 December 2003 were revalued for each asset class by China Enterprise Appraisal Co., Ltd. (the "PRC valuers"), independent valuers registered in the PRC, on a depreciated replacement cost basis. The value of property, plant and equipment was determined at RMB66,832 million. The net surplus on the revaluation of RMB8,260 million was recognised in the balance sheet as at 31 December 2003.

The Group's properties were also valued separately by American Appraisal China Limited, independent qualified valuers in Hong Kong, on a depreciated replacement cost basis, as at 15 March 2005. The value arrived at by these valuers is approximately the same as that arrived at by the PRC valuers as adjusted for the depreciation for the period from 1 January 2004 to 15 March 2005.

(iii) At 31 December 2009, the carrying amount of such revalued property, plant and equipment approximated the historical carrying amount of such assets had they been stated at cost less accumulated depreciation and impairment losses.

(iv) The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB2,256 million as at 31 December 2009 (2008: RMB1,080 million), of which RMB1,580 million related to newly acquired or constructed properties in 2009. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

(v) Certain power plants and mines of the Group were in the process of obtaining requisite permits from the relevant government authorities at 31 December 2009. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

(vi) Certain property, plant and equipment which were obsolete, damaged or that could not generate future economic benefits were provided against for impairment for the years ended 31 December 2009 and 2008 respectively.

(vii) Reduction of mining structures during the year mainly represents the reduction of accrued reclamation obligations as a result of reassessment of estimated costs.

17 Construction in progress

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
At the beginning of the year	**33,017**	22,358	**7,478**	9,134
Additions	**27,783**	29,328	**8,425**	9,277
Acquisition of a subsidiary	**–**	51	**–**	–
Transferred to property, plant and equipment	**(27,755)**	(18,720)	**(8,067)**	(10,933)
At the end of the year	**33,045**	33,017	**7,836**	7,478

The construction in progress as at 31 December 2009 is mainly related to power plants and mining related machinery and equipment.

Certain power plants were in the process of obtaining requisite permits from the relevant government authorities at 31 December 2009. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

18 Intangible assets

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Exploration rights	**2,084**	1,304	**–**	–
Railway route access	**301**	584	**128**	205
Others	**543**	547	**90**	97
	2,928	2,435	**218**	302

19 Investments in subsidiaries

	The Company	
	2009	*2008*
	RMB million	*RMB million*
Unlisted shares, at cost	**34,126**	30,541

(Expressed in Renminbi)

19 Investments in subsidiaries (continued)

The Company's subsidiaries are unlisted. The following list contains only the particulars of subsidiaries which principally affected the results, assets or liabilities of the Group:

Name of the Company	*Place of incorporation and operation*	*Type of legal entity*	*Particulars of registered capital*	*% held by the Company*	*Principal activities*
Shenhua Zhunge'er Energy Co., Ltd.	PRC	Limited company	RMB7,102 million	58%	Coal mining and development; generation and sale of electricity
Shaanxi Guohua Jinjie Energy Co., Ltd.	PRC	Limited company	RMB2,278 million	70%	Generation and sale of electricity; coal mining and development
Shenhua Guohua International Power Co., Ltd.	PRC	Limited company	RMB4,010 million	70%	Generation and sale of electricity
Zhejiang Guohua Zheneng Power Generation Co., Ltd.	PRC	Limited company	RMB3,036 million	60%	Generation and sale of electricity
Guangdong Guohua Yuedian Taishan Power Co., Ltd.	PRC	Limited company	RMB2,700 million	80%	Generation and sale of electricity
Suizhong Power Co., Ltd. (Note (i))	PRC	Limited company	RMB2,625 million	15%	Generation and sale of electricity
Shenhua Shendong Power Co., Ltd.	PRC	Limited company	RMB2,000 million	100%	Generation and sale of electricity
Hebei Guohua Cangdong Power Co., Ltd.	PRC	Limited company	RMB1,725 million	51%	Generation and sale of electricity
Sanhe Power Co., Ltd. (Note (ii))	PRC	Limited company	RMB1,333 million	–	Generation and sale of electricity
Hebei Guohua Dingzhou Power Generation Co., Ltd. (Note (iii))	PRC	Limited company	RMB1,508 million	41%	Generation and sale of electricity
Shuohuang Railway Development Co., Ltd.	PRC	Limited company	RMB5,880 million	53%	Provision of transportation services
Shenhua Baoshen Railway Co., Ltd.	PRC	Limited company	RMB1,004 million	88%	Provision of transportation services
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	Limited company	RMB3,253 million	70%	Provision of harbour and port services
Shenhua Shendong Coal Group Co., Ltd. (formerly Shenhua Shenfu Dongsheng Coal Co., Ltd.)	PRC	Limited company	RMB215 million	100%	Provision of integrated services
Shenhua Australia Holding Pty Ltd.	Australia	Limited company	AUD400 million	100%	Coal mining and development; generation and sale of electricity
Shenhua Watermark Coal Pty Ltd. (Note (iv))	Australia	Limited company	AUD350 million	–	Coal mining and development; generation and sale of electricity
PT GH EMM Indonesia	Indonesia	Limited company	USD63 million	70%	Coal mining and development; generation and sale of electricity

19 Investments in subsidiaries (continued)

Notes:

(i) In addition to 15% equity interest held by the Company, the Company's subsidiary owned 50% equity interest in Suizhong Power Co., Ltd.

(ii) The Company's subsidiary owned 55% equity interest in Sanhe Power Co., Ltd.

(iii) The shareholders of Hebei Guohua Dingzhou Power Generation Co., Ltd. ("Dingzhou Power") offered the Company for the right on appointment of the majority of the board of directors, which made the Company to obtain the control over Dingzhou Power through contractual agreement.

(iv) The Company's subsidiary owned 100% equity interest in Shenhua Watermark Coal Pty Ltd.

20 Interest in associates

	The Group		***The Company***	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Unlisted shares, at cost	**–**	–	**1,526**	1,456
Share of net assets	**3,503**	3,045	**–**	–
	3,503	3,045	**1,526**	1,456

The Group's interests in associates are individually and in aggregate not material to the Group's financial condition or results of operations for the year. The Group's associates are unlisted and established in the PRC. The following list contains only the particulars of associates, which principally affected the results or assets of the Group:

Name of the Company	*Type of legal entity*	*Particulars of registered capital*	*% held by the Company*	*Principal activities*
Shendong Tianlong Group Co., Ltd. (Note (i))	Limited company	RMB272 million	–	Coal production
Zhejiang Zheneng Jiahua Power Co., Ltd.	Limited company	RMB2,425 million	20%	Generation and sale of electricity
Inner Mongolia Jingda Power Co., Ltd.	Limited company	RMB472 million	30%	Generation and sale of electricity
Inner Mongolia Menghua Haibowan Power Co., Ltd.	Limited company	RMB280 million	40%	Generation and sale of electricity
Zhuhai New Century Shipping Ltd.	Limited company	RMB682 million	50%	Provision of transportation services
Tianjin Yuanhua Shipping Co., Ltd.	Limited company	RMB360 million	44%	Provision of transportation services
Shenhua Finance Co., Ltd. ("Shenhua Finance") (Note (ii))	Limited company	RMB700 million	21%	Provision of financial services
Inner Mongolia Yili Chemical Industry Co., Ltd. (Note (iii))	Limited company	RMB1,139 million	–	Production and sale of chemicals

20 Interest in associates (continued)

Notes:

(i) The Company's subsidiary owned 21% equity interest in Shendong Tianlong Group Co., Ltd.

(ii) In addition to 21% equity interest held by the Company, the Company's subsidiary owned 19% equity interest in Shenhua Finance.

(iii) The Company's subsidiary owned 25% equity interest in Inner Mongolia Yili Chemical Industry Co., Ltd.

21 Other investments

Other investments comprise unlisted equity securities and certain subsidiaries which are individually and in aggregate not material to the Group's financial position and results of operations for the year. As there is no quoted market price in an active market for these investments, they are stated at cost less impairment losses.

22 Other non-current assets

	The Group		***The Company***	
	2009	*2008*	***2009***	*2008*
	RMB million	*RMB million*	***RMB million***	*RMB million*
Prepayments in connection with construction work, equipment purchases and others	**3,206**	3,143	**1,987**	1,957
Prepayment for mining projects	**3,500**	2,500	**2,500**	2,500
Long-term entrusted loans	**729**	730	**1,276**	1,257
	7,435	6,373	**5,763**	5,714

At 31 December 2009, the Group had prepayments to an affiliate of Shenhua Group and an associate of the Group amounting to RMB8 million (2008: RMB11 million) and RMB6 million (2008: RMB2 million) respectively. At 31 December 2009, the Company had prepayments to an associate amounting to RMB6 million (2008: RMB2 million).

The Group had long-term entrusted loans to an associate through a PRC state-owned bank. The loans bear interest at rates ranging from 5.76% to 5.94% per annum (2008: 7.74% to 8.32% per annum) and are receivable within three years.

The Company had long-term entrusted loans to subsidiaries through PRC state-owned banks. The loans bear interest at rates ranging from 4.59% to 5.43% per annum (2008: 5.10% to 6.43% per annum) and are receivable within two to five years.

23 Lease prepayments

Lease prepayments represent land use rights paid to the PRC's governmental authorities. The Group was in the process of applying for the title certificates of certain land use rights with an aggregate carrying amount of RMB818 million as at 31 December 2009 (2008: RMB1,091 million), of which RMB407 million were newly acquired in 2009. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

Lease prepayments of the Group and the Company are with medium-term leases, which their remaining unexpired term as at 31 December 2009 is less than 50 years but more than 10 years.

24 Inventories

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Coal	**1,872**	1,621	**1,998**	1,344
Materials and supplies	**5,143**	5,220	**2,847**	3,187
Others (Note)	**712**	1,001	**–**	–
	7,727	7,842	**4,845**	4,531

Note: Others mainly represent properties under development.

The analysis of the amount of inventories recognised as an expense and included in profit or loss is as follows:

	The Group	
	2009	*2008*
	RMB million	*RMB million*
Carrying amount of inventories sold	**55,810**	50,157
Write down of inventories	**152**	505
	55,962	50,662

25 Accounts and bills receivable, net

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Accounts receivable				
Shenhua Group and its affiliates	**85**	200	**85**	148
Subsidiaries	**–**	–	**558**	535
Associates	**6**	2	**–**	–
Third parties	**7,535**	7,380	**1,868**	2,977
	7,626	7,582	**2,511**	3,660
Allowance for doubtful debts	**(55)**	(57)	**(3)**	(3)
	7,571	7,525	**2,508**	3,657
Bills receivable	**1,210**	711	**922**	488
	8,781	8,236	**3,430**	4,145

Accounts and bills receivable are expected to be recovered within one year.

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

25 Accounts and bills receivable, net (continued)

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

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB million	RMB million	**RMB million**	RMB million
Current	**8,767**	8,131	**3,430**	4,046
Less than one year past due	**14**	105	**–**	99
	8,781	8,236	**3,430**	4,145

The movement of allowance for doubtful debts was as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB million	RMB million	**RMB million**	RMB million
At the beginning of the year	**57**	104	**3**	3
Impairment loss recognised	**1**	38	**–**	1
Impairment loss written back	**(3)**	(2)	**–**	(1)
Uncollectible amounts written off	**–**	(83)	**–**	–
At the end of the year	**55**	57	**3**	3

The ageing analysis of accounts and bills receivable that are neither individually nor collectively considered to be impaired are as follows:

	The Group		The Company	
	2009	2008	**2009**	2008
	RMB million	RMB million	**RMB million**	RMB million
Neither past due nor impaired	**8,767**	8,131	**3,430**	4,046
Less than one year past due	**14**	105	**–**	99
	8,781	8,236	**3,430**	4,145

Receivables that were neither past due nor impaired relate to a wide range of customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, management believes that no impairment allowance is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable. The Group does not hold any collateral over these balances.

Included in accounts and bills receivable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2009	2008	**2009**	2008
	million	million	**million**	million
United States Dollars	**USD108**	USD317	**USD108**	USD317

26 Prepaid expenses and other current assets

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Fair value of derivative financial instruments	**331**	509	**331**	509
Prepaid expenses and deposits	**1,593**	1,338	**721**	589
Amounts due from Shenhua Group and its affiliates	**201**	70	**196**	30
Amounts due from subsidiaries	**–**	–	**18,387**	17,895
Amounts due from associates	**71**	49	**15**	13
Advances to staff	**46**	86	**23**	32
Other receivables	**242**	285	**137**	161
	2,484	2,337	**19,810**	19,229

In the Company's balance sheet, the balances with subsidiaries are unsecured, interest-free and have no fixed terms of repayment.

27 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

Cash and cash equivalents in the balance sheet and the consolidated statement of cash flows comprise cash at bank and in hand, and time deposits with original maturity within three months.

At 31 December 2009, the Group and the Company had placed deposits with an associate amounting to RMB629 million (2008: RMB385 million) and RMB457 million (2008: RMB216 million) respectively.

Included in cash and cash equivalents are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	million	*million*	**million**	*million*
United States Dollars	**USD37**	USD69	–	–
Hong Kong Dollars	**HKD72**	HKD73	**HKD68**	HKD69
Australian Dollars	**AUD38**	AUD25	**–**	–
Indonesian Rupiah	**IDR90,435**	IDR25,850	**–**	–

27 Cash and cash equivalents (continued)

(b) Reconciliation of profit before income tax to cash generated from operations:

	2009 RMB million	*2008 RMB million*
Profit before income tax	**45,812**	36,975
Adjustments for:		
Depreciation and amortisation	**11,422**	9,893
Impairment losses on property, plant and equipment	**396**	447
Impairment losses on other investments	**1**	204
Net loss on disposal of property, plant and equipment	**287**	434
Investment income	**(11)**	(39)
Interest income	**(1,117)**	(816)
Share of profits less losses of associates	**(731)**	(654)
Net interest expense	**3,146**	3,786
Loss/(gain) on remeasurement of derivative financial instruments to fair value	**178**	(472)
Unrealised foreign exchange (gain)/loss	**(190)**	843
	59,193	50,601
Increase in accounts and bills receivable	**(545)**	(1,561)
Decrease/(increase) in inventories	**115**	(871)
(Increase)/decrease in prepaid expenses and other assets	**(208)**	730
Increase in accounts and bills payable	**1,470**	304
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**4,532**	1,960
Cash generated from operations	**64,557**	51,163

(c) Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary

On 29 February 2008, the Group acquired an additional 60% equity interest in Zhunge'er Coal Gangue Power at a cash consideration of RMB400 million. Prior to the acquisition, Zhunge'er Coal Gangue Power was an associate of the Group in which the Group held 40% equity interest.

Details of fair values of identifiable assets and liabilities of Zhunge'er Coal Gangue Power as at 29 February 2008 were as follows:

	RMB million
Other non-current assets	1,525
Cash and cash equivalents	33
Other current assets	84
Current liabilities	(441)
Non-current liabilities	(534)
Net assets	667

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary:

	RMB million
Cash consideration	400
Cash and cash equivalents acquired	(33)
Net outflow of cash and cash equivalents	367

27 Cash and cash equivalents (continued)

(d) Major non-cash transactions

During the year ended 31 December 2009, a minority shareholder of the Company's subsidiary injected an exploration right of RMB129 million to that subsidiary with a corresponding increase in the minority interests of the Group.

During the year ended 31 December 2008, a payable to minority shareholder of RMB430 million was capitalised as a subsidiary's paid-in capital and, accordingly, the Group's minority interests were increased by the same amount.

28 Income tax in the balance sheet

(a) Current taxation in the balance sheet

	The Group		The Company	
	2009 RMB million	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*
Provision for PRC income tax for the year (Note 9)	**9,257**	6,769	**5,437**	4,209
Provisional income tax paid	**(6,328)**	(4,642)	**(3,324)**	(2,586)
	2,929	2,127	**2,113**	1,623

(b) Deferred tax assets and liabilities

(i) The Group

	At 1 January 2009 RMB million	Recognised in profit or loss RMB million	At 31 December 2009 RMB million
Allowances, primarily for receivables and inventories	98	9	107
Property, plant and equipment	(165)	63	(102)
Lease prepayments	644	(34)	610
Tax losses carried forward, net of valuation allowances	66	1	67
Tax allowable expenses not yet incurred	(748)	(430)	(1,178)
Unrealised profits from sales within the Group	74	(17)	57
Accrued salaries and other expenses not yet paid	218	(21)	197
Pre-operating expenses written off	58	(15)	43
Others	(38)	75	37
Net deferred tax assets/(liabilities)	207	(369)	(162)

28 Income tax in the balance sheet (continued)

(b) Deferred tax assets and liabilities (continued)

(i) The Group (continued)

	At 1 January 2008 RMB million	*Recognised in profit or loss RMB million*	*At 31 December 2008 RMB million*
Allowances, primarily for receivables and inventories	69	29	98
Property, plant and equipment	(163)	(2)	(165)
Lease prepayments	655	(11)	644
Tax losses carried forward, net of valuation allowances	29	37	66
Tax allowable expenses not yet incurred	(508)	(240)	(748)
Unrealised profits from sales within the Group	113	(39)	74
Accrued salaries and other expenses not yet paid	194	24	218
Pre-operating expenses written off	47	11	58
Others	78	(116)	(38)
Net deferred tax assets/(liabilities)	514	(307)	207

(ii) The Company

	At 1 January 2009 RMB million	***Recognised in profit or loss RMB million***	***At 31 December 2009 RMB million***
Allowances, primarily for receivables and inventories	**55**	**(10)**	**45**
Property, plant and equipment	**(36)**	**53**	**17**
Lease prepayments	**423**	**(19)**	**404**
Tax allowable expenses not yet incurred	**(623)**	**(400)**	**(1,023)**
Accrued salaries and other expenses not yet paid	**146**	**(6)**	**140**
Others	**(112)**	**63**	**(49)**
Net deferred tax liabilities	**(147)**	**(319)**	**(466)**

	At 1 January 2008 RMB million	*Recognised in profit or loss RMB million*	*At 31 December 2008 RMB million*
Allowances, primarily for receivables and inventories	44	11	55
Property, plant and equipment	(22)	(14)	(36)
Lease prepayments	441	(18)	423
Tax allowable expenses not yet incurred	(426)	(197)	(623)
Unrealised profits from sales within the Company	46	(46)	–
Accrued salaries and other expenses not yet paid	115	31	146
Others	–	(112)	(112)
Net deferred tax assets/(liabilities)	198	(345)	(147)

28 Income tax in the balance sheet (continued)

(b) Deferred tax assets and liabilities (continued)

(iii) Reconciliation to the balance sheet

	The Group		The Company	
	2009 RMB million	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*
Net deferred tax assets recognised on the balance sheet	**655**	669	**–**	–
Net deferred tax liabilities recognised on the balance sheet	**(817)**	(462)	**(466)**	(147)
	(162)	207	**(466)**	(147)

29 Borrowings

The Group's and the Company's short-term borrowings comprise:

	The Group		The Company	
	2009 RMB million	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*
Borrowings from banks and other financial institutions	**16,147**	13,119	**650**	4,100
Current portion of long-term borrowings	**6,105**	5,094	**2,196**	941
	22,252	18,213	**2,846**	5,041

The Group's and the Company's short-term borrowings bear interest at rates ranging from 4.08% to 4.86% per annum (2008: 4.37% to 7.47% per annum) and 4.78% per annum (2008: 6.72% to 6.87% per annum) respectively.

The Group's and the Company's long-term borrowings comprise:

		The Group		The Company	
		2009 RMB million	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*
Loans from banks and other financial institutions *					
Renminbi denominated	Interest rates ranging from 3.60% to 5.94% per annum with maturities through 31 December 2027	**54,136**	55,156	**6,830**	8,080
United States Dollars denominated	Interest rate ranging from L+1.00% to L+2.80% per annum with maturities through 22 June 2023	**635**	294	**–**	–
Japanese Yen denominated	Interest rates ranging from 1.80% to 2.60% per annum with maturities through 20 March 2031	**5,265**	5,689	**5,265**	5,689
		60,036	61,139	**12,095**	13,769
Less: current portion of long-term borrowings		**(6,105)**	(5,094)	**(2,196)**	(941)
		53,931	56,045	**9,899**	12,828

29 Borrowings (continued)

* At 31 December 2009 and 2008, both the Group and the Company had an entrusted loan from Shenhua Group amounting to RMB1,000 million.

At 31 December 2009 and 2008, the Group had an entrusted loan from Shenhua Finance amounting to RMB1,147 million.

The above borrowings are unsecured.

The long-term borrowings were repayable as follows:

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Within one year	**6,105**	5,094	**2,196**	941
After one year but within two years	**10,354**	9,379	**1,042**	2,211
After two years but within five years	**18,926**	21,047	**4,262**	4,396
After five years	**24,651**	25,619	**4,595**	6,221
	60,036	61,139	**12,095**	13,769

Included in borrowings are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	million	*million*	**million**	*million*
United States Dollars	**USD93**	USD43	**–**	–
Japanese Yen	**JPY71,352**	JPY75,200	**JPY71,352**	JPY75,200

The Group had unsecured banking facilities amounting to RMB73,439 million as at 31 December 2009 (2008: RMB56,340 million). As at 31 December 2009, the unutilised banking facilities amounted to RMB33,763 million (2008: RMB26,834 million). Such banking facilities would be drawn down in accordance with the level of working capital and planned capital expenditure of the Company and its subsidiaries.

30 Accounts and bills payable

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Accounts payable				
Shenhua Group and its affiliates	**188**	208	**83**	67
Subsidiaries	**–**	–	**2,028**	1,106
Associates	**475**	336	**467**	278
Third parties	**12,737**	9,097	**5,601**	4,346
	13,400	9,641	**8,179**	5,797
Bills payable	**490**	1	**–**	–
	13,890	9,642	**8,179**	5,797

30 Accounts and bills payable (continued)

Accounts payable amounting to RMB95 million (2008: RMB90 million) are expected to be settled after one year.

Included in accounts and bills payable are the following amounts denominated in a currency other than the functional currency of the entity to which they relate:

	The Group		***The Company***	
	2009 million	*2008 million*	***2009 million***	*2008 million*
United States Dollars	**USD63**	USD53	**USD55**	USD51
Euros	**EUR11**	EUR17	**EUR11**	EUR17

31 Accrued expenses and other payables

	The Group		***The Company***	
	2009 RMB million	*2008 RMB million*	***2009 RMB million***	*2008 RMB million*
Accrued staff wages and welfare benefits	**2,541**	2,492	**1,686**	1,723
Financial liability for share appreciation rights	**95**	47	**95**	47
Accrued interest payable	**150**	179	**68**	83
Taxes payable other than income tax	**4,989**	3,626	**4,833**	3,013
Dividends payable to minority shareholders	**1,079**	143	**–**	–
Loans to subsidiaries	**–**	–	**4,008**	4,169
Receipts in advances	**2,579**	2,033	**2,031**	1,730
Other accrued expenses and payables	**4,905**	3,890	**3,772**	2,712
	16,338	12,410	**16,493**	13,477

At 31 December 2009, the Group and the Company had amounts payable to Shenhua Group and its affiliates amounting to RMB128 million (2008: RMB92 million) and RMB114 million (2008: RMB78 million) respectively and amounts payable to associates amounting to RMB29 million (2008: RMB29 million) and RMB29 million (2008: RMB27 million) respectively.

At 31 December 2009 and 2008, loans to subsidiaries are unsecured, bear interest at 1.17% per annum and repayable on demand.

32 Long-term payables

Long-term payables mainly represent payables for acquisition of mining rights which are to be settled over the period of production or under fixed payment schedules set out in the contracts on an annual basis. The annual payment is determined by fixed rates on a per tonne basis with reference to the annual production volume of the acquired mines or annual fixed amounts stipulated in the acquisition agreements.

33 Accrued reclamation obligations

The accrual for reclamation costs has been determined based on management's best estimates. However, so far as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. At the balance sheet date, the Group and the Company reassessed the estimated costs and reduced the accrued reclamation obligations accordingly (see Note 16). The Company's board of directors believes that the accrued reclamation obligations at 31 December 2009 are adequate and appropriate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

34 Share capital

	2009 RMB million	*2008 RMB million*
Registered, issued and fully paid:		
16,491,037,955 domestic listed A shares of RMB1.00 each	**16,491**	16,491
3,398,582,500 H shares of RMB1.00 each	**3,399**	3,399
	19,890	19,890

The Company was incorporated on 8 November 2004 with a registered share capital of 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each. Such shares were issued to Shenhua Group in consideration for the assets and liabilities transferred from Shenhua Group.

In 2005, the Company issued 3,089,620,455 H shares with a par value of RMB1.00 each, at a price of HKD7.50 per H share by way of a global initial public offering. In addition, 308,962,045 domestic state-owned ordinary shares of RMB1.00 each owned by Shenhua Group were converted into H shares.

In 2007, the Company issued 1,800,000,000 A shares with a par value of RMB1.00 each at a price of RMB36.99 per A share in the PRC ("A Shares Issue").

Following the A Shares Issue and pursuant to the requirements of the relevant authorities, all the 14,691,037,955 domestic state-owned ordinary shares existing before the A Shares Issue (i.e. ordinary shares of the Company held by Shenhua Group) have become circulative. Shenhua Group has undertaken that for a period of 36 months commencing on the date on which the A shares are listed on the Shanghai Stock Exchange, it will not transfer, put on trust or allow any A shares to be repurchased by the Company.

Pursuant to CaiQi [2009] No.94 "Policy regarding transfer of certain state-owned shares to Social Security Fund in domestic securities market" and Pronouncement of 2009 No.63 "Notice of implementation of transfer of state-owned shares in domestic securities market" issued by the relevant government authorities on 19 June 2009, 180,000,000 A shares of the Company previously held by Shenhua Group have been transferred to the National Council for Social Security Fund.

All A shares and H shares rank pari passu in all material aspects.

35 Commitments and contingent liabilities

(a) Capital commitments

As at 31 December 2009, the Group and the Company had capital commitments for land and buildings, equipment and investments as follows:

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Authorised and contracted for				
– Land and buildings	**16,008**	13,252	**6,970**	7,218
– Machinery and other equipment	**19,002**	18,708	**5,496**	6,106
– Investment in an associate	**244**	318	**244**	318
	35,254	32,278	**12,710**	13,642
Authorised but not contracted for				
– Land and buildings	**30,234**	23,472	**8,317**	8,218
– Machinery and other equipment	**22,967**	18,497	**5,817**	3,873
	53,201	41,969	**14,134**	12,091
	88,455	74,247	**26,844**	25,733

(b) Operating lease commitments

Operating lease commitments mainly represent business premises leased through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. As at 31 December 2009, future minimum lease payments under non-cancellable operating leases on business premises having initial or remaining lease terms of more than one year are payable as follows:

	The Group		The Company	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Within one year	**79**	77	**56**	54
After one year but within five years	**132**	131	**79**	81
After five years	**63**	44	**23**	33
	274	252	**158**	168

35 Commitments and contingent liabilities (continued)

(c) Financial guarantees issued

The Group had not issued guarantee to any third party as at 31 December 2009.

At 31 December 2009, the maximum liability of the Company under guarantees issued in respect of bank loans drawn by a domestic subsidiary of the Company was RMB1,086 million (2008: RMB1,256 million).

In addition to the above guarantees, the Company has issued a guarantee of USD162 million (approximately RMB1,108 million) to a bank in respect of a 70% owned overseas subsidiary of the Company. Under the guarantee arrangement, the bank provides guarantee to a group of financial institutions for the subsidiary. In addition, the subsidiary provides a counter guarantee to the Company by certain of its assets. At 31 December 2009, loan from the group of financial institutions drawn by the subsidiary amounted to USD50 million (approximately RMB341 million) (2008: Nil).

(d) Legal contingencies

The Group is the defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

(e) Environmental contingencies

To date, the Group has not incurred any significant expenditures for environmental remediation, is currently not involved in any environmental remediation, and apart from the provision for land reclamation costs, has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

36 Related party transactions

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group

The Group is controlled by Shenhua Group and has significant transactions and relationships with Shenhua Group and its affiliates. Related parties refer to enterprises over which Shenhua Group is able to exercise significant influence or control. The Group also has entered into transactions with its associates, over which the Group can exercise significant influence. Because of the above relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

(1) The Group had the following transactions with Shenhua Group and its affiliates, and the associates of the Group that were carried out in the normal course of business:

		2009 **RMB million**	*2008* *RMB million*
Interest income	(i)	**4**	5
Income from entrusted loans	(ii)	**46**	32
Interest expense	(iii)	**136**	131
Purchases of ancillary materials and spare parts	(iv)	**1,328**	1,334
Ancillary and social services	(v)	**414**	517
Transportation service income	(vi)	**537**	412
Transportation service expense	(vii)	**800**	682
Sale of coal	(viii)	**2,043**	1,642
Purchase of coal	(ix)	**5,202**	5,326
Property leasing	(x)	**36**	51
Repairs and maintenance services expense	(xi)	**36**	19
Coal export agency expense	(xii)	**61**	96
Income from equipment installation and construction work	(xiii)	**30**	68
Purchase of equipment and construction work	(xiv)	**354**	384
Other income	(xv)	**118**	255

(i) Interest income represents interest earned from deposits placed with an associate of the Group. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by PBOC.

(ii) Income from entrusted loans represents interest earned from entrusted loans to the associates of the Group. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by PBOC.

(iii) Interest expense represents interest incurred in respect of borrowings from Shenhua Group and its affiliate. The applicable interest rate is determined in accordance with the prevailing borrowing rates published by PBOC.

(iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies from the affiliates of Shenhua Group and an associate of the Group related to the Group's operations.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group (continued)

(v) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to the affiliates of Shenhua Group and the associates of the Group.

(vi) Transportation service income represents income earned from the affiliates of Shenhua Group and the associates of the Group in respect of coal transportation services.

(vii) Transportation service expense represents expense related to coal transportation service provided by an affiliate of Shenhua Group and the associates of the Group.

(viii) Sale of coal represents income from sale of coal to the affiliates of Shenhua Group and the associates of the Group.

(ix) Purchase of coal represents coal purchased from the affiliates of Shenhua Group and the associates of the Group.

(x) Property leasing represents rental paid or payable in respect of properties leased from the affiliates of Shenhua Group.

(xi) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by the affiliates of Shenhua Group and an associate of the Group.

(xii) Coal export agency expense represents expense related to coal export agency services provided by an affiliate of Shenhua Group.

(xiii) Income from equipment installation and construction work represents equipment installation and construction service provided to an associate of the Group.

(xiv) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by the affiliates of Shenhua Group and an associate of the Group.

(xv) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, etc.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group (continued)

(2) The Group entered into a number of agreements with Shenhua Group and its affiliates, and associates of the Group. The terms of the principal agreements are summarised as follows:

(i) The Group has entered into a mutual supply agreement for the mutual provision of production supplies and ancillary services with the affiliates of Shenhua Group. Pursuant to the agreement, the affiliates of Shenhua Group provides the Company with the production supplies and services, ancillary production services including the use of the information network system and ancillary administrative services. On the other hand, the Company provides the affiliates of Shenhua Group with water supplies, rolling stock management, railway management, railway transportation and other related or similar production supplies or services and use of the information network system.

The products and services provided under the agreement, other than the sharing of use of the information network system which is free of charge, are provided in accordance with the following pricing policy:

- price prescribed by the state (including any price prescribed by any relevant local government), if applicable;
- where there is no state-prescribed price but where there is a state-guidance price, then the state-guidance price;
- where there is neither a state-prescribed price nor a state-guidance price, the market price; or
- where none of the above is applicable or where it is not practical to apply the above pricing policies in reality, the price to be agreed between the relevant parties shall be based on reasonable costs incurred in providing the goods or services plus a profit margin of 5% of such costs.

(ii) The Group has entered into coal supply agreements with the affiliates of Shenhua Group and the associates of the Group. The coal supplied is charged at the prevailing market price.

(iii) The Group has entered into a financial services agreement with Shenhua Finance. Pursuant to the agreement, Shenhua Finance provides financial services to the Group. The interest rate for the Group's deposits with Shenhua Finance should not be lower than the lowest limit published by the PBOC for the same type of deposit. The interest rate for loans made by Shenhua Finance to the Company should not be higher than the highest limit published by PBOC for the same type of loan. The fees charged by Shenhua Finance for the provision of other financial services shall be determined according to the rates chargeable by the PBOC or the China Banking Regulatory Commission.

(iv) The Group has entered into a property leasing agreement with the affiliates of Shenhua Group for leasing of certain properties to each other. No rent is payable by the Company before the affiliates of Shenhua Group obtains the relevant property ownership certificate. The rental charges are based on comparable market rates. If the affiliates of Shenhua Group negotiate to sell a leased property to a third party, the Company has a pre-emptive right to purchase such property under terms no less favourable than other third party.

36 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group (continued)

(v) The Group has entered into a land leasing agreement with the affiliates of Shenhua Group. The annual rent is determined based on the local market rate. The Group is not allowed to sub-let the leased land.

(vi) The Group has entered into an agency agreement for the export of coal with an affiliate of Shenhua Group. The affiliate of Shenhua Group is appointed as a non-exclusive export agent of the Company and is entitled to receive an agency fee based on the relevant market rates or lower rates. Currently, the rate is 0.7% of the free on board sales price of price of coal exported.

(vii) The Group entered into an agency agreement for the sale of coal with the affiliates of Shenhua Group. The Group is appointed as the exclusive sales agent of the affiliates of Shenhua Group for thermal coal and non-exclusive sales agent for coking coal. The Group is entitled to receive an agency fee, which is based on its related costs incurred plus a profit margin of 5% for sales of coal outside the Inner Mongolia Autonomous Region. No agency fee is charged for sales of coal within the Inner Mongolia Autonomous Region.

(viii) The Group has entered into agreements with the affiliates of Shenhua Group under which the Group has been granted the right to use certain trademarks. The affiliates of Shenhua Group bear its own cost for the registration of such trademarks during the term of the trademarks license agreement and expenses for enforcement against any infringement of the licensed trademarks by third parties.

Amounts due from/to Shenhua Group and its affiliates, and the associates of the Group:

	Note	**2009 RMB million**	*2008 RMB million*
Cash and cash equivalents	27(a)	**629**	385
Accounts receivable	25	**91**	202
Prepaid expenses and other current assets	26	**272**	119
Other non-current assets	22	**743**	743
Total amounts due from Shenhua Group and its affiliates, and the associates of the Group		**1,735**	1,449
Borrowings	29	**2,147**	2,147
Accounts payable	30	**663**	544
Accrued expenses and other payables	31	**157**	121
Total amounts due to Shenhua Group and its affiliates, and the associates of the Group		**2,967**	2,812

Other than those disclosed in Notes (1)(i), (1)(ii) and (1)(iii) above, amounts due from/to Shenhua Group and its affiliates, and the associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

36 Related party transactions (continued)

(b) Key management personnel emoluments

Key management personnel receive compensation in the form of fees, basic salaries, housing and other allowances, benefits in kind, discretionary bonuses, share appreciation rights and retirement scheme contributions.

Key management personnel compensation of the Group is summarised as follows:

	2009 **RMB million**	*2008* *RMB million*
Short-term employee benefits	**6**	5
Post-employment benefits	**1**	1
	7	6
Fair value loss/(gain) on revaluation of share appreciation rights	**22**	(32)

Total remuneration is included in "personnel expenses" as disclosed in Note 7.

(c) Contributions to post-employment benefit plans

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 37.

(d) Transactions with other state-controlled entities in the PRC

The Company is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions with Shenhua Group and its affiliates, and the associates of the Group as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

- Power sales;
- Sales and purchases of coal;
- Transportation services;
- Construction work;
- Purchases of ancillary materials and spare parts;
- Ancillary and social services; and
- Financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

36 Related party transactions (continued)

(d) Transactions with other state-controlled entities in the PRC (continued)

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

(i) Transactions with other state-controlled entities, including state-controlled banks in the PRC

	2009 RMB million	*2008 RMB million*
Coal revenue	**37,777**	39,918
Power revenue	**32,807**	29,141
Transportation costs	**5,999**	4,828
Interest income	**1,113**	811
Interest expenses	**3,716**	4,426

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	2009 RMB million	*2008 RMB million*
Accounts receivable	**5,082**	4,660
Cash and time deposits at banks	**72,181**	58,667
Borrowings	**74,036**	72,111
Accrued expenses and other payables	**304**	542

37 Employee benefits plan

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the year ended 31 December 2009 were RMB1,014 million (2008: RMB871 million).

On 19 November 2005, the Company's Board of Directors approved a scheme of share appreciation rights for the senior management of the Group with a term of 10 years with effect from 15 June 2005. No shares will be issued under this scheme. The rights were granted in units with each unit representing one H share of the Company.

The rights to the units will have an exercise period of six years from the date of grant and can be exercised after the second, third and fourth anniversary of the date of grant and the total number of the rights exercised by an individual may not in aggregate exceed one-third, two-thirds and 100% respectively, of the total rights granted to the individual.

(Expressed in Renminbi)

37 Employee benefits plan (continued)

Upon exercise of the said rights, the exercising participant will, subject to the restrictions under the scheme, receive a payment in RMB, after deducting any applicable withholding tax, equal to the product of the number of rights exercised and the difference between the exercise price and market price of the H shares of the Company at the time of exercise. The exercise prices of granted share appreciation rights as approved by the Board of Directors are HKD7.90, HKD11.80 or HKD33.80 depending on the grant date. The weighted average difference between the exercise price for share appreciation rights exercised during the year and the share price at the date of exercise was RMB16 (2008: RMB20).

The fair value of the financial liability for share appreciation rights was remeasured as at 31 December 2009 of RMB95 million (2008: RMB47 million) and an expense of RMB63 million (2008: an income of RMB52 million) was recognised for the year ended 31 December 2009.

The number of granted share appreciation rights outstanding is set out below:

	2009 **Million shares**	*2008* *Million shares*
At the beginning of the year	**6.7**	7.8
Exercised during the year	**(0.5)**	(1.1)
Forfeited during the year	**(0.1)**	–
At the end of the year	**6.1**	6.7

38 Segment and other information

The Group manages its businesses by divisions, which are organised by business lines (products and services). In a manner consistent with the way in which information is reported internally to the Group's most senior executive management for the purposes of resource allocation and performance assessment, the Group has presented the following four reportable segments. No operating segments have been aggregated to form the following reportable segments.

(1) Coal operations – which produces coal from surface and underground mines, and the sale of coal to external customers and the power segment. The Group primarily sells its coal under long-term coal supply contracts which typically allow the parties to make annual price adjustments.

(2) Railway operations – which provides railway transportation services to the coal mining segment and external customers. The rates of freight charges billed to the coal mining segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.

(3) Port operations – which provides loading, transportation and storage services to the coal mining segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.

(4) Power operations – which uses coal, sourced from the coal mining segment and purchased from external suppliers, to generate electric power for sale to external power grid companies and to the coal segment. Electric power is sold to the power grid companies in accordance with planned power output at the tariff rates as approved by the relevant government authorities. Electric power produced in excess of the planned power output is sold at the tariff rate as agreed upon with the respective power grid companies which are generally lower than the tariff rates for planned power output.

38 Segment and other information (continued)

(a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's senior executive management monitors the results attributable to each reportable segment based on profit before income tax ("reportable segment profit").

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2009 and 2008 is set out below.

	Coal		Railway		Port		Power		Total	
	2009 RMB million	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 RMB million	**2009 RMB million**	2008 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	**155,255**	138,292
Reportable segment profit/(loss) before income tax	**31,149**	26,995	**8,613**	6,532	**73**	(20)	**5,242**	2,694	**45,077**	36,201
Including:										
Net interest expense	**(547)**	(453)	**(372)**	(439)	**(290)**	(341)	**(2,051)**	(2,450)	**(3,260)**	(3,683)
Depreciation and amortisation	**(4,721)**	(3,597)	**(1,791)**	(1,775)	**(672)**	(636)	**(4,221)**	(3,876)	**(11,405)**	(9,884)
Share of profits less losses of associates	**526**	597	**35**	30	**4**	3	**166**	24	**731**	654

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

	2009 RMB million	2008 RMB million
Revenues		
Reportable segment revenue	**155,255**	138,292
Elimination of inter-segment revenue	**(33,943)**	(31,159)
Consolidated revenues	**121,312**	107,133
Profit		
Reportable segment profit	**45,077**	36,201
Elimination of inter-segment profits	**(57)**	(155)
Unallocated head office and corporate expenses	**792**	929
Consolidated profit before income tax	**45,812**	36,975

38 Segment and other information (continued)

(c) Geographical information

The following table sets out information about geographical location of (i) the Group's revenue from external customers and (ii) the Group's property, plant and equipment, construction in progress, intangible assets, interest in associates, other investments, other non-current assets and lease prepayments ("specified non-current assets"). The geographical location of customers is based on the location at which the services were provided or the goods delivered. The geographical location of the specified non-current assets is based on the physical location of the asset, in the case of property, plant and equipment, construction in progress and lease prepayments, and the location of operations, in the case of intangible assets, other investments, other non-current assets and interest in associates.

	Revenues from external customers		***Specified non-current assets***	
	2009	*2008*	**2009**	*2008*
	RMB million	*RMB million*	**RMB million**	*RMB million*
Asia Pacific markets				
– PRC (place of domicile)	**113,795**	94,924	**215,463**	195,521
– Other Asia Pacific markets	**7,475**	11,987	**3,100**	1,444
Other markets	**42**	222	**–**	–
	121,312	107,133	**218,563**	196,965

For the purpose of revenues from external customers, other Asia Pacific markets represent customers which are located outside the PRC and primarily to customers in Korea and Japan. Other markets represent customers which are located outside the PRC and the Asia Pacific region.

(d) Major customer

Revenue from any individual customer of the Group does not exceed 10% of the Group's total operating revenues. Certain of the Group's customers are state-controlled entities in the PRC and collectively considered as the Group's major customer. Revenue from major customer of the Group's coal and power segments represents RMB70,584 million (2008: RMB69,059 million) of the Group's total operating revenues.

38 Segment and other information (continued)

(e) Other information

Certain other information of the Group's segments for the years ended 31 December 2009 and 2008 is set out below:

	Coal		**Railway**		**Port**		**Power**		**Unallocated items**		**Eliminations**		**Total**	
	2009 RMB million	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*	**2009 RMB million**	*2008 RMB million*
Coal purchased from third parties	**14,187**	15,585	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**14,187**	15,585
Cost of coal production	**21,168**	17,702	**–**	–	**–**	–	**–**	–	**–**	–	**(5,628)**	(5,534)	**15,540**	12,168
Cost of coal transportation	**27,017**	23,253	**8,711**	7,804	**1,321**	1,259	**–**	–	**–**	–	**(21,850)**	(19,328)	**15,199**	12,988
Power cost	**–**	–	**–**	–	**–**	–	**24,143**	22,310	**–**	–	**(6,553)**	(6,126)	**17,590**	16,184
Others	**1,028**	600	**1,251**	1,271	**113**	64	**584**	518	**–**	–	**–**	–	**2,976**	2,453
Total 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
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
Capital expenditure (Note (i))	**7,983**	14,521	**3,842**	2,501	**400**	388	**18,502**	17,813	**313**	561	**–**	–	**31,040**	35,784
Total assets (Note (ii))	**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
Total liabilities (Note (ii))	**(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)

Notes:

(i) Segment capital expenditure is the total cost incurred during the year to acquire and construct segment assets that are expected to be used for more than one year.

(ii) Unallocated items of total assets include deferred tax assets and other unallocated corporate assets. Unallocated items of total liabilities include deferred tax liabilities and other unallocated corporate liabilities.

39 Capital and reserves

(a) Shareholders' equity of the Company

	Share capital RMB million (Note 34)	Share premium RMB million	Statutory reserves RMB million	Capital and other reserves RMB million	Retained earnings RMB million	Total RMB million
At 1 January 2008	19,890	85,001	6,263	352	12,631	124,137
Total comprehensive income:						
Profit for the year	–	–	–	–	22,805	22,805
Total comprehensive income for the year	–	–	–	–	22,805	22,805
Other movements:						
Dividend declared (Note 14(a))	–	–	–	–	(9,325)	(9,325)
Adjustment of profit appropriations for prior years (Note)	–	–	278	–	(278)	–
Appropriation of profits	–	–	2,274	–	(2,274)	–
Appropriation of maintenance and production funds (Note)	–	–	3,368	–	(3,368)	–
Utilisation of maintenance and production funds (Note)	–	–	(2,119)	–	2,119	–
Realisation of deferred tax	–	–	–	(18)	18	–
Realisation of revaluation reserve	–	–	–	(20)	20	–
Sub-total	–	–	3,801	(38)	(13,088)	(9,325)
At 31 December 2008	19,890	85,001	10,064	314	22,348	137,617
At 1 January 2009	**19,890**	**85,001**	**10,064**	**314**	**22,348**	**137,617**
Total comprehensive income:						
Profit for the year	**–**	**–**	**–**	**–**	**30,529**	**30,529**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**30,529**	**30,529**
Other movements:						
Dividend declared (Note 14(a))	**–**	**–**	**–**	**–**	**(9,149)**	**(9,149)**
Adjustment of profit appropriations for prior years (Note)	**–**	**–**	**(339)**	**–**	**339**	**–**
Appropriation of profits	**–**	**–**	**2,957**	**–**	**(2,957)**	**–**
Appropriation of maintenance and production funds (Note)	**–**	**–**	**2,566**	**–**	**(2,566)**	**–**
Utilisation of maintenance and production funds (Note)	**–**	**–**	**(1,894)**	**–**	**1,894**	**–**
Realisation of deferred tax	**–**	**–**	**–**	**(19)**	**19**	**–**
Realisation of revaluation reserve	**–**	**–**	**–**	**(25)**	**25**	**–**
Sub-total	**–**	**–**	**3,290**	**(44)**	**(12,395)**	**(9,149)**
At 31 December 2009	**19,890**	**85,001**	**13,354**	**270**	**40,482**	**158,997**

Note: Please refer to Note (iv) to consolidated statement of changes in equity for details.

39 Capital and reserves (continued)

(a) Shareholders' equity of the Company (continued)

According to the Company's Articles of Association, the amount of retained earnings available for distribution to equity shareholders of the Company is the lower of the amount determined in accordance with the China Accounting Standards and the amount determined in accordance with IFRSs after the appropriation to reserves as detailed in Note (iv) to the consolidated statement of changes in equity.

At 31 December 2009, the aggregate amount of retained earnings determined in accordance with the China Accounting Standards available for distribution to equity shareholders of the Company was RMB37,935 million (2008: RMB20,470 million). After the balance sheet date the directors proposed a final dividend of RMB0.53 per share (2008: RMB0.46 per share), amounting to RMB10,541 million (2008: RMB9,149 million) (Note 14(b)). This dividend has not been recognised as a liability at the balance sheet date.

(b) Capital management

The Group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or issue new shares to reduce debts.

The Group monitors capital using a gearing ratio which is total liabilities divided by total assets. The Group aims to maintain the gearing ratio at a reasonable level. The Group's gearing ratio as at 31 December 2009 was 37% (2008: 38%).

There were no changes in the Group's approach to capital management compared with previous years. Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

40 Financial risk management and fair values

Exposure to credit, liquidity, interest rate and currency risks arises in the normal course of the Group's business. The Group and the Company are also exposed to equity price risk arising from its equity investments in other entities and movements in its own equity share price.

The Group's and the Company's exposure to these risks and the financial risk management policies and practices used by the Group and the Company to manage these risks are described below.

40 Financial risk management and fair values (continued)

(a) Credit risk

The carrying amounts of cash and cash equivalents, time deposits, restricted bank deposits, accounts and bills receivable, other receivables and other non-current assets represent the Group's and the Company's maximum exposure to credit risk in relation to these financial assets. Substantially all of the Group's and the Company's cash and cash equivalents and deposits are held in major financial institutions located in the PRC, which management believes are of high credit quality. The Group's and the Company's major customers are power plants, metallurgical companies and power grid companies, which accounted for significant amounts of the Group's and the Company's total operating revenues during the year. The Group and the Company have no significant credit risk with any of these customers since the Group and the Company maintain long-term and stable business relationships with these large customers in the coal and power industries. The Group and the Company perform ongoing individual credit evaluations of its customers' financial condition and generally does not require collateral on accounts receivable. The allowance for doubtful debts has been within management's expectations.

The maximum exposure to credit risk without taking account of any collateral held is represented by the carrying amount of each financial asset in the balance sheet after deducting any impairment allowance. Except for the financial guarantees given by the Company as set out in Note 35(c), the Group and the Company do not provide any other guarantees which would expose the Group or the Company to credit risk. The maximum exposure to credit risk in respect of these financial guarantees at the balance sheet date is disclosed in Note 35(c).

(b) Currency risk

(i) Exposure

The Group and the Company incur foreign currency risk on borrowings that are denominated in a currency other than RMB. The currency giving rise to this risk is primarily Japanese Yen. The Group's and the Company's Japanese Yen borrowings are disclosed in Note 29.

(ii) Sensitivity analysis

At 31 December 2009, it is estimated that a general increase/decrease in Japanese Yen foreign exchange rate by 2%, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB79 million (2008: RMB85 million).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise if foreign exchange rates to which the Group has significant exposure at the balance sheet date had changed at that date, assuming all other risk variables remained constant.

The sensitivity analysis assumes that the change in foreign exchange rates had been applied to remeasure those financial instruments held by the Group which expose the Group to foreign currency risk at the balance sheet date. The analysis excludes differences that would result from the translation of the financial statements of foreign operations into the Group's presentation currency. The analysis is performed on the same basis for 2008.

40 Financial risk management and fair values (continued)

(c) Interest rate risk

(i) Exposure

The interest rates and terms of repayment of the Group's and the Company's loan receivables and borrowings are disclosed in Notes 22 and 29. Most of the borrowings are variable rate borrowings.

(ii) Sensitivity analysis

Financial assets

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have increased/decreased the Group's profit after tax and retained earnings by approximately RMB385 million (2008: RMB448 million).

Financial liabilities

At 31 December 2009, it is estimated that a general increase/decrease of 100 basis points in interest rates, with all other variables held constant, would have decreased/increased the Group's profit after tax and retained earnings by approximately RMB542 million (2008: RMB502 million).

The sensitivity analysis above indicates the instantaneous change in the Group's profit after tax and retained earnings that would arise assuming that the change in interest rates had occurred at the balance sheet date and had been applied to remeasure those financial instruments held by the Group which expose the Group to fair value interest rate risk at the balance sheet date. In respect of the exposure to cash flow interest rate risk arising from floating rate non-derivative instruments held by the Group at the balance sheet date, the impact on the Group's profit after tax and retained earnings is estimated as an annualised impact on interest income or expense of such a change in the interest rates. The analysis is performed on the same basis for 2008.

(d) Fair values

(i) Financial instruments carried at fair value

Financial asset for interest rate swaps and financial liability for share appreciation rights are carried at fair value.

The estimated fair value amounts have been determined by the Group using market information and valuation methodologies considered appropriate. However, considerable judgement is required to interpret market data to develop the estimates of fair values. Accordingly, the estimates presented herein are not necessarily indicative of the amounts the Group and the Company could realise in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

The fair value of the interest rate swaps are based on discounted cash flow techniques. Where discounted cash flow techniques are used, estimated future cash flows are based on management's best estimates and the discount rate is a market related rate for a similar instrument having a similar maturity at the balance sheet date.

40 Financial risk management and fair values (continued)

(d) Fair values (continued)

(i) Financial instruments carried at fair value (continued)

The fair value of the financial liability for share appreciation rights are measured by using the Black-Scholes option pricing model. The risk free rate, dividend yield and volatility of share price are used as the inputs into this model.

(ii) Fair values of financial instruments carried at other than fair value

The carrying amounts of the Group's and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2009 and 2008.

The fair values of long-term borrowings and long-term payables are estimated by discounting future cash flows using current market interest rates offered to the Group and the Company for borrowings with substantially the same characteristics and maturities.

The fair values of all other financial assets and liabilities approximate their carrying amounts due to the nature or short-term maturity of these instruments.

(e) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risk damage to the Group's reputation.

The Group closely monitors cash flow requirements and optimising its cash return. The Group prepares cash flow forecasts and ensures it has sufficient cash for the servicing of operation, financial, and capital obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

40 Financial risk management and fair values (continued)

(e) Liquidity risk (continued)

The following table details the remaining contractual maturities at the balance sheet date of the Group's financial liabilities, which are based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on rates current at the balance sheet date) and the earliest date the Group can be required to pay:

	2009					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Borrowings	**76,183**	**89,188**	**25,666**	**13,019**	**24,085**	**26,418**
Accounts and bills payable, accrued expenses and other payables	**22,660**	**22,660**	**22,565**	**59**	**36**	**–**
	98,843	**111,848**	**48,231**	**13,078**	**24,121**	**26,418**

	2008					
	Carrying amount RMB million	Total contractual undiscounted cash flow RMB million	Within 1 year or on demand RMB million	More than 1 year but less than 2 years RMB million	More than 2 years but less than 5 years RMB million	More than 5 years RMB million
Borrowings	74,258	90,916	22,368	12,932	28,416	27,200
Accounts and bills payable, accrued expenses and other payables	16,393	16,393	16,303	90	–	–
	90,651	107,309	38,671	13,022	28,416	27,200

(f) Equity price risk

All of the Group's and the Company's unquoted investment are held for long-term strategic purposes. Their performance is assessed at least annually based on the information available to the Group and the Company, together with an assessment of their relevance to the Group's long-term strategic plans.

41 Accounting judgements and estimates

The Group's financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of the financial statements. The Group bases the assumptions and estimates on historical experience and on various other assumptions that the Group believes to be reasonable and which form the basis for making judgements about matters that are not readily apparent from other sources. On an on-going basis, management evaluates its estimates. Actual results may differ from those estimates as facts, circumstances and conditions change.

The selection of critical accounting policies, the judgements and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing the financial statements. The principal accounting policies are set forth in Note 2. The Group believes the following critical accounting policies involve the most significant judgements and estimates used in the preparation of the financial statements.

Coal reserves

Engineering estimates of the Group's coal reserves are inherently imprecise and represent only approximate amounts because of the subjective judgements involved in developing such information. There are authoritative guidelines regarding the engineering criteria that have to be met before estimated coal reserves can be designated as "proved" and "probable". Proved and probable coal reserve estimates are updated at regular basis and have taken into account recent production and technical information about each mine. In addition, as prices and cost levels change from year to year, the estimate of proved and probable coal reserves also changes. This change is considered a change in estimate for accounting purposes and is reflected on a prospective basis in related depreciation rates.

Despite the inherent imprecision in these engineering estimates, these estimates are used in determining depreciation expenses and impairment loss. Depreciation rates are determined based on estimated proved and probable coal reserve quantity (the denominator) and capitalised costs of mining structures and mining rights (the numerator). The capitalised cost of mining structures and mining rights are amortised based on the units of coal produced.

Impairments

In considering the impairment losses that may be required for certain of the Group's assets which include property, plant and equipment, construction in progress, intangible assets, investments in subsidiaries and associates, lease prepayments and other investments (Note 2(n)(ii)), the recoverable amount of the asset needs to be determined. The recoverable amount is the greater of its fair value less costs to sell and value in use. It is difficult to precisely estimate fair value because quoted market prices for these assets may not be readily available. In determining the value in use, expected cash flows generated by the asset are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price and amount of operating costs. The Group uses all readily available information in determining an amount that is reasonable approximation of recoverable amount, including estimates based on reasonable and supportable assumptions and projections of items such as sale volume, selling price and amount of operating costs.

In considering the impairment losses that may be required for current receivables and other financial assets, future cashflows need to be determined. One of the key assumptions that has to be applied is about the ability of the debtors to settle the receivables. Notwithstanding that the Group has used all available information to make this estimation, inherent uncertainty exists and actual write-offs may be higher than the amount estimated.

41 Accounting judgements and estimates (continued)

Depreciation

Other than the mining structures and mining rights, property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets, after taking into account the estimated residual value. The Group reviews the estimated useful lives of the assets regularly. The useful lives are based on the Group's historical experience with similar assets and taking into account anticipated technological changes. The depreciation expense for future periods is adjusted if there are significant changes from previous estimates.

Obligations for land reclamation

The estimation of the liabilities for final reclamation and mine closure involves the estimates of the amount and timing for the future cash spending as well as the discount rate used for reflecting current market assessments of the time value of money and the risks specific to the liability. The Group considers the factors including future production volume and development plan, the geological structure of the mining regions and reserve volume to determine the scope, amount and timing of reclamation and mine closure works to be performed. Determination of the effect of these factors involves judgements from the Group and the estimated liabilities may turn out to be different from the actual expenditure to be incurred. The discount rate used by the Group may also be altered to reflect the changes in the market assessments of the time value of money and the risks specific to the liability, such as change of the borrowing rate and inflation rate in the market. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation will be recognised at the appropriate discount rate.

Derivative financial instruments and share appreciation rights

In determining the fair value of the derivative financial instruments and share appreciation rights, considerable judgement is required to interpret market data used in the valuation techniques. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

42 Subsequent events

The following significant transactions took place subsequent to 31 December 2009:

On 12 March 2010, the Board of Directors proposed a final dividend of RMB0.53 per share totalling RMB10,541 million to the equity shareholders of the Company. Further details are disclosed in Note 14(b).

43 Immediate and ultimate controlling party

At 31 December 2009, the directors consider the immediate parent and ultimate controlling party of the Group to be Shenhua Group Corporation Limited, a state-owned enterprise established in the PRC.

(Expressed in Renminbi)

44 Possible impact of amendments, new standards and interpretations issued but not yet effective for the accounting year ended 31 December 2009

Up to the date of issue of these financial statements, the IASB has issued the following amendments, new standards and interpretations which are not yet effective for the year ended 31 December 2009 and which have not been adopted in these financial statements.

	Effective for accounting periods beginning on or after
IFRS 3 (Revised), *Business combinations*	1 July 2009
Amendments to IAS 27, *Consolidated and separate financial statements*	1 July 2009
Amendments to IAS 39, *Financial instruments: Recognition and measurement – Eligible hedged items*	1 July 2009
IFRIC 17, *Distributions of non-cash assets to owners*	1 July 2009
Improvements to IFRSs 2009	1 July 2009 or 1 January 2010
Amendments to IFRS 1, *First-time adoption of International Financial Reporting Standards – Additional exemptions for first-time adopters*	1 January 2010
Amendments to IFRS 2, *Share-based payment – Group cash-settled share-based payment transactions*	1 January 2010
Amendment to IAS 32, *Financial instruments: Presentation – Classification of rights issues*	1 February 2010
IFRIC 19, *Extinguishing financial liabilities with equity instruments*	1 July 2010
Amendment to IFRS 1, *First-time adoption of International Financial Reporting Standards – Limited exemption from comparative IFRS 7 disclosures for first-time adopters*	1 July 2010
IAS 24 (Revised), *Related party disclosures*	1 January 2011
Amendments to IFRIC 14, IAS 19 – *The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement*	1 January 2011
IFRS 9, *Financial instruments*	1 January 2013

The Group is in the process of making an assessment of what the impact of these amendments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Group's or the Company's results of operations and financial position.

45 Comparative figures

As a result of the application of IAS 1 (revised 2007), *Presentation of financial statements*, and IFRS 8, *Operating segments*, certain comparative figures have been adjusted to conform to current year's presentation and to provide comparative amounts in respect of items disclosed for the first time in 2009. Further details of these developments are disclosed in Note 3.