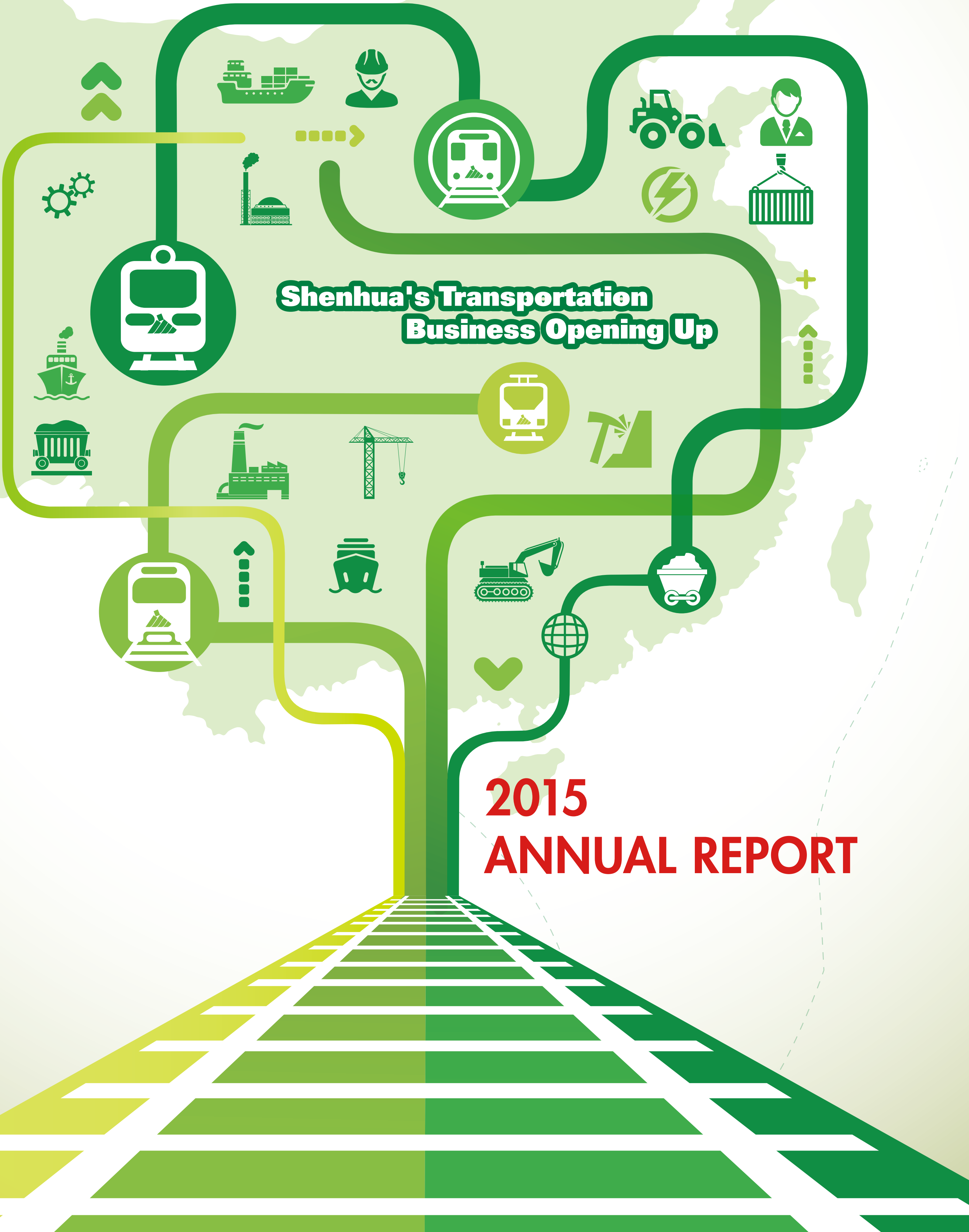
中国神华能源股份有限公司

CHINA SHENHUA ENERGY COMPANY LIMITED

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

Stock Code: 01088



Shenhua's Transportation Business Opening Up

2015 ANNUAL REPORT

Important Notice

I. The Board, supervisory committee and directors, supervisors and senior management of the Company warrant that this report does not contain any misrepresentations, misleading statements or material omissions, and are jointly and severally liable for the authenticity, accuracy and completeness of the information contained in this report.

II. This report was approved at the 15th meeting of the third session of the Board of the Company, all the directors of the Company were present at the meeting of the Board.

III. Deloitte Touche Tohmatsu has issued a standard unqualified independent auditor's report to the Company under the International Financial Report Standards for Certified Public Accountants, in connection with the Company's 2015 consolidated financial statements prepared under the Hong Kong Accounting Standards.

IV. Zhang Yuzhuo, Chairman of the Company, Zhang Kehui, Chief Financial Officer, and Hao Jianxin, General Manager of the Finance Department of the Company, warrant the authenticity, accuracy and completeness of the financial statements contained in this report.

V. The Board proposed a final dividend distribution for 2015: RMB0.32 per share (inclusive of tax) of cash dividend will be distributed based on the total share capital of 19,889,620,455 shares of the Company as at 31 December 2015, totaling approximately RMB6,365 million (inclusive of tax). The above profit distribution proposal is pending the approval of the general meeting.

VI. Restatement: in October 2015, the Company acquired 100% equity interests in Ningdong Power Plant, 100% equity interests in Xuzhou Power Plant and 51% equity interests in Zhoushan Power Plant held by Shenhua Group Corporation through consolidation under common control. This report has correspondingly restated the financial and business data disclosed in 2013, 2014 and 2015.

VII. Disclaimer of forward-looking statements: There are forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policies and economic conditions, which are subject to risks, uncertainties and assumptions. The actual outcome may differ materially from the forward-looking statements. Such statements do not constitute actual commitments to investors. Investors should be aware undue reliance on or use of such information may lead to risks of investment.

VIII. Are there any situations of non-operating appropriation of funds by controlling shareholder(s) and its subsidiaries? No

IX. Are there any situations of violation of decision-making procedures for external guarantee provision? No

X. Warning on Major Risks: Impacted by the supply and demand of coal and electricity and the implementation of industrial policies, the Group is exposed to some uncertainties on achieving the business targets for 2016. In addition, investors please note that the Company has illustrated risks including market competition, industrial policies, change in cost, environmental protection and safety production, etc. in the section headed "Management Discussion and Analysis".

XI. The content of "2015 Directors' Report" of the Company includes Section V headed "Management Discussion and Analysis" (Major Operation during the Reporting Period, Discussion and Analysis on the Company's Future Plans) and Section VI headed "Significant Events" (Profit Distribution Plan) of this report.

Contents

Section I Definitions

Unless the context otherwise requires, the following terms used in this report have the following meanings:

Shenhua Group Corporation	Shenhua Group Corporation Limited
Shenhua Group	Shenhua Group Corporation Limited and its controlling subsidiaries
China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its controlling subsidiaries
Shendong Coal Group Corporation	Shenhua Shendong Coal Group Co., Ltd.
Guohua Power Company	Beijing Guohua Power Company Limited
Shenhua Guoneng Group	Shenhua Guoneng Group Co., Ltd.
Shendong Power Company	Shenhua Shendong Power Co., Ltd.
Coal Liquefaction and Chemical Company	China Shenhua Coal Liquefaction and Chemical Co., Ltd.
Zhunge'er Group	Shenhua Zhunge'er Group Co., Ltd.
Zhunge'er Energy Company	Shenhua Zhunge'er Energy Co., Ltd.
Zhunchi Railway	Shenhua Zhunchi Railway Company Limited
Shuohuang Railway Company	Shuohuang Railway Development Co., Ltd.
Shenhua Trading Group	Shenhua Trading Group Limited
Huanghua Harbour Administration Company	Shenhua Huanghua Harbour Administration Co., Ltd.
Baoshen Railway Group	Shenhua Baoshen Railway Group Co., Ltd., which holds 88.16% equity interest in Baoshen Railway Company, 88.46% equity interest in Ganquan Railway Company and 90% equity interest in Xinzhun Railway Company
Baoshen Railway Company	Shenhua Baoshen Railway Co., Ltd.
Xinzhun Railway Company	Shenhua Xinzhun Railway Co., Ltd.
Baotou Energy Company	Shenhua Baotou Energy Co., Ltd.
Baotou Coal Chemical Company	Shenhua Baotou Coal Chemical Co., Ltd.

Shenbao Energy Company	Shenhua Baorixile Energy Co., Ltd.
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd
Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co., Ltd.
Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
Overseas Company	China Shenhua Overseas Development & Investment Co., Ltd.
Yu Shen Energy Company	Yulin Shenhua Energy Co., Ltd.
Xinjie Energy Company	Shenhua Xinjie Energy Co., Ltd
Shipping Company	Shenhua Zhonghai Shipping Co., Ltd.
Ganquan Railway Company	Shenhua Ganquan Railway Co., Ltd.
Shenwan Energy Company	Shenwan Energy Company Limited
Fujian Energy Company	Shenhua Fujian Energy Co., Ltd.
Shenhua Sichuan Energy Company	Shenhua Sichuan Energy Company Limited
Logistics Group	Shenhua Logistics Group Corporation Limited
Shenhua Finance Company	Shenhua Finance Co., Ltd.
Shenhua HK Company	Shenhua Hong Kong Limited
Geological Exploration Company	Shenhua Geological Exploration Co., Ltd.
Australia Pty	Shenhua Australia Holdings Pty Limited
Watermark	Shenhua Watermark Coal Pty Limited
EMM Indonesia	PT.GH EMM INDONESIA
Beijing Thermal	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Sanhe Power	Sanhe Power Co., Ltd.

Section I　Definitions (Continued)

Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.
Zhunge'er Power	Power-generating division controlled and operated by Zhunge'er Energy Company
Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Guohua Hulunbeier Power	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.
Taicang Power	Guohua Taicang Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.
Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of the Company
Ningdong Power	Ningxia Guohua Ningdong Power Generation Co., Ltd.
Xuzhou Power	Guohua Xuzhou Power Generation Company Limited
Zhoushan Power	Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.

Beijing Gas	Shenhua Guohua (Beijing) Gas Thermal Power Co., Ltd.
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves
Shanghai Stock Exchange	Shanghai Stock Exchange
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Shanghai Listing Rules	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Accounting Standards for Business Enterprises	the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements
International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Committee
Articles of Association	Articles of Association of China Shenhua Energy Company Limited
EBITDA	Profit for the year + net finance costs + income tax expenses + depreciation and amortisation – shares of results of associates
Total debt to total debt and total equity ratio	[Long-term interest bearing debts + short-term interest bearing debts (including bills payable)]/[Long-term interest bearing debts + short-term interest bearing debts (including bills payable) + total equity]
Shanghai-Hong Kong Stock Connect	A mutual access mechanism between Shanghai and Hong Kong stock markets under which Shanghai Stock Exchange and Hong Kong Stock Exchange allow investors from Shanghai and Hong Kong to trade eligible shares listed on the other's market through local securities firms (or brokers), which comprises Shanghai Stock Connect and Hong Kong Stock Connect
RMB	Renminbi unless otherwise specified

Section II Company Profile and Major Financial Indicators

I. INFORMATION OF THE COMPANY

Chinese Name of the Company	中國神華能源股份有限公司
Abbreviation of Chinese Name of the Company	中國神華
English Name of the Company	China Shenhua Energy Company Limited
Abbreviation of English Name of the Company	CSEC/China Shenhua
Legal Representative of the Company	Zhang Yuzhuo
Authorised Representatives of the Company under the Hong Kong Listing Rules	Han Jianguo, Huang Qing

II. CONTACTS AND CONTACT DETAILS

	Secretary to the Board	Representative of Securities Affairs
Name	Huang Qing	Chen Guangshui
Address	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011)	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011)
Tel	(8610) 5813 3399	(8610) 5813 3355
Fax	(8610) 5813 1804/1814	(8610) 5813 1804/1814
E-mail	1088@shenhua.cc	ir@shenhua.cc

	Board Affairs and Investor Relations Department of the Company	Hong Kong Office of the Company
Address	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code: 100011)	Room B, 60th Floor, Bank of China Tower, 1 Garden Road, Central, Hong Kong
Tel	(8610) 5813 1088/3399/3355	(852) 2578 1635
Fax	(8610) 5813 1804/1814	(852) 2915 0638

III. PARTICULARS

Registered Address of the Company	22 Andingmen Xibinhe Road, Dongcheng District, Beijing
Postal Code of Registered Address of the Company	100011
Office Address of the Company	22 Andingmen Xibinhe Road, Dongcheng District, Beijing
Postal Code of Office Address of the Company	100011
Company Website	http://www.csec.com or http://www.shenhuachina.com
E-mail	ir@shenhua.cc

IV. INFORMATION DISCLOSURE AND PLACE FOR DOCUMENT INSPECTION

Designated Media for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Internet website designated by CSRC for publishing annual report	http://www.sse.com.cn and http://www.hkex.com.hk
Annual report is available at	Board Affairs and Investor Relations Department of the Company, Hong Kong Office of the Company

V. BASIC INFORMATION ON SHARES

Type	Listing Place	Abbreviation	Stock Code
A Share	Shanghai Stock Exchange	China Shenhua	601088
H Share	Hong Kong Stock Exchange	China Shenhua	01088

VI. OTHER RELEVANT INFORMATION

Auditor engaged by the Company (the PRC)	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP
	Office Address	8th Floor, Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing
	Signing Auditor	Xu Bin, Yu Chunhui
Auditor engaged by the Company (Hong Kong)	Name	Deloitte Touche Tohmatsu
	Office Address	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
Sponsor with continuing supervisory duty during the reporting period	Name	China International Capital Corporation Limited
	Office Address	27th and 28th Floor, China World Tower Two, No. 1 Jianguomenwai Avenue, Chaoyang District, Beijing
	Sponsor Representatives	Long Liang, Xu Jia
	Name	China Galaxy Securities Co., Ltd.
	Office Address	2–6/F, Tower C, Corporate Square, No. 35 Finance Street, Xicheng District, Beijing
	Sponsor Representatives	Wang Fei, Lu Yu
	Continuing supervisory period	October to December of 2007, the year of 2008 and 2009. Pursuant to the relevant regulations, the continuing supervisory period of the above Sponsors and Sponsor Representatives in relation to the initial public offering of A Shares of the Company will continue until the aforesaid proceeds are fully utilized. As of the end of 2015, the aforesaid proceeds were fully utilitzed.

		A Share/the PRC	H Share/Hong Kong
Share Registrar and Transfer Office	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lu Jia Zui Dong Lu, Pudong New Area, Shanghai	Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong

VII. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS

(I) Major Accounting Data

	Unit	2015	2014 (Restated)	Change (%)
Revenue	RMB million	**177,069**	253,081	(30.0)
Profit for the year	RMB million	**24,959**	49,063	(49.1)
Profit for the year attributable to equity holders of the Company	RMB million	**17,649**	39,301	(55.1)
Basic earnings per share	RMB/share	**0.887**	1.976	(55.1)
Net cash generated from operating activities	RMB million	**55,406**	69,069	(19.8)
Net cash generated from operating activities excluding the effect from Shenhua Finance Company	RMB million	**46,341**	70,026	(33.8)

	Unit	As at 31 December 2015	As at 31 December 2014 (Restated)	Change (%)
Total assets	RMB million	**559,791**	550,872	1.6
Total liabilities	RMB million	**195,870**	185,302	5.7
Total equity	RMB million	**363,921**	365,570	(0.5)
Equity attributable to equity holders of the Company	RMB million	**298,068**	300,698	(0.9)
Total share capital at the end of the period	RMB million	**19,890**	19,890	0.0
Equity attributable to equity holders per share	RMB/share	**14.99**	15.12	(0.9)

VIII. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

Unit: RMB million

	Net profit attributable to equity holders of the Company		Net assets attributable to equity holders of the Company	
	This year	Last year (Restated)	At the end of the year	At the end of last year (Restated)
Under China Accounting Standards for Business Enterprises	**16,144**	37,419	**292,790**	295,243
Adjusted items and amount in accordance with International Financial Reporting Standards:				
Adjustment: simple production maintenance, safety production and other related expenditure	**1,505**	1,882	**5,278**	5,455
Under International Financial Reporting Standards	**17,649**	39,301	**298,068**	300,698

Explanation on differences in domestic and overseas accounting standards: Pursuant to the relevant regulations of the related government authorities in the PRC, the Group accrued provisions for simple production maintenance, safety production and other related expenditures, recognised as expenses in profit or loss and separately recorded as a specific reserve in shareholders' equity. On utilisation of the specific reserve as fixed assets within the stipulated scope, the full amount of accumulated depreciation is recognised at the same time when the cost of the relevant assets is recorded. Under International Financial Reporting Standards, these expenses on production maintenance and safety facilities are recognised in profit or loss as and when incurred. Relevant capital expenditure is recognised as property, plant and equipment and depreciated according to the relevant depreciation method. The effect on deferred tax arising from such difference is also reflected.

IX. MAJOR FINANCIAL DATA OF EACH QUARTER OF 2015

Unit: RMB million

	First quarter (January – March) *(Restated)*	**Second quarter (April – June)** *(Restated)*	**Third quarter (July – September)** *(Restated)*	**Forth quarter (October – December)**
Revenue	41,292	48,709	44,813	42,255
Profit for the period attributable to equity holders of the Company	6,616	6,803	5,688	(1,458)
Net cash generated from operating activities	10,482	21,007	5,536	18,381

Note: According to the result of the asset impairment test conducted at the end of 2015, the Company made a provision for impairment for certain fixed assets, constructions in progress, parts and components in the fourth quarter. For details, please refer to the announcement of the Company dated 29 January 2016.

Explanation on the differences between quarterly data and disclosed regular reporting data:

✔ Applicable ☐ Not applicable

In October 2015, the Company completed the acquisition of 100% equity interest in Ningdong Power, 100% equity interest in Xuzhou Power and 51% equity interest in Zhoushan Power through consolidation under common control. This report restated the abovementioned data disclosed in the 2015 first quarterly report, interim report and third quarterly report under the International Financial Report Standards.

Section III Business Overview of the Company

1. EXPLANATION ON PRINCIPAL BUSINESSES AND OPERATION MODEL OF THE COMPANY AND INDUSTRY CONDITIONS DURING THE REPORTING PERIOD

China Shenhua Energy Company Limited was solely established by Shenhua Group Company Limited in Beijing in November 2004. China Shenhua was listed on the Hong Kong Stock Exchange and Shanghai Stock Exchange in June 2005 and October 2007, respectively.

The Group is principally engaged in the production and sale of coal and electricity, railway, port and shipping transportation, and coal-based chemical processing businesses. The integration of coal, power, railway, port, shipping and coal chemical into one unified operation chain is the Group's unique operation and profitability model. The Group's development strategy is to "transforming into a world first-class supplier of clean energy".

In terms of sales, the Group is the largest listed coal company in China and the rest of the world with the sales volume of coal reaching 370.5 million tonnes in 2015. In terms of installed capacity of power generators, the Group holds a leading position among the listed electricity companies in China with the installed capacity of its controlled and operated power generators reaching 54,128 MW. The Group controls and operates a network of concentric transportation railways around the major coal production bases in western Shanxi, northern Shaanxi and southern Inner Mongolia, and at the end of 2015, it controlled and operated railway trade with a length of approximately 2,155 km. The Group also operates a number of ports and berths with approximately 180 million tonnes/year seaborne operation capability, possesses the shipping transportation team comprising its own vessels with approximately 2.2 million tonnes of loading capacity; and operates 0.6 million tonnes/year coal-to-olefins chemical processing businesses.

During the reporting period, the Group made no significant change in the scope of its principal businesses.

For industry conditions of the Company, please refer to the section "Management Discussion & Analysis" in the report.

2. EXPLANATION ON MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

In 2015, the changes in the major assets of the Company included: completion of acquisition of 100% equity interest in Nindong Power, 100% equity interest in Xuzhou Power and 51% equity interest in Zhoushan Power by mergers under the same controller; provisions for impairment was RMB5,773 million during the reporting period; as the strategic adjustments made by the Company to the capital expenditure structure were previously affected for certain years, at the end of the reporting period, the asset proportion of power-generating division increased compared with that at the beginning of the reporting period.

As of 31 December 2015, the Group's total assets amounted to RMB559,791 million, representing an increase of 1.6% as compared with that at the end of last year, and the equity attributable to equity holders of the Company amounted to RMB298,068 million, representing a decrease of 0.9% as compared with that at the end of last year. Among which, offshore assets (including Hong Kong, Macau and Taiwan) amounted to RMB19,619 million, representing 3.5% to total assets, mainly of which are assets from USD bonds issued in Hong Kong, PRC, and coal mine and power generation assets in Australia and Indonesia.

3. ANALYSIS ON CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The core competitiveness of the Group mainly in:

1. **Unique operation and profitability model:** The vertical integration into one unified operation the Group enables deepened cooperation, shared resources, synergy, low-cost operation, and a standardized, professional and all-rounded development, as well as maximizes profits driven by every stage of coal-based production. A unified operation chain ensures a stable and reliable supply and internal demand contributing to lower operation costs and enhance competitiveness. In 2015, under the general downfall in coal industry, the Company continued to optimize the linkage among production, transportation and sales, and thus effectively safeguard against the adverse effects brought by the weakening demand and descending coal and electricity prices.

2. **Coal mining rights:** The Group possesses an abundant pool of high-quality coal resources which are suitable for modern high-quality and high-efficient shaft mining. As of the end of 2015, under the coal mining rights possessed and controlled by China Shenhua, it had coal retained resources of 24.313 billion tonnes and the recoverable coal reserves of 15.742 billion tonnes under the PRC Standard; the marketable coal reserves of the Group was 8.141 billion tonnes under the JORC Standard. The coal reserves of the Group is among the top of listed coal companies in China.

3. **Management team focusing on core business and cutting-edge operating principles:** The management team of China Shenhua has profound knowledge and management experience in the industry, attaches great importance to enhancement of the Company's capabilities in value creation, conducts operation with a focus on the principal businesses of the Company, and persistently focuses on clean generation and utilization in energy sector. In 2015, the management team of the Company proactively implemented the development strategies of clean energy for China Shenhua and pushed forward the Company's endeavor towards building itself into a world-class supplier of clean energy, leading the industry in clean development.

4. **Advanced technology and innovation capabilities:** With consistent efforts in advancing its technology and innovation capabilities, China Shenhua's technology in coal exploitation, safe production has secured a leading position in the global market, while that of clean coal-fired power generation and heavy-loaded transportation has secured a leading position in domestic market, basically establishing a unified operation system of technology and resources and a technological innovation-driven development model comprising decision-making, system management, research and development, and transformation of achievements. In 2015, the implementation of industrial technology was continued, including digital mines and ultra-low emission reform. During the reporting period, the Group was granted 489 patents in total, in which 111 patents were invention patents. The invention patent on "a dispersive utilization method of underground water in shafts" ("一種礦井地下水的分散式利用方法") under the Group won the China Patent Gold Award at the 17th WIPO-SIPO Award for Chinese Outstanding Patented Invention and Industrial Design.

5. **Option and pre-emptive right to acquire:** Pursuant to the Non-competition Agreement signed between the Company and its controlling shareholder Shenhua Group Corporation, the Company is granted an option and pre-emptive right to acquire retained businesses and certain potential businesses from Shenhua Group Corporation. In June 2014, the Company publicly announced: The Company intended to commence acquisition of 14 retained assets of Shenhua Group and its subsidiaries by 30 June 2019 (the proposal for the acquisition of assets was presented to internal authorities of China Shenhua in respect of completing the consideration and approval procedures). In 2015, China Shenhua acquired clean coal-fired generators with an installed capacity of approximately 3,570MW from Shenhua Group.

Section IV Chairman's Statement

Zhang Yuzhuo
Chairman

Dear Shareholders,

On behalf of the Board, I am delighted to present the 2015 annual report of China Shenhua and to report to all shareholders on the Company's performance for the period.

The year 2015 saw the global economic slump and the slower growth of the domestic economy. Demand in the coal market exceeded supply, coal prices continued to decline and the exposure to losses in coal enterprises expanded. As the growth in the demand of electricity consumption throughout the entire society decreased and power supply remained sufficient, thermal power enterprises were under increasing pressure in their operations.

The staff at all levels of China Shenhua have worked together and the Company has been committed to creating value as its key target, proactively implemented the development strategy of clean energy and focused on reducing the adverse impact on the Company from the downturn of the coal industry. It has strengthened strategic management, promoted structural adjustments to and transformation and upgrading of business, implemented income growth and cost reduction strategies simultaneously, enhanced marketing efforts in coal and power segments, improved the management of and control over costs, optimized the operation units of each of the business segments to achieve better operating results. In 2015, the Group realized the profit for the year of RMB24,959 million for the year and the profit for the year attributable to the equity holders of the Company amounted to RMB17,649 million and basic earnings per share were RMB0.887.

China Shenhua was ranked ninth in the "Platts' Top 250 Global Energy Company Rankings", being the only coal enterprise among the top ten companies. On 31 December 2015, the total market capitalization of China Shenhua reached USD43.4 billion, ranking the first among all listed coal companies worldwide and the fifth among all listed integrated mining companies worldwide.

2015: BEING DETERMINED TO FOLLOW STRATEGIC GUIDANCE, ACCELERATING STRUCTURAL ADJUSTMENTS, OPTIMIZING OPERATION UNITS AND REALIZING CLEAN DEVELOPMENT

Proactively accommodating the industry changes to expedite the adjustment of structural business improvement

Facing significant changes in the coal and power sector, the management of the Company made proactive response, timely refined strategic decisions and effectively promoted the structural business improvement through adjusting the capital expenditure and other methods to further augment the overall risk resistance capacity. The power generation business amounted to RMB18,810 million and the transportation business realized RMB11,553 million for the whole year, representing 81% in total as calculated based on the profit from operations of all business segments before elimination on consolidation under the International Financial Reporting Standards, becoming the main profit-making business segments. The stability of the profits from the two business segments mitigated significantly the impact of the continuous downward trend of the coal market.

Enhancing marketing efforts in coal and power segments to actively expand the market

Determined to implement the sales strategy of securing the quality while stabilizing the prices, the Company actively expanded markets in the southern areas along the three railway lines and in the shipping route from the sea to the Yangtze River. The tasks on clean coal replacement in key areas had proceeded smoothly. The exploration of overseas market had shown initial results, and the first batch of semi-coal had been exported to Korea smoothly. The Company had also continuously increased the sales proportion of seaborne coal, which was of the highest economic efficiency, to ensure maximization of sales efficiency. The sales volume of seaborne coal amounted to 203.8 million tonnes for the whole year, and the proportion of the sales volume of seaborne coal over the total sales volume increased by 2.7 percentage points as compared with that of 2014. The sales volume of clean coal in the newly explored Beijing-Tianjin-Hebei region market was 8 million tonnes.

Against the backdrop of declining growth of demand and abundant supply, the Company enhanced marketing efforts in the power segment, actively participated in the market competition of direct power purchase by large power users and strived to expand into regional power markets. The average utilization hours of coal-fired power generators reached 4,631 hours, surpassing the national average utilization hours of thermal power generators by 302 hours.

Delicately refining the organization and operations of business units to improve the integrated operating efficiency

The production and organization of the coal business have been constantly optimized and efforts in improving the production and organization of high quality coal resources have been increased, while the production of the few mines which are of low quality coal resources, high costs and low profitability was suspended or reduced, and the production of the mines which are of high quality coal resources and high efficiency increased on the basis of reasonable control on the production volume. The Company strengthened management on coal quality, focused on improving additional value of products and created conditions for market expansion.

For the power generation business, China Shenhua enhanced the operation management of generators, strived for a higher amount of power generation, increased the consumption of self-produced coal on the basis of ensuring stable income from the power generation business, and effectively achieved the mutual insurance of the coal industry and power generation industry. Gross power generation amounted to 225.79 billion kWh, and total power output dispatch reached 210.45 billion kWh.

For the transportation business, the transportation schedule was reasonably arranged and the management of the convergence of the up-and-down-streams plans were enhanced. The impact of market fluctuation on transportation and sales was reduced to the minimum. The Company actively explored new businesses in the transportation and logistics industry, gradually opened the surplus transportation capacity to the general public and improved the economic efficiency of transportation business. During the whole year, the Company's self-owned railway completed a transportation turnover of 200.1 billion tonne km; seaborne coal volume of the Company's self-owned ports reached 158.5 million tonnes; and the shipping segment's freight volume amounted to 79.8 million tonnes. The transportation revenue earned by the railway segment from third parties increased by 6.1% year on year.

For the coal chemical segment, stable efficiency is ensured through optimizing production plans, enabling technological innovations, enhancing marketing efforts and other measures. During the year, sales volume of coal-to-olefins products reached 632.1 thousand tonnes, representing an increase of 18.5% as compared with the same period last year.

Producing significant positive results in cost management and control

China Shenhua strictly executed cost and expense control measures, optimized the accountability system on review of cost and the incentive mechanism and strengthened the cost management and control on throughout the entire process and business chain to brace itself. Throughout the year, the Group's unit production cost of self-produced coal was RMB123.2/tonne, representing a year-on-year decrease of 6.7%. The unit cost of power sale decreased by 8.5% year-on-year to RMB229.4/MWh.

Accelerating transformation and upgrading to lead clean development

The Company took the lead in promoting the development and application of "ultra-low emission" technologies in coal-fired generating units to allow the actual emission level such as those of flue gas, sulfur dioxide and nitrogen oxides to reach the same or a lower level as compared with the emission standards for air pollutants produced by gas-fired power generators. National policies including the tariff subsidies lent support to "ultra-low emission" generator which established the Company's first-mover advantage in clean development of thermal power generation, and expanded room for efficiency development in respect of power generation for the Company. Additional and renovated "ultra-low emission" coal-fired power generators amounted to 17,960MW throughout the year, and the aggregate total installed capacity of "ultra-low emission" generators was 20,310 MW, representing 38.9% of the total installed capacity of coal-fired power generators of the Company.

The approval for "Water Resources Preservation and Utilization in Coal Mining", a national key laboratory, was granted; "Restoration Technology and Demonstration thereof for the Ecology of Large-scale Energy Base", "Key Technologies for and Application Studies on Digital Mine" as well as a number of other important technological projects proved to be a success, forming a clean exploitation system for coal.

Optimizing project decision to strengthen sustainable development capacity

In view of the in-depth changes in the coal and the electricity market, guided by economic efficiency and clean production, the Company implemented the re-evaluation on projects under construction and proposed. For projects such as Phase I of the construction of Shouguang Power Plant which showed significant improvement in integrated operation efficiency and value creation, the Company expedited the construction progress and further optimized the relevant plans. Some construction projects with worse economic efficiency were terminated or suspended in order to avoid inefficient investment at the source. The Company enhanced the Company's competitiveness through scientific decision for project construction and investments.

The Company smoothly completed the acquisitions of the clean coal-fired generators of Ningdong Power, Xuzhou Power and Zhoushan Power under Shenhua Group. In 2015, the three power plants in total generated 19.27 billion kWh, which reinvigorated the clean and highly-efficient development of the Company's power generation business.

The Company vigorously expanded overseas markets in order to create a good start through setting up an international layout. The operation of the PT.GH EMM Indonesia Project was running steadily and efficiently. The bids for Sumsel-1 Coal Power (2×300 MW) project and Jawa-7 Coal Power (2×1,000 MW) Project in Indonesia were won. The Watermark Coal Project in Australia and the project in Russia proceeded orderly.

Persisting in safe and green development to build a socially responsible Shenhua

The Company has been adhering to the social responsibility philosophy of "striving for the accomplishment in production safety, high efficiency, clean development, environmental protection, harmony and win-win results" in order to build a socially responsible Shenhua.

The Company solidly promoted the construction of fundamental safety system by devoting more efforts to checks and rectification of hidden safety hazards in order to continuously enhance the capability of safety control and management. The fatality rate per million tonnes of raw coal production was 0.003 in 2015, for which China Shenhua maintained an advanced level in respect of safety production in the worldwide coal industry.

Through setting up a comprehensive on-line monitoring platform, and accelerating the implementation of key construction projects concerning energy saving and environmental protection, the Company ensured the fundamental safety of energy saving and environmental protection. In 2015, the Company invested a total amount of RMB3.8 billion in energy conservation and environmental protection projects, which were mainly used in energy conservation projects such as boiler improvement and environmental protection projects such as comprehensive utilization of water resources. The total investment in ecological construction amounted to RMB0.24 billion million and additional green area amounted to 19.99 million m^2.

For more information about our social responsibility efforts, please refer to the "2015 Corporate Social Responsibility Report" of the Group.

2016: PROMOTING CLEAN DEVELOPMENT AS OUR ENDEAVORS TO ACCOMPLISH IMPRESSIVE RESULTS

In 2016, with the expectedly slow recovery of the overseas economies, the downward pressure will emerge the domestic economy. The pace of the adjustments to the global energy structure will speed up and the trend of lowering the consuming proportion of fossil fuel energy will be obvious and the demand of fossil fuel energy including coal will steadily decrease. It is foreseeable that the Chinese coal market will see continued over-supply in the short term, and such trend will further manifest itself in the thermal power market. As the Chinese government devotes constant efforts to facilitating the supply-side structural reform and even greater ones to resolving the excess capacity and fostering the reform in the electricity system, the structural adjustments to the coal and electricity sectors will accelerate even further.

China Shenhua will further push forward the adoptation of clean energy development strategies. Meanwhile, it will speed up the structural adjustments, seek the market share in the coal power sector, keep on improving the operation quality, impose stringent control over cost increment and effectively leverage its core competitive strength from its integrated operations as its endeavors to achieve operational targets. Main focus will be laid on the following tasks:

Implementing structural adjustments to stimulate clean development. China Shenhua will continue to speed up the "ultra-low emission" renovation of coal-fired units, with a plan to complete ultra-low emission renovation for 26 units, with total capacity of 14,550MW throughout the year. The Company will also further optimize the coal production and project structure. By achieving safe, clean and highly efficient production at mines with a high level of performance, efficiency, modernization and safety, China Shenhua is committed to offering high value-added products. It will proactively promote the implementation of international energy cooperation projects through responding to the national policy of "the Belt and Road". China Shenhua will expedite the construction of Sumsel-1, Jawa-7 and other projects as well, all the while making proactive efforts to explore the development in terms of new energy.

Exploring the market to ensure operating efficiency. China Shenhua will continue to devote more resources to the sale of seaborne coal, which is of the highest economic efficiency, exploring new markets unearthing clean coal replacement and pushing forward the export of coal. It will also improve the marketing system and mechanism for electricity as its endeavors to enable the utilization hours of its generating units to exceed the average level of the same type of generating units in the same region. On the basis of ensuring its self-operated coal transportation, China Shenhua will leverage abundant capacity of transportation and adopt an open business model and foster the collaboration with key enterprises in a bid to increase the inventries and categories of products and augment efficiency.

Increasing safety and environmental efforts to deepen technological innovations. China Shenhua will continue to optimize the risk pre-control management system, stringently implement safety production responsibility to ensure safety production, continuously optimize assessment and accountability mechanisms of environmental safety, improve the work in ecological environmental protection, increase investments in scientific research, accelerate the commercialization of achievement, and promote transformation and development of traditional industries with the new achievement in scientific innovations.

Strengthening cost management and control to lower operating risks. China Shenhua will strengthen, re-evaluate and re-improve the efficiency of new construction projects, reduce expenses from the source, optimize investment direction and structure, establish the accountability assessment mechanism of cost-reduction, strengthen the incentives for revenue allocation, continuously improve the allocation of remnant assets, endeavor to implement light asset operations and strengthen cash flow management to ensure the safety of the flow of funds.

In 2016, China Shenhua will be confident under the guidance of clean energy strategies, devote efforts to market expansion, optimize operating management, seize market opportunities, embrace market challenges, prevent operating risks and endeavor to accomplish sound and sustainable development to create greater value for public investors.

張玉卓

Zhang Yuzhuo
Chairman

24 March 2016

Section V

Management Discussion and Analysis

Overview of China Shenhua's Operating Results for the year of 2015

Table 1 Operation targets for 2016

Item	Unit	Target for 2016	Actual amount for 2015	Change %
Commercial coal production	100 million tonnes	**2.8**	2.809	(0.3)
Coal sales volume	100 million tonnes	**3.4**	3.705	(8.2)
Power output dispatch	billion kwh	**211.40**	210.45	0.5
Revenue	RMB100 million	**1,451**	1,770.69	(18.1)
Cost of sales	RMB100 million	**1,138**	1,233.41	(7.7)
Selling, general and administrative expenses and net finance costs	RMB100 million	**140**	148.13	(5.5)
Changes in unit production costs of self-produced coal	/	**flat year-on-year growth**	year-on-year decrease of 6.7%	/

Table 2 Financial Indicators

		2015	2014 (restated)	Change %
Revenue	RMB million	**177,069**	253,081	(30.0)
Profit for the year	RMB million	**24,959**	49,063	(49.1)
Profit for the year attributable to equity holders of the Company	RMB million	**17,649**	39,301	(55.1)
Basic earnings per share	RMB/share	**0.887**	1.976	(55.1)
Return on net assets as at the end of the period	%	**5.9**	13.1	Decreased by 7.2 percentage point
Net cash generated from operating activities	RMB million	**55,406**	69,069	(19.8)
Net cash generated from operating activities excluding Shenhua Finance Company	RMB million	**46,341**	70,026	(33.8)

Table 3 Segment Results

	Coal 2015 RMB million	Coal 2014 (Restated) RMB million	Power 2015 RMB million	Power 2014 (Restated) RMB million	Railway 2015 RMB million	Railway 2014 (Restated) RMB million	Port 2015 RMB million	Port 2014 (Restated) RMB million
Revenue from external customers	**93,502**	161,409	**72,768**	79,792	**3,420**	3,222	**317**	299
Revenue from inter segment transactions	**27,956**	30,685	**285**	358	**23,812**	27,404	**3,452**	3,877
Sub-total of segment revenue	**121,458**	192,094	**73,053**	80,150	**27,232**	30,626	**3,769**	4,176
Segment cost of sales	**(107,493)**	(161,517)	**(49,788)**	(56,517)	**(14,595)**	(14,742)	**(2,026)**	(1,995)
Segment profit/(loss) from operations	**6,433**	26,049	**18,810**	20,933	**10,070**	14,298	**1,350**	1,729
	As at 31 December 2015 RMB million	As at 31 December 2014 (Restated) RMB million	**As at 31 December 2015 RMB million**	As at 31 December 2014 (Restated) RMB million	**As at 31 December 2015 RMB million**	As at 31 December 2014 (Restated) RMB million	**As at 31 December 2015 RMB million**	As at 31 December 2014 (Restated) RMB million
Segment total assets	**246,972**	245,452	**229,773**	212,231	**124,661**	122,033	**22,303**	21,974
Segment total liabilities	**(115,814)**	(115,876)	**(131,373)**	(118,995)	**(61,284)**	(59,965)	**(10,950)**	(9,917)

	Shipping 2015 RMB million	Shipping 2014 (Restated) RMB million	Coal chemical 2015 RMB million	Coal chemical 2014 (Restated) RMB million	Unallocated items 2015 RMB million	Unallocated items 2014 (Restated) RMB million	Eliminations 2015 RMB million	Eliminations 2014 (Restated) RMB million	Total 2015 RMB million	Total 2014 (Restated) RMB million
Revenue from external customers	**541**	1,300	**5,547**	5,878	**974**	1,181	**–**	–	**177,069**	253,081
Revenue from inter segment transactions	**1,461**	1,734	**3**	2	**864**	894	**(57,833)**	(64,954)	**–**	–
Sub-total of segment revenue	**2,002**	3,034	**5,550**	5,880	**1,838**	2,075	**(57,833)**	(64,954)	**177,069**	253,081
Segment cost of sales	**(1,760)**	(2,570)	**(4,720)**	(4,245)	**(196)**	(210)	**57,237**	63,687	**(123,341)**	(178,109)
Segment profit/(loss) from operations	**133**	361	**649**	1,410	**808**	1,209	**(596)**	(1,267)	**37,657**	64,722
	As at 31 December 2015 RMB million	As at 31 December 2014 (Restated) RMB million	**As at 31 December 2015 RMB million**	As at 31 December 2014 (Restated) RMB million	**As at 31 December 2015 RMB million**	As at 31 December 2014 (Restated) RMB million	**As at 31 December 2015 RMB million**	As at 31 December 2014 (Restated) RMB million	**As at 31 December 2015 RMB million**	As at 31 December 2014 (Restated) RMB million
Segment total assets	**8,189**	8,247	**12,564**	13,529	**348,720**	343,060	**(433,391)**	(415,654)	**559,791**	550,872
Segment total liabilities	**(2,363)**	(2,449)	**(5,593)**	(7,007)	**(185,478)**	(175,444)	**316,985**	304,351	**(195,870)**	(185,302)

Table 4 Business Data Master Table

		2015	2014 (Restated)	Change %
Commercial coal production	million tonnes	**280.9**	306.6	(8.4)
Coal sales	million tonnes	**370.5**	451.1	(17.9)
Including: Export	million tonnes	**1.2**	1.6	(25.0)
Import		**0.2**	6.9	(97.1)
Gross power generation	billion kwh	**225.79**	234.38	(3.7)
Total power output dispatch	billion kwh	**210.45**	218.42	(3.6)
Polyethylene sales	thousand tonnes	**319.2**	265.5	20.2
Polypropylene sales	thousand tonnes	**312.9**	268.1	16.7
Transportation turnover of self-owned railway	billion tonne km	**200.1**	223.8	(10.6)
Seaborne coal	million tonnes	**203.8**	235.8	(13.6)
Shipping volume	million tonnes	**79.8**	87.7	(9.0)
Shipment turnover	billion tonne nm	**64.1**	72.2	(11.2)

Table 5 Volume of Commercial Coal Production

	2015 million tonnes	2014 (Restated) million tonnes	Change %
Shendong Coal Group	**153.4**	165.8	(7.5)
Bulianta	**27.7**	28.2	(1.8)
Daliuta-Huojitu	**33.0**	35.8	(7.8)
Yujialiang	**16.3**	17.2	(5.2)
Shangwan	**14.8**	15.0	(1.3)
Halagou	**14.7**	14.9	(1.3)
Baode (Kangjiatan)	**3.7**	4.5	(17.8)
Shigetai	**10.2**	10.5	(2.9)
Wulanmulun	**3.9**	7.4	(47.3)
Bu'ertai	**18.1**	17.9	1.1
Liuta mine	**3.0**	3.8	(21.1)
Cuncaota No. 1 mine	**2.2**	3.3	(33.3)
Cuncaota No. 2 mine	**5.2**	5.9	(11.9)
Others	**0.6**	1.4	(57.1)
Zhunge'er Energy Company	**30.7**	30.4	1.0
Heidaigou	**30.7**	30.4	1.0
Ha'erwusu Branch	**30.3**	31.4	(3.5)
Beidian Shengli Energy Company	**12.1**	17.0	(28.8)
Jinjie Energy Company	**18.0**	18.9	(4.8)
Shenbao Energy Company	**25.1**	28.7	(12.5)
Baotou Energy Company	**6.8**	10.7	(36.4)
Shuiquan Open-cut Mine	**1.1**	0.8	37.5
Adaohai Mine	**0.1**	0.9	(88.9)
Lijiahao Mine	**5.6**	5.9	(5.1)
Wanli No.1 Mine	**-**	3.1	(100.0)
Shendong Power Company	**2.6**	1.6	62.5
Huangyuchuan Mine	**2.6**	1.6	62.5
Indonesia Coal Power	**1.9**	2.1	(9.5)
Total production	**280.9**	306.6	(8.4)
By Regions			
Inner Mongolia	**183.2**	202.2	(9.4)
Shaanxi	**92.1**	97.8	(5.8)
Shanxi	**3.7**	4.5	(17.8)
Overseas	**1.9**	2.1	(9.5)

Table 6 Volume of Domestic Coal Sales

		2015 million tonnes	Proportion of domestic sales %	2014 (Restated) million tonnes	Change %
Domestic sales		**365.5**	100.0	439.6	(16.9)
By region	Northern China	**210.8**	57.7	244.7	(13.9)
	Eastern China	**95.8**	26.2	121.6	(21.2)
	Central China and Southern China	**38.9**	10.7	48.9	(20.4)
	Northeastern China	**19.1**	5.2	23.6	(19.1)
	Others	**0.9**	0.2	0.8	12.5
By usage	Thermal coal	**244.2**	66.9	285.5	(14.5)
	Metallurgy	**6.0**	1.6	7.5	(20.0)
	Chemical (including coal slurry)	**31.2**	8.5	34.4	(9.3)
	Others	**84.1**	23.0	112.2	(25.0)

Table 7 Power Generation Business

Power plants	Regional grid	Location	Gross power generation (100 million kwh)	Total power output dispatch (100 million kwh)	Average utilisation hours (hours)	Standard coal consumption rate for power output dispatch (g/kwh)	Power tariff (RMB/mwh)	Total installed capacity as at 31 December 2014 (MW)	Increase/(decrease) in installed capacity for 2015 (MW)	Total installed capacity as at 31 December 2015 (MW)	Equity installed capacity as at 31 December 2015 (MW)
Cangdong Power	North China Power Grid	Hebei	124.3	118.0	4,933	309	340	2,520		2,520	1,285
Sanhe Power	North China Power Grid	Hebei	64.9	60.0	4,992	303	333	1,300		1,300	501
Dingzhou Power	North China Power Grid	Hebei	133.9	123.1	5,313	322	330	2,520		2,520	1,021
Panshan Power	North China Power Grid	Tianjin	54.1	50.6	5,104	315	350	1,060		1,060	482
Zhunge'er Power	North China Power Grid	Inner Mongolia	41.1	35.5	4,281	384	235	960		960	554
Shendong Power	Northwest /North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	226.5	207.9	4,084	347	259	4,167	4,020	8,187	7,534
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	63.8	57.8	4,833	316	237	1,320		1,320	639
Guohua Hulunbei'er Power	Northeast Power Grid	Inner Mongolia	46.3	41.4	3,858	332	244	1,200		1,200	960
Beijing Thermal	North China Power Grid	Beijing	5.6	4.8	6,473	169	413	400	(400)	–	–
Suizhong Power	Northeast Power Grid	Liaoning	149.0	139.7	4,104	312	321	3,600	160	3,760	1,880
Zheneng Power	East China Power Grid	Zhejiang	197.4	186.7	4,486	303	385	4,400		4,400	2,640
Zhoushan Power	East China Power Grid	Zhejiang	38.9	36.5	4,275	333	398	910		910	464
Taicang Power	East China Power Grid	Jiangsu	68.7	65.4	5,452	303	328	1,260		1,260	630
Jinjie Energy	North China Power Grid	Shaanxi	169.0	155.4	7,042	325	289	2,400		2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	9.5	8.4	4,318	379	316	220		220	112
Taishan Power	South China Power Grid	Guangdong	196.9	184.2	3,938	317	409	5,000		5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	30.2	27.3	4,576	329	411	660		660	660
Mengjin Power	Central China Power Grid	Henan	48.7	45.9	4,058	309	347	1,200		1,200	612
Chenjiagang Power	East China Power Grid	Jiangsu	74.6	71.0	5,652	291	316	1,320		1,320	726
Xuzhou Power	East China Power Grid	Jiangsu	119.0	113.0	5,950	289	337	2,000		2,000	2,000
Shenwan Energy	East China Power Grid	Anhui	174.8	165.8	5,079	308	342	2,600	2,000	4,600	2,346
Shenhua Sichuan Energy (coal-fired power)	Sichuan Power Grid	Sichuan	30.8	27.8	2,444	335	395	1,260		1,260	604
Fujian Energy	East China Power Grid	Fujian	94.9	89.9	3,503	321	329	1,240	2,000	3,240	1,501
Ningdong Power	Northwest Power Grid	Ningxia	34.8	31.4	5,273	352	226	660		660	660
PT.GH EMM	PLN	Indonesia	19.8	17.6	6,600	367	405	300		300	210
Total for coal-fired power plants/weighted average			2,217.5	2,065.1	4,631	318	331	44,477	7,780	52,257	33,701
Other power plants											
Zhuhai Wind	South China Power Grid	Guangdong	0.2	0.2	1,478	/	598	16		16	12
Shenhua Sichuan Energy (hydropower)	Sichuan Provincial Local Power Grid	Sichuan	6.7	6.5	5,364	/	232	125		125	48
Beijing Gas-fired Power	North China Power Grid	Beijing	15.5	15.1	4,074	227	401	–	950	950	950
Yuyao Power	East China Power Grid	Zhejiang	18.0	17.6	2,308	232	698	780		780	624

Table 8 Cost of Sales of Coal Segment

	2015 Cost RMB million	2015 Volume million tonnes	2015 Unit cost RMB/tonne	2014(Restated) Cost RMB million	2014(Restated) Volume million tonnes	2014(Restated) Unit cost RMB/tonne	Change in unit cost %
Cost of coal purchased	**17,264**	**81.2**	**212.6**	43,545	152.4	285.7	(25.6)
Production cost of self-produced coal	**35,654**	**289.3**	**123.2**	39,432	298.7	132.0	(6.7)
Materials, fuel and power	**5,949**	**289.3**	**20.6**	7,357	298.7	24.6	(16.3)
Personnel expenses	**5,122**	**289.3**	**17.7**	4,586	298.7	15.4	14.9
Repair and maintenance	**2,674**	**289.3**	**9.2**	2,969	298.7	9.9	(7.1)
Depreciation and amortization	**7,282**	**289.3**	**25.2**	6,657	298.7	22.3	13.0
Others	**14,627**	**289.3**	**50.5**	17,863	298.7	59.8	(15.6)
Taxes and surcharges	**4,442**			2,730			
Cost of coal transportation	**38,488**			43,423			
Other operating costs	**11,645**			32,387			
Total cost of sales	**107,493**			161,517			

Table 9 Cost of Sales of Power Segment

	2015 Cost RMB million	2015 Power output dispatch 100 million kwh	2015 Unit cost RMB/mwh	2014(Restated) Cost RMB million	2014(Restated) Power output dispatch 100 million kwh	2014(Restated) Unit cost RMB/mwh	Change in unit cost %
Cost of power output dispatch	**48,269**	**2,104.5**	**229.4**	54,760	2,184.2	250.7	(8.5)
Materials, fuel and power	**31,676**	**2,104.5**	**150.5**	38,566	2,184.2	176.6	(14.8)
Personnel expenses	**3,526**	**2,104.5**	**16.8**	3,592	2,184.2	16.4	2.4
Repair and maintenance	**2,609**	**2,104.5**	**12.4**	2,677	2,184.2	12.3	0.8
Depreciation and amortization	**8,517**	**2,104.5**	**40.5**	7,816	2,184.2	35.8	13.1
Others	**1,941**	**2,104.5**	**9.2**	2,109	2,184.2	9.6	(4.2)
Taxes and surcharges	**696**			779			
Other operating costs	**823**			978			
Total cost of sales	**49,788**			56,517			

Table 10 Cost of Sales of Transportation and Coal Chemical Segments

	Railway 2015 RMB million	Railway 2014 (Restated) RMB million	Railway Change %	Port 2015 RMB million	Port 2014 (Restated) RMB million	Port Change %	Shipping 2015 RMB million	Shipping 2014 (Restated) RMB million	Shipping Change %	Coal Chemical 2015 RMB million	Coal Chemical 2014 (Restated) RMB million	Coal Chemical Change %
Cost of internal transportation business	**12,352**	12,575	(1.8)	**1,810**	1,773	2.1	**1,147**	1,222	(6.1)	**N/A**	N/A	N/A
Materials, fuel and power	**2,034**	2,437	(16.5)	**258**	290	(11.0)	**308**	424	(27.4)	**2,269**	2,034	11.6
Personnel expenses	**2,433**	2,215	9.8	**235**	233	0.9	**N/A**	N/A	N/A	**270**	277	(2.5)
Repair and maintenance	**2,804**	3,135	(10.6)	**134**	101	32.7	**14**	12	16.7	**251**	359	(30.1)
Depreciation and amortization	**3,174**	2,661	19.3	**743**	618	20.2	**168**	141	19.1	**868**	778	11.6
External transportation charges	**572**	505	13.3	**N/A**	N/A	N/A	**424**	425	(0.2)	**N/A**	N/A	N/A
Others	**1,335**	1,622	(17.7)	**440**	531	(17.1)	**233**	220	5.9	**260**	229	13.5
Cost of external transportation business	**1,867**	1,560	19.7	**140**	160	(12.5)	**612**	1,348	(54.6)	**N/A**	N/A	N/A
Cost of prime business	**14,219**	14,135	0.6	**1,950**	1,933	0.9	**1,759**	2,570	(31.6)	**3,918**	3,677	6.6
Taxes and surcharges	**218**	295	(26.1)	**16**	18	(11.1)	**1**	–	N/A	**264**	68	288.2
Other operating costs	**158**	312	(49.4)	**60**	44	36.4	**N/A**	N/A	N/A	**538**	500	7.6
Total cost of sales	**14,595**	14,742	(1.0)	**2,026**	1,995	1.6	**1,760**	2,570	(31.5)	**4,720**	4,245	11.2

Table 11 Plan on Capital Expenditures for 2016

	Plan for 2016 Total amount	Plan for 2016 Including: First batch	Completion in 2015
1. Coal segment		**12.9**	70.0
2. Power segment		**80.2**	198.0
3. Transportation segment		**6.3**	80.6
Including: Railway		**4.2**	65.3
Port		**0.9**	13.9
Shipping		**1.2**	1.4
4. Coal chemical segment		**1.6**	5.3
5. Others		**-**	0.4
Total	**200.0**	**101.0**	354.3

Table 12 Coal Sales Price

	2015 Sales volume million tonnes	2015 Total percentage account for sales volume %	2015 Price RMB/tonne	2014(Restated) Sales volume million tonnes	2014(Restated) Total percentage account for sales volume	2014(Restated) Price RMB/tonne	Change Sales volume %	Change Price %
I. Domestic sales	**365.5**	**98.7**	**292.9**	439.6	97.4	346.3	(16.9)	(15.4)
(I) Self-produced coal and purchased coal	**354.1**	**95.6**	**292.0**	406.2	90.0	342.2	(12.8)	(14.7)
1. Direct arrival	**151.5**	**40.9**	**220.7**	171.9	38.1	251.3	(11.9)	(12.2)
2. Seaborne	**202.6**	**54.7**	**345.3**	234.3	51.9	408.9	(13.5)	(15.6)
(II) Sales of domestic trading coal	**11.2**	**3.0**	**318.0**	26.5	5.9	380.1	(57.7)	(16.3)
(III) Sales of imported coal	**0.2**	**0.1**	**412.7**	6.9	1.5	458.8	(97.1)	(10.0)
II. Export sales	**1.2**	**0.3**	**442.9**	1.6	0.4	557.0	(25.0)	(20.5)
III. Overseas coal sales	**3.8**	**1.0**	**218.1**	9.9	2.2	524.3	(61.6)	(58.4)
(I) EMM	**1.9**	**0.5**	**83.7**	2.1	0.5	100.3	(9.5)	(16.6)
(II) Re-export trade	**1.9**	**0.5**	**358.3**	7.8	1.7	636.6	(75.6)	(43.7)
Total sales volume/weighted average price	**370.5**	**100.0**	**292.6**	451.1	100.0	351.0	(17.9)	(16.6)
Including: Sales to external customers	**281.6**	**76.0**	**293.8**	365.8	81.1	356.9	(23.0)	(17.7)
Sales to internal power segment	**84.6**	**22.8**	**291.5**	81.5	18.1	326.7	3.8	(10.8)
Sales to internal coal chemical segment	**4.3**	**1.2**	**236.1**	3.8	0.8	296.5	13.2	(20.4)

Table 13 Coal Resources / Reserve

Mines	Coal Resources (under PRC standard) As at 31 December 2015 100 million tonnes	Coal Resources (under PRC standard) As at 31 December 2014 100 million tonnes	Coal Resources Change %	Recoverable reserve (under PRC standard) As at 31 December 2015 100 million tonnes	Recoverable reserve (under PRC standard) As at 31 December 2014 100 million tonnes	Recoverable reserve Change %	Marketable reserve (under JORC standard) As at 31 December 2015 100 million tonnes	Marketable reserve (under JORC standard) As at 31 December 2014 100 million tonnes	Marketable reserve Change %
Shendong Mines	**166.57**	168.59	(1.2)	**97.60**	98.86	(1.3)	**41.85**	43.62	(4.1)
Zhunge'er Mines	**40.76**	41.38	(1.5)	**32.79**	33.37	(1.7)	**19.35**	19.98	(3.2)
Shengli Mines	**20.68**	20.77	(0.4)	**14.22**	14.31	(0.6)	**7.31**	7.43	(1.6)
Baorixile Mines	**14.58**	14.79	(1.4)	**12.43**	12.63	(1.6)	**12.77**	13.02	(1.9)
Baotou Mines	**0.54**	1.03	(47.6)	**0.38**	0.62	(38.7)	**0.13**	0.15	(13.3)
Total of China Shenhua	**243.13**	246.56	(1.4)	**157.42**	159.79	(1.5)	**81.41**	84.20	(3.3)

Table 14 Seaborne Coal in Ports

	2015 million tonnes	2014 (Restated) million tonnes	Change %
Self-owned ports	**158.5**	174.0	(8.9)
Huanghua Port	**111.6**	131.6	(15.2)
Shenhua Tianjin Coal Dock	**40.3**	36.6	10.0
Shenhua Zhuhai Coal Dock	**6.6**	5.8	13.8
Third-party ports	**45.3**	61.8	(26.7)
Total seaborne coal	**203.8**	235.8	(13.6)

Table15 Railway Turnover

	2015 billion tonne km	2014 (Restated) billion tonne km	Change %
Self-owned railways	**200.1**	223.8	(10.6)
Shenshuo Railway	**45.6**	52.8	(13.6)
Shuohuang-Huangwan Railway	**118.7**	138.2	(14.1)
Dazhun Railway	**25.7**	22.5	14.2
Baoshen Railway	**7.8**	10.3	(24.3)
Ganquan Railway	**0.5**	–	N/A
Bazhun Railway	**0.4**	–	N/A
Zhunchi Railway	**1.4**	–	N/A
Tahan Railway	**-**	–	N/A
State-owned railways	**41.3**	45.5	(9.3)
Total railway turnover	**241.4**	269.3	(10.4)

Under trial operation or under construction of self-owned railways	Length	Planned annual transportation capacity	Commencement Date	Estimated completion Date
Huangda Railway (under construction)	224km	40 million tonnes	01/09/2014	2017
Amo Railway (under construction)	97km	10 million tonnes	01/10/2014	2018

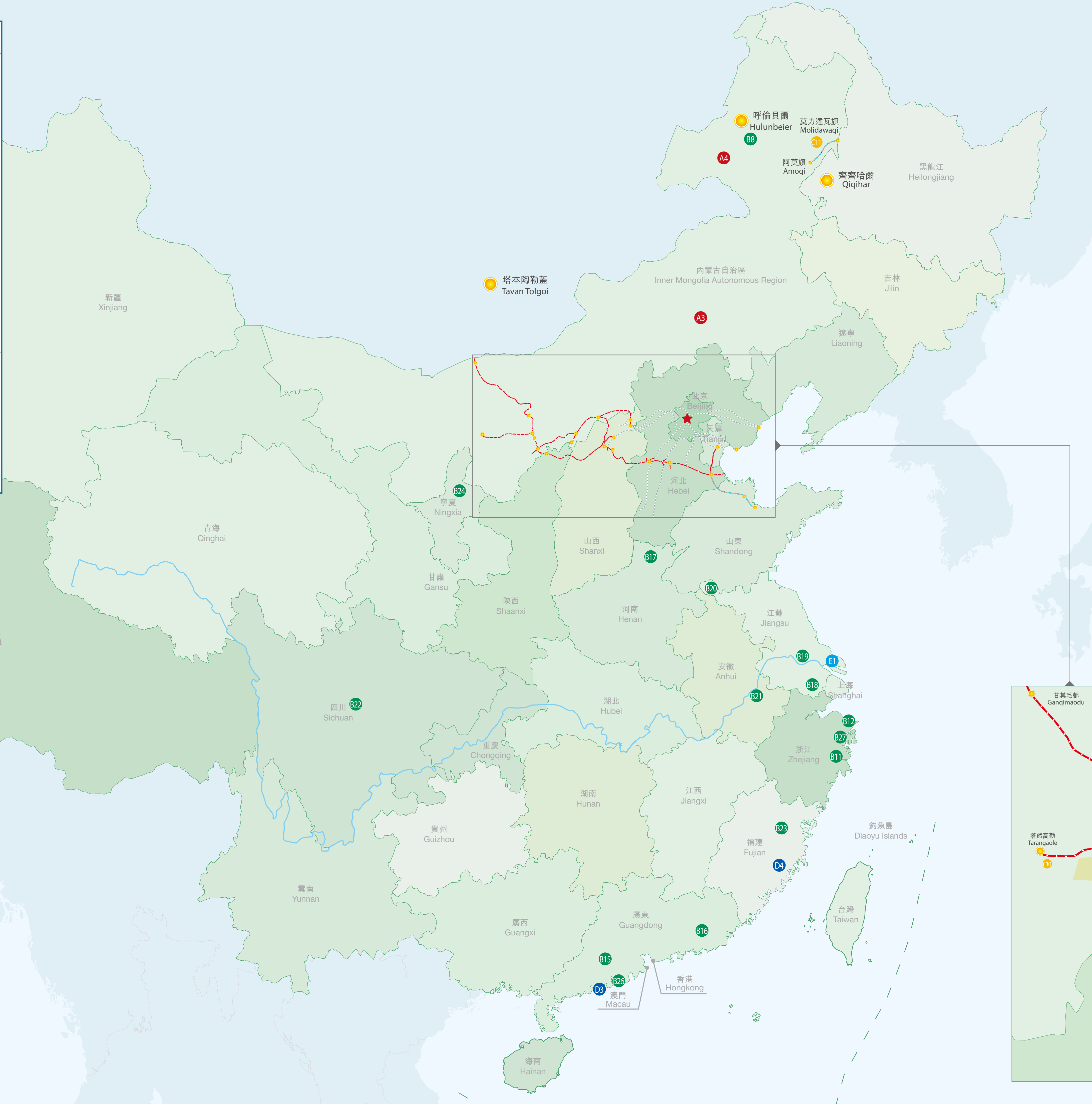
Table 16 Shipping Volume

	2015 million tonnes	2014(Restated) million tonnes	Change %
Shenhua Zhonghai Shipping Company			
The Group's internal customers	**52.3**	47.1	11.0
External customers	**27.5**	40.6	(32.3)
Total of shipping volume	**79.8**	87.7	(9.0)

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

主要資產分佈圖 Assets Distribution Map

2016



圖例 Legend

- 省界線
  Provincial Boundary
- 國有或地方鐵路線
  State-owned or Local Railway
- 自有運營鐵路
  Self-owned Railway (in operation)
- 自有在建鐵路
  Self-owned Railway (under construction)
- 自有礦區
  Self-owned mines

煤礦 COAL MINE

A1. 神東礦區
Shendong Mines

A2. 准格爾礦區
Zhunge'er Mines

A3. 勝利礦區
Shengli Mines

A4. 寶日希勒礦區
Baorixile Mines

A5. 包頭礦區
Baotou Mines

A6. 澳大利亞沃特馬克煤礦項目（規劃審查中）
Watermark Coal Project in Australia (plans under review)

A7. 新街台格廟勘查區（前期工作階段）
Xinjie Taigemiao Exploration Area (preliminary work in progress)

電廠 POWER

B1. 滄東電力
Cangdong Power

B2. 三河電力
Sanhe Power

B3. 定洲電力
Dingzhou Power

B4. 盤山電力
Panshan Power

B5. 准能電力
Zhunge'er Power

B6. 神東電力
Shendong Power

B7. 國華准格爾
Guohua Zhunge'er

B8. 國華呼電
Guohua Hulunbeier Power

B9. 北京熱電（已關停）
Beijing Thermal (shut down)

B10. 綏中電力
Suizhong Power

B11. 浙能電力
Zheneng Power

B12. 舟山電力
Zhoushan Power

B13. 錦界能源
Jinjie Energy

B14. 神木電力
Shenmu Power

B15. 台山電力
Taishan Power

B16. 惠州熱電
Huizhou Thermal

B17. 孟津電力
Mengjin Power

B18. 太倉電力
Taicang Power

B19. 陳家港電力
Chenjiagang Power

B20. 徐州電力
Xuzhou Power

B21. 神皖能源
Shenwan Energy

B22. 神華四川能源
Shenhua Sichuan Energy

B23. 神華福建能源
Shenhua Fujian Energy

B24. 寧東電力
Ningdong Power

B25. 南蘇煤電
EMM Nansu

B26. 珠海風能
Zhuhai Wind

B27. 余姚電力
Yuyao Power

B28. 北京燃氣
Beijing Gas Power

鐵路 RAILWAY

C1. 神朔鐵路
Shenshuo Railway

C2. 朔黃鐵路
Shuohuang Railway

C3. 黃萬鐵路
Huangwan Railway

C4. 大准鐵路
Dazhun Railway

C5. 包神鐵路
Baoshen Railway

C6. 巴准鐵路
Bazhun Railway

C7. 甘泉鐵路
Ganquan Railway

C8. 准池鐵路
Zhunchi Railway

C9. 黃大鐵路（在建）
Huangda Railway (under construction)

C10. 塔韓鐵路
Tahan Railway

C11. 阿莫鐵路（在建）
Amo Railway (under construction)

港口 PORT

D1. 黃驊港
Huanghua Port

D2. 天津煤碼頭
Tianjin Coal Dock

D3. 珠海煤碼頭
Zhuhai Coal Dock

D4. 羅源灣項目(籌備中)
Luoyuan Wan Project (under preparation)

煤化工 COAL CHEMICAL

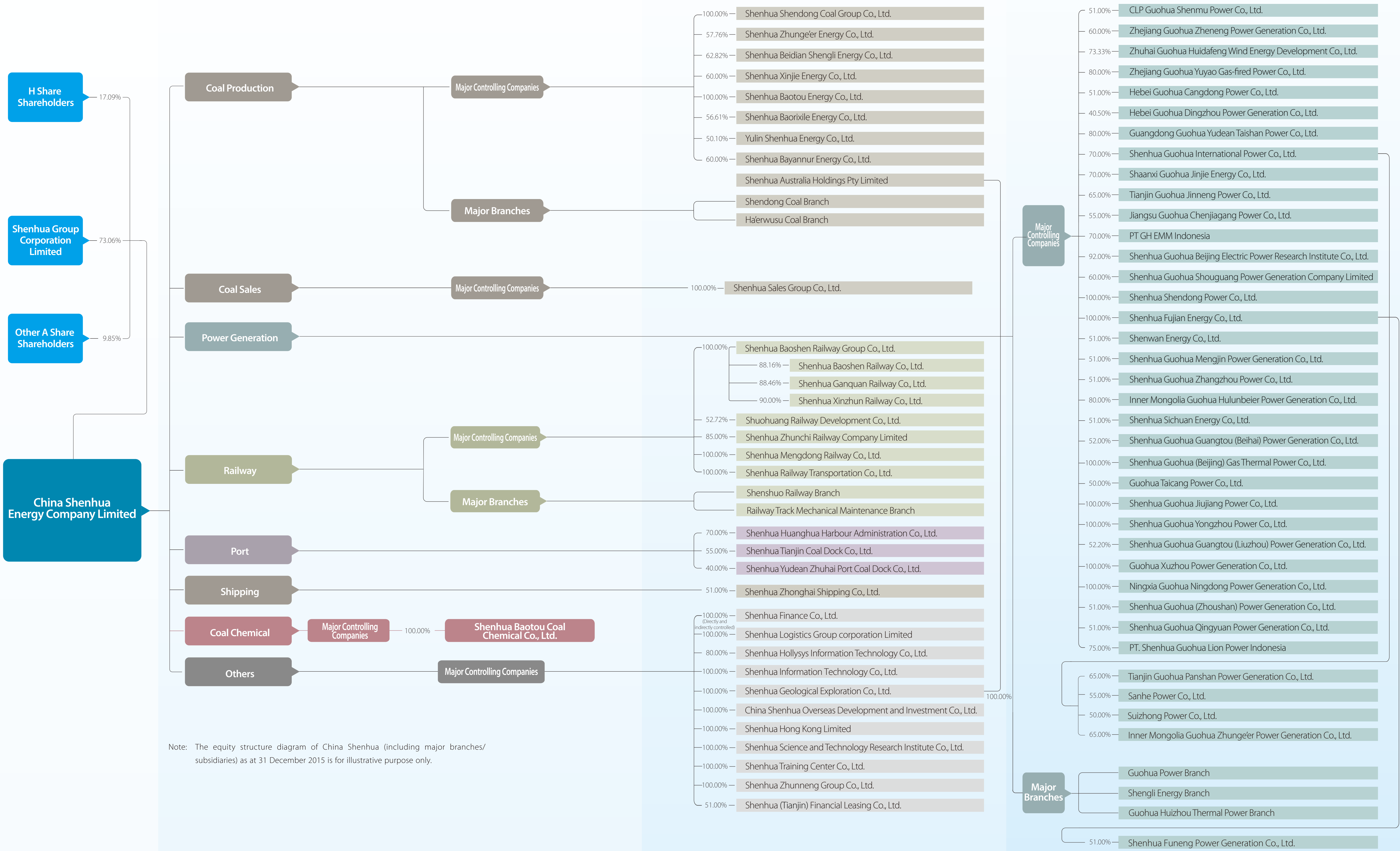
F1. 包頭煤化工
Baotou Coal Chemical

航運 SHIPPING

E1. 神華中海航運
Shenhua Zhonghai Shipping Company

註： 於2016年3月24日之分佈圖，僅做示意。
Note: This map as at 24 March 2016 is for illustrative purpose only.

Equity structure diagram



Note: The equity structure diagram of China Shenhua (including major branches/subsidiaries) as at 31 December 2015 is for illustrative purpose only.

Section V Management Discussion and Analysis

I. DISCUSSION AND ANALYSIS ON MAJOR OPERATION DURING THE REPORTING PERIOD

(I) Overview of operation

		2015	2014 (Restated)	Change (%)
Commercial coal production	Million tonnes	**280.9**	306.6	(8.4)
Coal sales	Million tonnes	**370.5**	451.1	(17.9)
Total power output dispatch	Billion kwh	**210.45**	218.42	(3.6)
Revenue	RMB million	**177,069**	253,081	(30.0)
Cost of sales	RMB million	**123,341**	178,109	(30.7)
Selling costs, general and administrative expenses and net finance costs	RMB million	**14,813**	13,285	11.5

In 2015, China Shenhua actively dealt with the adverse effect of the downturn in the industry, organized operation delicately, prioritized the arrangement of the sales of self-produced commercial coal, proactively reduced the business volume of purchased coal, and performed better in sales and marketing of power. Due to the impact of the weak coal market, the coal sales achieved in 2015 were lower than the target set at the beginning of the year.

The Group recorded a profit for the year attributable to equity holders of the Company of RMB17,649 million (2014: RMB39,301 million (restated)), and basic earnings per share of RMB0.887/share (2014: RMB1.976/share (restated)), representing a year-on-year decrease of 55.1%.

Major financial indicators of the Group for 2015 are as follows:

		2015	2014 (Restated)	Change (%)
Return on total assets as at the end of the period	%	**4.5**	8.9	Decreased by 4.4 percentage points
Return on net assets as at the end of the period	%	**5.9**	13.1	Decreased by 7.2 percentage points
EBITDA	RMB million	**62,597**	86,436	(27.6)

		As at 31 December 2015	As at 31 December 2014 (Restated)	Change (%)
Equity attributable to equity holders per share	RMB/share	**14.99**	15.12	(0.9)
Gearing ratio	%	**35.0**	33.6	Increased by 1.4 percentage points
Total debt to total debt and total equity ratio	%	**23.1**	21.9	Increased by 1.2 percentage points

Note: Please refer to the part of "Definitions" of this report for the calculations of the above indicators.

(II) Analysis on principal business

Analysis of the Changes in the Major Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Cash Flows

Unit: RMB million

Items	2015	2014 *(Restated)*	Change *(%)*
Revenue	**177,069**	253,081	(30.0)
Cost of sales	**(123,341)**	(178,109)	(30.7)
Selling expenses	**(584)**	(794)	(26.4)
General and administrative expenses	**(9,714)**	(8,835)	9.9
Other gains and losses	**(5,856)**	(770)	660.5
Other income	**1,659**	939	76.7
Other expenses	**(626)**	(419)	49.4
Interest income	**608**	803	(24.3)
Finance costs	**(5,123)**	(4,459)	14.9
Income tax	**(9,561)**	(12,784)	(25.2)
Net cash generated from operating activities	**55,406**	69,069	(19.8)
Of which: Net cash generated from operating activities of Shenhua Finance Company[Note]	**9,065**	(957)	(1,047.2)
Net cash generated from operating activities excluding the effect of Shenhua Finance Company	**46,341**	70,026	(33.8)
Net cash used in investing activities	**(26,123)**	(43,736)	(40.3)
Net cash used in financing activities	**(23,157)**	(27,707)	(16.4)

Note: As Shenhua Finance Company provides financial services including deposits and borrowings for entities other than the Group, the item represents the cash flows of deposits and borrowings and interest, fees and commission used by this business.

1. Revenue and costs

(I) Factors affecting the revenue

The revenue of the Group in 2015 recorded a year-on-year decrease of 30.0%. The main reasons for such change are (1) the excessive of supply of coal, resulting in a year-on-year decrease of 17.9% in the Group's sales of coal to 370.5 million tonnes for the year 2015 (2014: 451.1 million tonnes (restated)); the average sales price of coal was RMB292.6 per tonne (2014: RMB351.0 per tonne (restated)), representing a year-on-year decrease of 16.6%; (2) being affected by an increase in the use of non-fossil fuels in power generation and the reduction in the utilization hours of coal-fired power generation units, the power output dispatch of the Group in 2015 was 210.45 billion kwh (2014: 218.42 billion kwh (restated)), representing a year-on-year decrease of 3.6%; average power tariff was RMB334/MWh (2014: RMB354/MWh (restated)), representing a year-on-year decrease of 5.6%; (3) a decrease in the materials trading business volume.

Major operating indicators	Unit	2015	2014 (Restated)	2015 compared with 2014 %	2013 (Restated)
(I) Coal					
1. Commercial coal production	Million tonnes	280.9	306.6	(8.4)	318.1
2. Coal sales	Million tonnes	370.5	451.1	(17.9)	514.8
Of which: Export	Million tonnes	1.2	1.6	(25.0)	2.7
Import	Million tonnes	0.2	6.9	(97.1)	15.2
(II) Power generation					
1. Gross power generation	Billion kwh	225.79	234.38	(3.7)	246.04
2. Total power output dispatch	Billion kwh	210.45	218.42	(3.6)	229.55
(III) Coal chemical					
1. Sales of polyethylene	Thousand tonnes	319.2	265.5	20.2	262.4
2. Sales of polypropylene	Thousand tonnes	312.9	268.1	16.7	267.9
(IV) Transportation					
1. Turnover of self-owned railway	Billion tonne km	200.1	223.8	(10.6)	211.6
2. Seaborne coal	Million tonnes	203.8	235.8	(13.6)	227.3
Of which: At Huanghua Port	Million tonnes	111.6	131.6	(15.2)	127.4
At Shenhua Tianjin Coal Dock	Million tonnes	40.3	36.6	10.1	31.1
At Shenhua Zhuhai Coal Dock	Million tonnes	6.6	5.8	13.8	1.5
3. Shipping volume	Million tonnes	79.8	87.7	(9.0)	118.6
4. Shipment turnover	Billion tonne nautical miles	64.1	72.2	(11.2)	114.9

(II) Changes in costs

Unit: RMB million

Breakdown of cost items	Amount for the period	Percentage to cost of sales for the period (%)	Amount for the same period of the previous year (Restated)	Percentage to cost of sales for the same period of the previous year (%)	Change in amount for the period over that of the same period of the previous year (%)
Coal purchased	17,264	14.0	43,545	24.4	(60.4)
Materials, fuel and power	15,816	12.8	24,109	13.5	(34.4)
Personnel expenses	11,874	9.6	11,417	6.4	4.0
Depreciation and amortization	21,134	17.1	19,284	10.8	9.6
Repairs and maintenance	8,619	7.0	9,505	5.3	(9.3)
Transportation charges	12,193	9.9	14,369	8.1	(15.1)
Taxes and surcharges	5,833	4.7	4,100	2.3	42.3
Other operating costs	30,608	24.9	51,780	29.2	(40.9)
Total cost of sales	123,341	100.0	178,109	100.0	(30.7)

The cost of sales of the Group in 2015 represented a year-on-year decrease of 30.7%, of which (1) the cost of coal purchased represented a year-on-year decrease of 60.4%, which was mainly attributable to the decrease in the price of coal and the Group's reduction in the sales volume of purchased coal and overseas and domestic trading coal based on the demand and supply of the coal market; (2) materials, fuel and power represented a year-on-year decrease of 34.4%, which was mainly attributable to the decrease in coal production and the decrease in the prices of fuel and oil; (3) personnel expenses represented a year-on-year increase of 4.0%, which was mainly attributable to the increase in the employee's social security payment base; (4) depreciation and amortization costs represented a year-on-year increase of 9.6%, which was mainly attributable to the increase in fixed assets of power and transportation business; (5) transportation charges represented a year-on-year decrease of 15.1%, which was mainly attributable to the decrease in external transportation fees arising from decrease in sales amount of coal; (6) Taxes and surcharges represented a year-on-year increase of 42.3%, which was mainly attributable to the fact that coal price adjustment fund and mineral resources compensation fee were accounted for by the Group as resource tax as a result of the resource tax reform. The relevant amounts were adjusted from "other cost of sales" to "taxes and surcharges" for accounting;(7) other operating costs represented a year-on-year decrease in 40.9%, which was mainly attributable to the decrease in the materials trading business volume.

(III) Major customers

Top five customers

No.	**Customer**	**2015**	
		Revenue RMB million	**Percentage to revenue %**
1	The first	11,407	6.4
2	The second	9,857	5.6
3	The third	8,667	4.9
4	The fourth	8,019	4.5
5	The fifth	7,928	4.5
	Sub total	45,878	25.9

(IV) Major suppliers

During the reporting period, the total procurement from the top five suppliers of the Company amounted to RMB14,562 million, accounting for 13.2% of the total procurement for the year. The purchases from the largest supplier were RMB5,892 million, accounting for 5.3% of the total procurement for the year.

(V) Major Business segments

The major operating model of the Group refers to one unified supply chain of coal production → coal transportation (railway, port and shipping) → use of coal (power and coal chemical), and there are business intercourses between each segment. The operation revenue and the costs of the following business segments are the data before eliminations on consolidation of each segment.

Unit: RMB million

Major business segments in 2015 (before eliminations)

Business segment	Revenue	Cost of sales	Gross profit margin (%)	Increase/ decrease in revenue as compared with last year (%)	Increase/ decrease in cost of sales as compared with last year (%)	Increase/decrease in gross profit margin as compared with last year
Coal	121,458	107,493	11.5	(36.8)	(33.4)	Decreased by 4.4 percentage points
Power	73,053	49,788	31.8	(8.9)	(11.9)	Increased by 2.3 percentage points
Railway	27,232	14,595	46.4	(11.1)	(1.0)	Decreased by 5.5 percentage points
Port	3,769	2,026	46.2	(9.7)	1.6	Decreased by 6.0 percentage points
Shipping	2,002	1,760	12.1	(34.0)	(31.5)	Decreased by 3.2 percentage points
Coal chemical	5,550	4,720	15.0	(5.6)	11.2	Decreased by 12.8 percentage points

II. Other items of consolidated statement of profit or loss and other comprehensive income

(1) Selling expenses: Selling expenses of the Group were mainly expenses of sales institutions and other expenses of transportation and loading in the process of sales, representing a year-on-year decrease of 26.4% in 2015, which was mainly attributable to the decrease in sales volume of coals and the lower loading charges at purchased coal stations.

(2) General and administrative expenses: representing a year-on-year increase of 9.9% in 2015, which was mainly attributable to the operation of the self-developed informatization system, an increase in depreciation and amortization resulting from the increasing suspended mines, and increase of expensed research and development expenditure.

(3) Other gains and losses: representing a year-on-year increase of 660.5% in 2015, which was mainly attributable to the unfavorable situation in the coal industry and the upgrade and renovation of power generators. Pursuant to the assessment result of asset impairment at the end of 2015, the Group made provision for impairment on parts of fixed assets, construction in progress and supplies. Please refer to the announcement of the Company dated on 29 January 2016 for details.

(4) Other income: representing a year-on-year increase of 76.7% in 2015, which was mainly attributable to the increase in government grants for railway and power segments.

(5) Other expenses: representing a year-on-year increase of 49.4% in 2015, which was mainly attributable to the increase of expenses of donation for public welfare.

(6) Interest income: representing a year-on-year decrease of 24.3% in 2015, which was mainly attributable to the continued decrease of the prime deposit rate.

(7) Finance costs: representing a year-on-year increase of 14.9% in 2015, which was mainly attributable to the increase in the exchange loss in bonds denominated in USD arising from the appreciation of USD, and the exchange loss in borrowings denominated in Japanese Yen arising from the appreciation of Japanese Yen. For the analysis on the risk of exchange rate of the Group, please refer to "37. Financial Instruments" in the notes to the consolidated financial statement in the report.

(8) Income tax: representing a year-on-year decrease of 25.2% in 2015, and the average rate of income tax in 2015 was 27.7% (2014: 20.7%, (restated)), with an increase of 7.0 percentage points, which was mainly attributable to part of the difference in deductible time incurred by provision for impairment losses of certain assets in the period and part of the deductible taxation losses incurred by operation losses of certain branches of subsidiaries were not recognized as deferred tax assets because of the uncertainty of the pay-back period, and the decrease in percentage of profits in the coal segment, which is entitled to more preferential tax rates, and the increase in percentage of profits in the power and transportation segments, which are entitled to less preferential tax rates.

III. Research and development investment

Expensed research and development expenditure in the period (RMB million)	496
Capitalized research and development expenditure in the period (RMB million)	274
Total research and development expenditure (RMB million)	770
Ratio of capitalized research and development expenditure (%)	35.6
Percentage of total research and development expenditure to revenue (%)	0.4
Number of research and development personnel in the Company (number of person)	2,911
The ratio of research and development personnel to the total number of persons in the Company (%)	3.0

In 2015, the research and development expenditure of the Group representing a year-on-year decrease of 28.8% (2014: RMB1,081 million (restated)) is mainly used for technological research in different aspects including heavy-loaded transportation, high efficiency usage of coal, high efficiency coal mining equipment and comprehensive use of coal ash after combustion.

IV. Cash flow

(1) Net cash generated from operating activities: a year-on-year decrease of 19.8% in 2015, of which, net cash generated from operating activities of Shenhua Finance Company represented a year-on-year increase of RMB10,022 million, which was mainly due to strengthened management of credit risk, increase in deposits and decrease in loans by Shenhua Finance Company. Excluding the effects of Shenhua Finance Company, net cash generated from operating activities of the Group represented a year-on-year decrease of 33.8%. This was mainly due to the decrease in net cash inflow arising from a year-on-year decrease of net profits.

(2) Net cash used in investing activities: net cash outflow in 2015 represented a year-on-year decrease of 40.3%. This was mainly due to the decrease in cash paid for acquisition of long-term assets.

(3) Net cash used in financing activities: net cash outflow in 2015 represented a year-on-year decrease of 16.4%. This was mainly due to the year-on-year increase in net amounts generated by external debt financing activities.

(III) Explanation on the material changes in profit incurred from non-principal business

✔ Applicable ☐ Not Applicable

Influenced by the depression in the coal industry and the upgrade and renovation of power generation units, pursuant to the assessment result of asset impairment at the end of 2015, the Group made provision for impairment of RMB5,773 million on parts of fixed assets, construction in progress and supplies.

(VI) Analysis on Assets and Liabilities

Consolidated statement of financial position

Unit: RMB million

Item	Amount at the end of the period	Percentage of total assets at the end of the period (%)	Amount at the end of the previous period *(Restated)*	Percentage of total assets at the end of the previous period (%)	Change of the amount (%)	Main reasons for changes
Property, plant and equipment	339,326	60.6	292,262	53.1	16.1	Increase in fixed assets due to new investments in transportation and power segments
Construction in progress	33,610	6.0	78,988	14.3	(57.4)	Completed construction assets in transportation and power segments were put into use
Intangible assets	2,964	0.5	1,540	0.3	92.5	The self-built information system was put into use
Deferred tax assets	2,674	0.5	2,084	0.4	28.3	Increase in deductible temporary differences of impaired losses of accrued assets
Inventories	12,816	2.3	15,980	2.9	(19.8)	Decrease in coal inventory and supplies
Accounts and bills receivable	41,019	7.3	30,850	5.6	33.0	Increase in bank acceptance bills receivable of the coal segment
Prepaid expenses and other current assets	19,351	3.5	29,308	5.3	(34.0)	Decrease of prepayments arising from decrease in the volume of material trading business, and decrease of short-term loans issued by Shenhua Finance Company
Restricted bank deposits	4,611	0.8	6,271	1.1	(26.5)	Decrease in mandatory reserves of Shenhua Finance Company placed in the central bank, arising from the decrease in the reserve requirement ratio
Short-term borrowings	12,812	2.3	18,441	3.3	(30.5)	The Company issued bonds in place of short-term borrowings
Short-term debentures	4,998	0.9	9,994	1.8	(50.0)	Maturity of issued super short-term commercial paper
Accounts and bills payable	33,990	6.1	39,011	7.1	(12.9)	Decrease in bank acceptance bills and payables of the coal segment arising from decrease in coals purchased
Accrued expenses and other payables	47,519	8.5	40,366	7.3	17.7	Increase in balance of deposits placed with Shenhua Finance Company
Current portion of long-term liabilities	203	0.0	280	0.1	(27.5)	Decrease in of payables of mining rights arising from the decrease in production volume of coal
Long-term borrowings	54,179	9.7	44,619	8.1	21.4	Increase in long-term borrowings from power and transportation segments
Bonds	9,651	1.7	0	0.0	N/A	Issuance of US dollar bonds by the Company

Item	Amount at the end of the period	Percentage of total assets at the end of the period (%)	Amount at the end of the previous period (Restated)	Percentage of total assets at the end of the previous period (%)	Change of the amount (%)	Main reasons for changes
Long-term payable	2,523	0.5	1,705	0.3	48.0	Financial appropriation received by Zhunge'er Mines demonstration base for national mineral resources comprehensive utilization, leading to an increase in deferred income with more than one year
Equity attributable to equity holders of the Company	298,068	53.2	300,698	54.6	(0.9)	Decrease in reserves arising from paying for price of the acquisition under the common control [Note]

Note: According to the International Financial Reporting Standards, the acquisition of Ningdong Power, Xuzhou Power and Zhoushan Power by the Group in 2015 was a business merger under common control. The Group increased equity at the beginning of the year based on the book value of equity interests of the acquired three power plants, and decreased the equity interests based on the payment of price upon completion of the acquisition, leading to a decrease in equity attributable to equity holders of the Company when compared with that at the beginning of the period. As at the end of 2015, for the reserve of the Group, the reserve balance of maintenance and production funds increased by RMB1,682 million as compared with the beginning of the year.

(V) Operation results by business segment

1. Coal segment

✔ Applicable ☐ Not Applicable

(1) Production and operation and construction

The majority of the coal products produced and sold by the Group were mainly thermal coal. In 2015, the Company actively responded to the market changes, organized production, enhanced coal quality management, and optimized product structures in accordance with the market demand and maximized efficiency. Shendong Mines adopted a number of measures to improve the quality of coal to guarantee efficiency; Zhunge'er Mines strengthened the overall progress management, and reasonably adjusted the quality and structure of coal to effectively control costs; Shengli and Baorixile Mines optimized the organization of production and sales to achieve cost reduction and expenditure saving. Guojiawan Coal Mine Project, which is under construction, entered the stage of joint trial operation.

During the year, commercial coal production volume of the Group reached 280.9 million tonnes (2014: 306.6 million tonnes (restated)), representing a year-on-year decrease of 8.4%. During the year, the coal segment of the Group accomplished total footage of advancing tunnels of 564 thousand meters (2014: 643 thousand meters), representing a year-on-year decrease of 12.3%. Specifically, Shendong Mines recorded total footage of advancing tunnels of 547 thousand meters, representing a year-on-year decrease of 12.6%; and Baotou Mines recorded total footage of advancing tunnels of 17 thousand meters, representing a year-on-year stabilization.

The Group has independently operated railway collection and distribution channels centralized and distributed in the rim of self-owned core mines, which can satisfy the transportation of coal in the core mines.

Production and sales volumes of all coals in 2015 of the Group are as below:

Types of coal	Production Volume *Million tonnes*	Sales Volume *Million tonnes*	Revenue *RMB million*	Cost of sales *RMB million*	Gross profit *RMB million*
Thermal coal	280.9	369.3	107,506	90,234	17,272
Coking coal	/	1.2	907	1,174	(267)
Total	/	370.5	108,413	91,408	17,005

As at the end of the Reporting Period, the coal inventories of the Group were approximately 22.6 million tonnes, representing a decrease of 22.9% as compared with 29.3 million tonnes as at the end of the last year.

(2) Sales of coal

The Group executed specialized division of labour management. Various mining areas are responsible for production of coal while Shenhua Trading Group is centrally responsible for the sales of coal. Users are from different industries such as power, metallurgy, chemical and construction materials. In 2015, the Group scientifically designed marketing strategies, created innovative sales model, and on the basis of maintaining prices ensured the largest ratio of sales of self-produced coal and the best ratio of market share of seaborne.

Affected by factors including decrease in demands of downstream industries, weather, and structural adjustment of energy, the sales volume of coal of the Group in 2015 amounted to 370.5 million tonnes (2014: 451.1 million (restated)), representing a year-on-year decrease of 17.9%; among which the domestic sales volume of coals amounted to 365.5 million tonnes, accounting for 10.6% of the domestic sales volume of coals for the same period which amounted to 3.46 billion tonnes[1]; the weighted average coal sales price was RMB292.6/tonne (2014: RMB351.0/tonne (restated)) (exclusive of tax), representing a year-on-year decrease of 16.6%.

The Group enhanced the work on electronic coal trading with the help of Shenhua Coal Trading Network (https://www.e-shenhua.com) developed by the Group. In 2015, the amount of coal trading through Shenhua Coal Trading Network reached 189.7 million tonnes (2014: 248.8 million (restated)). Development of internet coal trading can help reduce transaction costs.

1 Data source: China Coal Transportation & Sale Society

① *By source of coal and regions*

	2015			2014 (Restated)			Change	
	Sales volume *million tonnes*	Proportion of total sales *%*	Price *RMB/tonne*	Sales volume *million tonnes*	Proportion of total sales *%*	Price *RMB/tonne*	Sales volume *%*	Price *%*
I. Domestic sales	365.5	98.7	292.9	439.6	97.4	346.3	(16.9)	(15.4)
(I) Self-produced coal and purchased coal	354.1	95.6	292.0	406.2	90.0	342.2	(12.8)	(14.7)
1. Direct arrival	151.5	40.9	220.7	171.9	38.1	251.3	(11.9)	(12.2)
2. Seaborne	202.6	54.7	345.3	234.3	51.9	408.9	(13.5)	(15.6)
(II) Sales of domestic trading coal	11.2	3.0	318.0	26.5	5.9	380.1	(57.7)	(16.3)
(III) Sales of imported coal	0.2	0.1	412.7	6.9	1.5	458.8	(97.1)	(10.0)
II. Export Sales	1.2	0.3	442.9	1.6	0.4	557.0	(25.0)	(20.5)
III. Overseas coal sales	3.8	1.0	218.1	9.9	2.2	524.3	(61.6)	(58.4)
1. EMM Indonesia	1.9	0.5	83.7	2.1	0.5	100.3	(9.5)	(16.6)
2. Re-export trade	1.9	0.5	358.3	7.8	1.7	636.6	(75.6)	(43.7)
Total sales volume/weighted average price	370.5	100.0	292.6	451.1	100.0	351.0	(17.9)	(16.6)

Note: Sales prices of coal in this report are all exclusive of tax.

In 2015, the sales volume of the Company to the top five domestic customers of coal was 42.9 million tonnes, which accounted for 11.7% of the total domestic sales volume. In particular, the sales volume to the largest customer was 15.5 million tonnes, which accounted for 4.2% of the domestic sales volume. The top five domestic customers of coal were primarily coal, power and fuel companies.

② *By internal and external customers*

	2015			2014 (Restated)			
	Sales volume *million tonnes*	Percentage *%*	Price *RMB/ tonne*	Sales volume *million tonnes*	Percentage *%*	Price *RMB/ tonne*	Change in price *%*
Sales to external customers	281.6	76.0	293.8	365.8	81.1	356.9	(17.7)
Sales to internal power segment	84.6	22.8	291.5	81.5	18.1	326.7	(10.8)
Sales to internal coal chemical segment	4.3	1.2	236.1	3.8	0.8	296.5	(20.4)
Total coal sales volume/ weighted average price	370.5	100.0	292.6	451.1	100.0	351.0	(16.6)

In 2015, the sales volume of internal power segment and coal chemical segment respectively accounted for 22.8% and 1.2% of the coal segment of the Group, representing an increase of 4.7 percentage points and 0.4 percentage points as compared with last year, respectively. The Company adopted unified pricing policies in coal sales to the internal power segment, and coal chemical segment and external customers.

(3) Production safety

The Company strengthened the concept of safe production with risk prevention as the focus, setting up a database of hazard sources through informationized management so as to optimize the risk control and management mechanism and consolidate the foundation of safety management. In 2015, the fatality rate per million tonnes of raw coal production of the Company was 0.003, enabling the Company to maintain its internationally leading position.

Efforts in ensuring safe coal production are detailed in the 2015 CSR Report of the Group.

(4) Environmental protection

In 2015, the Group continuously strived to build the brand of "Shenhua Clean Coal" featuring the quality of low sulphur, low ash and medium-to-high calorific value, and put effort on promoting the action plan of Clean Burning of Coal of Shenhua in areas of Beijing-Tianjin-Hebei, Yangtze River Delta and Pearl River Delta. Upholding the philosophy of "producing environmentally-friendly coal and constructing ecological mines", the Company actively launched campaigns including conservation of soil and water as well as land reclamation and reforestation. The Group invested a total of RMB237 million in conservation of soil and water and ecological construction and a total of RMB394 million in energy saving and environmental protection projects, and paid for a total of RMB62 million in sewage charges. Mining waste water consumption amounted to 71.1 million tonnes. At the end of 2015, balance of the "accrued reclamation obligations" amounted to RMB2,197 million, serving as strong financial guarantee for ecological construction.

Efforts in ensuring environmental protection of coal are detailed in the 2015 CSR Report of the Group.

(5) Coal resources

As at 31 December 2015, the Group had coal resources amounting to 24,313 million tonnes and recoverable coal reserve amounting to 15,742 million tonnes under the PRC Standard; and the Group's marketable coal reserve amounted to 8,141 million tonnes under the JORC Standard.

Unit: '00 million tonnes

Mines	**Coal resources (under the PRC Standard)**	**Recoverable coal reserve (under the PRC Standard)**	**Marketable coal reserve (under the JORC Standard)**
Shendong Mines	166.57	97.60	41.85
Zhunge'er Mines	40.76	32.79	19.35
Shengli Mines	20.68	14.22	7.31
Baorixile Mines	14.58	12.43	12.77
Baotou Mines	0.54	0.38	0.13
Total	**243.13**	**157.42**	**81.41**

In 2015, the Company's exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB96 million (2014: RMB33 million), which was mainly attributable to the relevant exploration expenses of PT.GH EMM Indonesia Project and Watermark Coal Project in Australia.

In 2015, the Company's relevant capital expenditure of mining development and exploration amounted to approximately RMB3,539 million (2014: RMB5,647 million), which was mainly attributable to the development expenditure of Guojiawan Mine, as well as the coal-exploration related expenditure of various mines.

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

No.	Mines	Major types of coal	Calorific value of major commercial coal products *(kcal/kg)*	Sulphur content	Ash content *(average)*
1	Shendong Mines	Long flame coal/ non-caking coal	Approximately 5,400	≤0.50%	Approximately 12.5%
2	Zhunge'er Mines	Long flame coal	Approximately 4,500	≤0.50%	Approximately 26.7%
3	Shengli Mines	Lignite	Approximately 3,200	≤0.75%	Approximately 19.0%
4	Baorixile Mines	Lignite	Approximately 3,600	≤0.30%	Approximately 15.3%
5	Baotou Mines	Long flame coal/ non-caking coal	Approximately 4,350	≤0.65%	Approximately 19.5%

Note: The above calorific value, sulphur content and ash content of major commercial coal products produced by each mine may be inconsistent with the characteristics of the commercial coal products produced by individual mine and those of the commercial coal products sold by the Company due to such factors as geological conditions, mining area, coal washing, selecting and processing, transportation loss and coal blending ratio.

(6) Operating results

1. *The operating results of the coal segment of the Group before elimination on consolidation*

		2015	2014 *(Restated)*	Change *(%)*	Main reasons for changes
Revenue	RMB million	**121,458**	192,094	(36.8)	Decrease in coal sales volume and sales prices
Cost of sales	RMB million	**107,493**	161,517	(33.4)	Decrease in sales volumes of self-produced coal and coal purchased
Gross profit margin	%	**11.5**	15.9	Decreased by 4.4 percentage points	
Profit from operations	RMB million	**6,433**	26,049	(75.3)	
Profit margin from operations	%	**5.3**	13.6	Decreased by 8.3 percentage points	Save as the impact on decrease in cost of sales, the loss to the Group in respect of the provision for assets impairment of certain coals had increased, leading to the fact that the fall range of profit margin from operation was greater than the fall range of gross profit margin

2. *The sales and gross profit of the coal of the Group before elimination on consolidation*

	2015				2014 (restated)			
	Revenue *RMB million*	**Costs** *RMB million*	**Gross profit** *RMB million*	**Gross profit margin** *%*	Revenue *RMB million*	Costs *RMB million*	Gross profit *RMB million*	Gross profit margin *%*
Domestic	**107,041**	**90,179**	**16,862**	**15.8**	152,217	120,605	31,612	20.8
Export and overseas	**1,372**	**1,229**	**143**	**10.4**	6,082	5,797	285	4.7
Total	**108,413**	**91,408**	**17,005**	**15.7**	158,299	126,402	31,867	20.1

The coal sold by the Group is mainly produced in self-owned mines. In order to fulfill the needs of customers and adequately make use of railway transportation, the Group also sold to external customers after purchasing coal from third parties from the surrounding areas of the self-owned mines and railways to produce different kinds and level of coal products. As there are many kinds of coal products and different ratios of mixture of purchased coal, it may be difficult to review the revenue, costs and gross profit of coal in accordance with the sources of coal (self-produced coal and purchased coal).

3. *Unit production cost of self-produced coal*

Unit: RMB/tonne

	2015	2014 *(Restated)*	Change (%)	Main reasons for changes
Materials, fuel and power	**20.6**	24.6	(16.3)	Decrease in tunneling footage and prices in fuel and electricity arising from decrease in production volume of coals
Personnel expenses	**17.7**	15.4	14.9	Increase in base of social security payment for staffs and the decrease in sales volume of self-produced coal
Repairs and maintenance	**9.2**	9.9	(7.1)	Decrease in maintenance and repair arranged in the year
Depreciation and amortization	**25.2**	22.3	13.0	Increase in fixed assets in respect of maintenance and safety
Other costs	**50.5**	59.8	(15.6)	Classification of price adjustment fund and mineral resources compensation as "taxes and surcharges" under resource tax due to the reform of resource tax, and decrease in mineral construction cost and opening mining extraction cost.
Unit production cost of self-produced coal	**123.2**	132.0	(6.7)	

Other costs consist of the following three components: (1) expenses directly related to production, including coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 57%; (2) auxiliary production expenses, accounting for 12%; (3) land requisition and surface subsidence compensation, environmental protection expenses, fees levied by local government, etc., accounting for 31%.

4. *Cost of coal purchased from third parties*

The Company's coal purchased from third parties includes coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal, imported and re-exported coal.

In 2015, costs of coal purchased by the Company from third parties was RMB17,264 million (2014: RMB43,545 million (restated)), representing a year-on-year decrease of 60.4%.The decrease was mainly due to the decrease in the purchasing price of coal and the Company's reduction in sales of coal purchased from third parties according to the supply and demand in the coal market.

The sales volume of coal purchased from third parties was 81.2 million tonnes (2014: 152.4 million tonnes (restated)), representing a year-on-year decrease of 46.7%, and its proportion of total sales volume of coal decreased to 21.9% from 33.8% (restated) in 2014. The decrease was mainly attributable to the fact that to ensure the sales of coal of the self-owned mines, The Group reduced the amount of coal procured for the surrounding areas of the self-owned mines and along the railroad.

2. Power segment

(1) Production and operations

In 2015, the power segment continued to expedite the "ultra low-emission" renovation; maintained the utilization hours of power generators at a high level through measures including expanding its efforts in marketing and increasing the sale of straight power supply. The gross power generation achieved 225.79 billion kwh (2014: 234.38 billion kwh (restated)), representing a year-on-year decrease of 3.7%; and total power output dispatch of 210.45 billion kwh (2014: 218.42 billion kwh (restated)), representing a year-on-year decrease of 3.6%, accounting for 3.8% of 5,550 billion kwh[1] of the total power consumption of society at the same period.

(2) Power consumption and power tariffs

1. Classified by power type

Power type	Gross power generation (billion kwh) 2015	2014 (Restated)	Change (%)	Total power output dispatch (billion kwh) 2015	2014 (Restated)	Change (%)	Power tariff (RMB/MWh) 2015	2014 (Restated)	Change (%)
1. coal-fired power	221.75	231.76	(4.3)	206.51	215.87	(4.3)	331	350	(5.4)
2. wind power	0.02	0.02	0.0	0.02	0.02	0.0	598	598	0.0
3. hydro power	0.67	0.67	0.0	0.65	0.65	0.0	232	234	(0.9)
4. gas-fired power	3.35	1.93	73.6	3.27	1.88	73.9	560	773	(27.6)
Total	225.79	234.38	(3.7)	210.45	218.42	(3.6)	334	354	(5.6)

[1] Data source: National Energy Administration

2. *Classified by operating area*

Location/Type of power	Power generation (billion kwh) 2015	2014 (Restated)	year-on-year (%)	Power output dispatch (billion kwh) 2015	2014 (Restated)	year-on-year (%)	Power tariff (RMB/MWh) 2015
Anhui	**17.49**	**13.70**	**27.7**	**16.59**	**12.93**	**28.3**	**342**
coal-fired power	17.49	13.70	27.7	16.59	12.93	28.3	342
Beijing	**2.11**	**2.18**	**(3.2)**	**1.99**	**1.91**	**4.2**	**404**
coal-fired power	0.56	2.18	(74.3)	0.48	1.91	(74.9)	413
natural gas power	1.55	0	N/A	1.51	0	N/A	401
Chongqing	**3.35**	**0**	**N/A**	**3.20**	**0**	**N/A**	**333**
coal-fired power	3.35	0	N/A	3.20	0	N/A	333
Fujian	**9.49**	**5.16**	**83.9**	**8.99**	**4.84**	**85.7**	**329**
coal-fired power	9.49	5.16	83.9	8.99	4.84	85.7	329
Guangdong	**22.74**	**26.83**	**(15.2)**	**21.17**	**25.12**	**(15.7)**	**409**
coal-fired power	22.72	26.81	(15.3)	21.15	25.10	(15.7)	409
wind power	0.02	0.02	0.0	0.02	0.02	0.0	598
Hebei	**32.30**	**35.64**	**(9.4)**	**30.12**	**33.33**	**(9.6)**	**335**
coal-fired power	32.30	35.64	(9.4)	30.12	33.33	(9.6)	335
Henan	**4.87**	**6.16**	**(20.9)**	**4.59**	**5.79**	**(20.7)**	**347**
coal-fired power	4.87	6.16	(20.9)	4.59	5.79	(20.7)	347
Jiangsu	**26.23**	**27.08**	**(3.1)**	**24.94**	**25.73**	**(3.1)**	**329**
coal-fired power	26.23	27.08	(3.1)	24.94	25.73	(3.1)	329
Liaoning	**14.90**	**14.45**	**3.1**	**13.96**	**13.56**	**2.9**	**321**
coal-fired power	14.90	14.45	3.1	13.96	13.56	2.9	321
Inner Mongolia	**23.51**	**25.86**	**(9.1)**	**21.09**	**23.44**	**(10.0)**	**239**
coal-fired power	23.51	25.86	(9.1)	21.09	23.44	(10.0)	239
Ningxia	**3.48**	**4.21**	**(17.3)**	**3.14**	**3.83**	**(18.0)**	**226**
coal-fired power	3.48	4.21	(17.3)	3.14	3.83	(18.0)	226
Shanxi	**0.95**	**1.00**	**(5.0)**	**0.86**	**0.91**	**(5.5)**	**292**
coal-fired power	0.95	1.00	(5.0)	0.86	0.91	(5.5)	292
Shaanxi	**22.08**	**22.95**	**(3.8)**	**20.17**	**20.97**	**(3.8)**	**292**
coal-fired power	22.08	22.95	(3.8)	20.17	20.97	(3.8)	292
Sichuan	**3.75**	**4.75**	**(21.1)**	**3.44**	**4.34**	**(20.7)**	**364**
coal-fired power	3.08	4.08	(24.5)	2.79	3.69	(24.4)	395
hydropower	0.67	0.67	0.0	0.65	0.65	0.0	232
Tianjin	**5.41**	**6.26**	**(13.6)**	**5.06**	**5.87**	**(13.8)**	**350**
coal-fired power	5.41	6.26	(13.6)	5.06	5.87	(13.8)	350
Xinjiang	**5.72**	**6.51**	**(12.1)**	**5.31**	**5.97**	**(11.1)**	**208**
coal-fired power	5.72	6.51	(12.1)	5.31	5.97	(11.1)	208
Zhejiang	**25.43**	**29.61**	**(14.1)**	**24.07**	**28.07**	**(14.3)**	**409**
coal-fired power	23.63	27.68	(14.6)	22.31	26.19	(14.8)	387
natural gas power	1.80	1.93	(6.7)	1.76	1.88	(6.4)	698
Indonesia	**1.98**	**2.03**	**(2.5)**	**1.76**	**1.81**	**(2.8)**	**431**
coal-fired power	1.98	2.03	(2.5)	1.76	1.81	(2.8)	431
Total	225.79	234.38	(3.7)	210.45	218.42	(3.6)	334

(3) Installed capacity

At the end of the reporting period, the total installed capacity of the Group reached 54,128 mw which represented an increase of 19.2% year-on-year, accounting for 3.6% of 1.51 billion kw[1] of the installed capacity of the total power generation of society; among which, the total installed capacity of the coal-fired power generators is 52,257mw, which was 96.5% of the total installed capacity of the Group.

Unit: MW

Power type	Gross installed capacity as at 31 December 2014 *(Restated)*	Installed capacity increased/ (decreased) during the reporting period	**Gross installed capacity as at 31 December 2015**
1. coal-fired power	44,477	7,780	**52,257**
2. wind power	16	0	**16**
3. hydro power	125	0	**125**
4. gas-fired power	780	950	**1,730**
Total	45,398	8,730	**54,128**

Name of projects put into operation during the reporting period	**Location**	**Scale of additional installed capacity** *(mw)*
Phase II of Shenfu Hongshan Thermal Power Plant Project	Shishi City, Fujian Province	2×1,000
Phase II of Anqing Power Generation Project of Shenwan Energy Company	Anqing City, Anhui Province	2×1,000
Chongqing Wanzhou Port and Power Integration Project of Shendong Power Company	Wanzhou District, Chongqing City	2×1,000
Hequ Low Calorific Value Coal Power Project of Shendong Power Company	Xinzhou City, Shanxi Province	2×350
Dianta Power Plant of Shendong Power Company	Yulin City, Shaanxi Province	2×660
Suizhong Power Increment Renovation Project	Suizhong County, Liaoning Province	160
Beijing Gas Thermal Power Project	Beijing City	950
Total	–	9,130

[1] Data source: National Energy Administration

During the reporting period, the Company shut down the Beijing Thermal Coal-fired Power Generators(400MW) pursuant to with the request of the Beijing Municipal Commission of Development and Reform.

(4) Utilization Rate of power generation equipment

Under the circumstances of a slowdown in the growth of the total power consumption of society, The Group's power generators maintained a relatively high loading level, of which the coal-fired generators operated with an average utilization hours of 4,631 hours for the year, 302 hours above the national average of 4,329 hours[1]. With further improvement on the efficiency of power generation, the power consumption rate of the power plant presented a downward trend year-on-year. As at the end of the reporting period, the installed capacity of circulating fluidized bed generating units of the Group reached 7,024MW, which was 13.4% of the installed capacity of the coal-fired units of the Group.

Power type	Average utilization hours (Hour)			Power consumption ratio of power plant (%)		
	2015	2014 (Restated)	Change (%)	2015	2014 (Restated)	Change
1. Coal-fired power	4,631	5,211	(11.1)	6.14	6.19	Decreased by 0.05 percentage point
2. Wind power	1,478	1,415	4.5	1.08	1.16	Decreased by 0.08 percentage point
3. Hydropower	5,364	5,321	0.8	0.25	0.27	Decreased by 0.02 percentage point
4. Gas-fired power	2,889	2,471	16.9	2.15	2.24	Decreased by 0.09 percentage point
Weighted Average	4,591	5,163	(11.1)	6.09	6.14	Decreased by 0.05 percentage point

(5) Environmental protection

The power segment expedited the clean energy development strategy and continued to expand its efforts in environmental protection. The total investment of energy saving and environmental protection amounted to RMB3,174 million, among which, investment in environmental protection amounted to RMB1,493 million, and the total sewage fees amounted to RMB154 million. As at the end of the reporting period, the desulfurization renovation for all of its national coal-fired power generators of the Group was completed. The proportion of coal-fired power generators with denitrification equipment in operation which had passed completion verification reached 92%, representing a leading position in the industry. The power segment strived to implement the "ultra low-emission" renovation of coal-fired generators. As at the end of the reporting period, thirty-five "ultra-low-emission" coal-fired generators with total capacities of 20,310MW were newly constructed and renovated, which was 38.9% of the total installed capacity of coal-fired power generator of the Group. The standard coal consumption for average power sold of coal-fired power generators of the Group for the year was 318 gram/kwh, representing a decrease of 2 gram/kwh as compared with the same period last year.

[1] Data source: China Electricity Council

(6) Capitalized Expenses

In 2015, the completed capitalized expenses of the power segment of the Group were RMB19.80 billion, primarily used in projects including the Guohua Shouguang Power Plant Project, and Phase II of Anqing Power Expansion Project of Shenwan Energy Company, and technical reformation expenditure on environmental protection at plants.

(7) Analysis of operation results

1. *The operation results of the power segment of the Group before elimination on consolidation:*

		2015	2014 (Restated)	Change (%)	Main reasons for changes
Revenue	RMB million	73,053	80,150	(8.9)	Decrease in power output dispatch and power output sales prices
Cost of sales	RMB million	49,788	56,517	(11.9)	Decrease in purchase costs of fuel of power plants
Gross profit margin	%	31.8	29.5	Increased by 2.3 percentage points	
Profit from operations	RMB million	18,810	20,933	(10.1)	
Profit margin from operations	%	25.7	26.1	Decreased by 0.4 percentage points	Increase in impairment of power assets

2. *Revenue and cost from the sale of power of the Group before elimination on consolidation*

Unit: RMB million

	Revenue from sale of power			Cost of sale of power				
Power type	2015	2014 (Restated)	Change (%)	2015	Percentage to total costs of 2015 (%)	2014 (Restated)	Percentage to total costs of 2014 (%)	Change in 2015 over 2014 (%)
1. Coal-fired power	68,349	75,602	(9.6)	46,123	95.5	53,411	97.6	(13.6)
2. Wind power	14	13	7.7	10	0.0	9	0.0	11.1
3. Hydro power	152	152	0.0	74	0.2	75	0.1	(1.3)
4. Gas-fired power	1,830	1,449	26.3	2,062	4.3	1,265	2.3	63.0
Total	70,345	77,216	(8.9)	48,269	100.0	54,760	100.0	(11.9)

The Group's cost of sale of power mainly comprised such costs as raw materials, fuel and power, personnel expenses, repair and maintenance, depreciation and amortization and other cost. The unit cost of power output dispatch of the Group in 2015 was RMB229.4/mwh (2014: RMB250.7/mwh (restated)), representing a year-on-year decrease of 8.5%. The decrease was mainly due to the decrease in purchase costs of coal of power plants.

3. Analysis on cost of sale of power of coal-fired power plant of the Group before elimination on consolidation

	2015		2014 (restated)		
	Costs	Percentage	Costs	Percentage	Changes in 2015 over 2014
	RMB million	*%*	*RMB million*	*%*	*%*
Raw material, fuel and power	**29,958**	**65.0**	37,479	70.2	(20.1)
Personnel expenses	**3,477**	**7.5**	3,546	6.6	(1.9)
Repair and maintenance	**2,503**	**5.4**	2,631	4.9	(4.9)
Depreciation and amortization	**8,329**	**18.1**	7,678	14.4	8.5
Others	**1,856**	**4.0**	2,077	3.9	(10.6)
Total cost of power output dispatch of coal-fired power plant	**46,123**	**100.0**	53,411	100.0	(13.6)

The power segment consumed a total of 88.4 million tonnes of the Group's coal, accounting for 91.9% of the 96.2 million tonnes of the thermal coal consumption of the power segment of the Group in 2015 (2014: 88.7% (restated)).

3. Railway segment

(1) Overview of production and operations

The railway segment distributed transportation resources reasonably by optimizing the production organization to overcome the adverse impact of severe weather in order to guarantee efficient and smooth transportation. In 2015, the newly built railways such as Bazhun Railway and Zhunchi Railway were put into operation one by one; the operating mileage of self-owned railways of the Group reached 2,155 km. The transportation turnover of self-owned railways for the year was 200.1 billion tonne km, representing a year-on-year decrease of 10.6%, which accounted for 82.9% of the total turnover (2014: 83.1% (restated)).

On the premise of protecting the demand of self-owned transportation. The Company strived to commence the reverse transportation and non-coal cargo transportation such as mines, chemical fertilizers, steel and iron and containers, and effectively utilized the existing capacity to increase revenue. During the reporting period, the Group provided transportation services for third parties and generated transportation revenue amounting to approximate RMB3,420 million (2014: RMB3,222 million (restated)), representing a year-on-year increase of 6.1%.

(2) Progress of projects

Project be commenced operation in reporting period	Length *(km)*	Designed transportation capacity for short-term/ long-term *(Million tonnes/ year)*
Bazhun Railway	129	15/200
Zhunchi Railway	183	50/200
Tahan Railway·	78	11/38

During the reporting period, the Group continued to advanced the construction work of railways under construction such as Huangda Railway.

(3) Operating outlook

Railway transportation is one of the core competitive strengths that distinguish the Group from other coal companies. In 2015, the overall transportation capabilities of the railway transportation network of the Group showed rather significant improvements. After Bazhun Railway and Zhunchi Railway commenced operations, "Baoshen-Shenshuo" and "Bazhun-Dazhun-Zhunchi", both being the upstream transportation channels, developed conditions for further increase in the transportation capacity of the Shuohuang Railway channel. As at the end of 2015, the Group controlled and operated the ring and radial railway transportation network at the principal coal bases that were located mainly in "Western Shanxi, Northern Shaanxi and Southern Inner Mongolia", with an aggregate mileage of railway in operation of 2,155km.

To fully utilize the existing transportation resources, the Group plans to progressively open the transportation business to external companies in 2016, provided that there will not be any impact on the self-owned coal segment transportation and sales businesses. The principal measures include:

1. To intensify the endeavors in expanding the external customer base of coal transportation and offer seaborne transportation services of coal for external users. Currently, the Group has started to work with a certain coal company in western Inner Mongolia for coal transportation services amounting to 12 million tonnes/year.

2. To try to commence incorporating the railway in the community of the areas with rich coal resources in order to expand the sources of coal resources.

3. To continue to promote reverse transportation and non-coal transportation businesses to thoroughly unearth the import and export resources along the railway and surrounding the areas of the ports.

4. To establish sound and flexible pricing strategies and efficient customer service system.

(4) Operating results

The operation results of the railway segment before elimination on consolidation in 2015 are as follows:

		2015	2014 (Restated)	Change (%)	Main reasons for changes
Revenue	RMB million	**27,232**	30,626	(11.1)	Decrease in sale of coals resulted in a decrease in railway transportation volume
Cost of sales	RMB million	**14,595**	14,742	(1.0)	Newly-constructed railways such as Zhunchi Railway and Bazhun Railway transferred into fixed assets resulted in an increase in depreciation of fixed assets, and increase in transportation cost of providing transportation service for external customers
Gross profit margin	%	**46.4**	51.9	Decreased by 5.5 percentage points	
Profit from operations	RMB million	**10,070**	14,298	(29.6)	
Profit margin from operations	%	**37.0**	46.7	Decreased by 9.7 percentage points	

In 2015, the revenue generated from the internal transportation services provided by the railway segment for the Group amounted to RMB23,812 million (2014: RMB27,404 million (restated)), representing a year-on-year decrease of 13.1%, accounting for 87.4% of the revenue of the railway segment (2014: 89.5% (restated)).

In 2015, the unit transportation cost in the railway segment was RMB0.071/tonne km (2014: RMB0.063/tonne km (restated)), representing a year-on-year increase of 12.7%, mainly due to a decrease in transportation turnover volume of self-owned railway.

4. **Port Segment**

(1) Overview of production and operations

The port segment strengthened the connection of upstream and downstream in 2015 by improving the efficiency of unloading vessels to ensure steady and integrated operation. Huanghua Port organized in a scientific way by improving its process efficiency to expedite the turnover of vessels and yard, and seaborne coal volume for the year reached 111.6 million tonnes. Shenhua Tianjin Coal Dock overcame the adverse impacts of crossover operation of infrastructure, equipment renovation and production process by expanding its efforts in production organization, and seaborne coal volume for the year reached 40.3 million tonnes.

In 2015, to ensure steady and integrated operation, the Group further increased the seaborne coal sales through the self-owned ports according to the principle of maximization of overall efficiency. The proportion of the seaborne coal sales through the self-owned ports increased to 77.8% to the total seaborne coal sales from 73.8% last year.

(2) Analysis of operating results

The operating results of the port segment of the Group before eliminations on consolidation are as follows:

		2015	2014 *(Restated)*	Change *(%)*	Main reasons for changes
Revenue	RMB million	**3,769**	4,176	(9.7)	Decrease in turnover volume of ports
Cost of sales	RMB million	**2,026**	1,995	1.6	Part of the Huanghua Port (Phase IV) project transferred into fixed assets resulted in an increase in relevant depreciation costs
Gross profit margin	%	**46.2**	52.2	Decreased by 6.0 percentage points	
Profit from operations	RMB million	**1,350**	1,729	(21.9)	
Profit margin from operations	%	**35.8**	41.4	Decreased by 5.6 percentage points	

In 2015, the revenue generated from the internal transportation services provided by the port segment for the Group amounted to RMB3,452 million (2014: RMB3,877 million (restated)), representing a year-on-year decrease of 11.0% and accounting for 91.6% (2014: 92.8% (restated)) of the revenue of the port segment. Costs of internal transportation services provided for the Group amounted to RMB1,810 million.

5. **Shipping Segment**

(1) Overview of production and operations

The shipping segment improved its service quality by strengthening the arrangement vessels and coordinating with coal sales activities to contribute to the integrated operation, and implemented the full-trip service model of combined transportation by seas and rivers by commencing multi-cargo transportation and round-trip transportation. In 2015, shipping volume amounted to 79.8 million tonnes and shipment turnover amounted to 64.1 billion tonne nautical miles.

(2) Operating results

The operating results of the shipping segment of the Group before eliminations on consolidation are as follows:

		2015	2014 *(Restated)*	Change *(%)*	Main reasons for changes
Revenue	RMB million	**2,002**	3,034	(34.0)	Decrease in shipping volume and shipping costs
Cost of sales	RMB million	**1,760**	2,570	(31.5)	Decrease in external transportation volume, fuel price and charter costs
Gross profit margin	%	**12.1**	15.3	Decreased by 3.2 percentage points	
Profit from operations	RMB million	**133**	361	(63.2)	
Profit margin from operations	%	**6.6**	11.9	Decreased by 5.3 percentage points	

In 2015, the unit transportation cost of the shipping segment was RMB0.027/tonne nautical mile (2014: RMB0.036/tonne nautical mile (restated)), representing a year-on-year decrease of 25.0%, mainly due to a decrease in external transportation costs, fuel price and charter costs.

6. Coal Chemical Segment

(1) Overview of production and operations

The coal chemical segment aimed at a production and operation model of safety, steadiness, long-term, full loading and optimization with good product organization, equipment management and professional management of safety and technology to achieve the best level recorded in history in the accumulated passing rate of products and the long-term operation of installments.

	2015		2014 (Restated)		Change	
	Sales volume	**Price**	Sales volume	Price	Sales volume	Price
	Thousand tonnes	***RMB/ tonne***	*Thousand tonnes*	*RMB/ tonne*	%	%
Polyethylene	**319.2**	**7,431.5**	265.5	8,871.8	20.2	(16.2)
Polypropylene	**312.9**	**6,507.7**	268.1	8,628.9	16.7	(24.6)

(2) Analysis of operating results

The operating results of the coal chemical segment of the Group before eliminations on consolidation are as follows:

		2015	2014 *(Restated)*	Change *(%)*	Main reasons for changes
Revenue	RMB million	**5,550**	5,880	(5.6)	Decrease in price of Coal to olefins products
Cost of sales	RMB million	**4,720**	4,245	11.2	Sales volume increase in olefins products
Gross profit margin	%	**15.0**	27.8	Decreased by 12.8 percentage points	
Profit from operations	RMB million	**649**	1,410	(54.0)	
Profit margin from operations	%	**11.7**	24.0	Decreased by 12.3 percentage points	

(3) Unit production cost of main products

	2015		2014 (Restated)		Change	
	Production volume	Unit production cost	Production volume	Unit production cost	Production volume	Unit production cost
	Thousand tonnes	*RMB/ tonne*	*Thousand tonnes*	*RMB/ tonne*	%	%
Polyethylene	**314.7**	**5,347.9**	261.1	6,009.0	20.5	(11.0)
Polypropylene	**308.7**	**5,073.7**	263.9	5,801.5	17.0	(12.5)

The coals consumed by the coal chemical segment were all the Group's coals. The coals consumed in 2015 were 4.2 million tonnes, representing an increase of 10.5% as compared to 3.8 million tonnes of last year.

(VI) Regional operation analysis

Unit: RMB million

	2015	2014 *(Restated)*
Revenue from external transactions in domestic markets	**175,129**	247,848
Revenue from external transactions in overseas markets	**1,940**	5,233
Total	**177,069**	253,081

Note: Revenue from external customers was classified based on the locations where the services were provided or the products were purchased.

The Group is mainly engaged in the production and sales of coal and power, railway, port and shipping transportation as well as coal-to-olefins businesses in P.R.C. In 2015, the revenue from external transactions in domestic markets was RMB175,129 million, accounting for 98.9% of the Group's revenue. Affected by factors such as the decrease in sale of coal and coal price and decrease in power output dispatch and power tariff, revenue from external transactions in domestic markets dropped. Affected by factors such as the decrease in the volume of exported coal and the sales volume and price of external coal, revenue from external transactions in overseas markets dropped.

In 2015, the Group strived to respond to the promotion of "the Belt and Road" by the state by putting more efforts in international exploration. The operation of the PT.GH EMM Indonesia Project is running steadily, which achieved favorable operating revenue. The development and operation contracts of Sumsel-1 Coal Power Project and Jawa-7 Coal Power Project were achieved one by one at the end of 2015. 17 gas wells have been successfully put into operation in the shale gas project in the United States, which is running steadily and has helped the Company to accumulate experience and talents. The Watermark Coal Project in Australia has completed the development approval and EIA procedures. Other external projects are progressing under the principle of stability and prudence.

(VII) Analysis on Investments

1. External equity investments

The equity investments of the Company in 2015 amounted to RMB10,448 million, representing an increase of RMB1,168 million or 12.6% from RMB9,280 million of last year. Equity investments mainly included capital increase in Baotou Energy Company, Shenhua Railway Transportation Company and Shenhua Zhunneng Resources Development & Utilization Co., Ltd. and acquisition of Xuzhou Power and Zhoushan Power.

For information on the principal business of major subsidiaries of the Company and the percentages of equity interest held by the Company, please refer to " Note 43. of the consolidated financial statements of this report on investment in subsidiaries.

2. Material investment in equity interest

The Company completed the acquisition of 100% equity interest in Ningdong Power, 100% equity interest in Xuzhou Power and 51% equity interest in Zhoushan Power from Shenhua Group Corporation in October 2015. Please refer to Section VI "Significant Events" of this report for details.

3. Material investment in non-equity interest

☐ Applicable ✔ Not Applicable

4. Financial assets at fair value

Assets at fair value of the Group were debt securities and derivative financial instruments. Derivative financial instruments were swap instruments (cross currency interest rate swaps) held by the Company. The Company made use of the swap instruments to hedge the risk of currency exchange and interest rate incurred by foreign currency borrowings.

(VIII) Disposal of material assets and equity interest

☐ Applicable ✔ Not Applicable

(IX) Analysis on major holding and associated companies

(1) Major subsidiaries

Unit: RMB million

No.	Company	Registered capital	Total assets	Net assets	Net profit attributable to the equity holders of the parent company		
		As at 31 December 2015			2015	2014	Change(%)
1	Shuohuang Railway Development Co., Ltd.	5,880	36,240	25,551	5,059	6,138	(17.6)
2	Shenhua Shendong Coal Group Co., Ltd.	4,690	54,466	40,134	3,611	9,777	(63.1)
3	Shaanxi Guohua Jinjie Energy Co., Ltd.	2,278	9,333	6,274	2,374	2,579	(8.0)
4	Guangdong Guohua Yuedian Taishan Power Co., Ltd.	4,670	12,982	7,792	1,701	2,279	(25.4)
5	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	3,255	11,777	5,952	1,618	1,877	(13.8)
6	Shenhua Zhunge'er Energy Co., Ltd.	7,102	29,270	23,148	1,305	1,778	(26.6)
7	Shenwan Energy Co., Ltd.	4,696	13,499	7,729	1,212	888	36.5
8	Hebei Guohua Dingzhou Power Generation Co., Ltd.	1,561	6,221	3,010	991	1,008	(1.7)
9	Shenhua Finance Co., Ltd.	5,000	58,769	7,203	837	847	(1.2)
10	Hebei Guohua Cangdong Power Co., Ltd.	1,834	7,230	3,029	826	1,068	(22.7)

Note:

1. The financial information of the major subsidiaries disclosed in the above table was prepared in accordance with the Accounting Standards for Business Enterprises. The data have not been assessed, audited or reviewed.

2. Shuohuang Railway Development Co., Ltd. recorded revenue of RMB13,386 million and a profit from operations of RMB6,198 million in 2015.

3. Shendong Coal Group Co., Ltd. recorded revenue of RMB35,192 million and a profit from operations of RMB4,503 million in 2015. The net profits attributed to shareholders of the parent company amounted to RMB3,611 million, representing a year-on-year decrease of 63.1%, which was mainly attributable to the decrease in sales of coal and coal prices.

4. Jinjie Energy recorded revenue of RMB6,138 million and a profit from operations of RMB2,812 million in 2015.

5. Shenwan Energy Co. recorded net profits attributable to shareholders of the parent company of RMB1,212 million, representing a year-on-year increase of 36.5%, which was mainly attributable to the increase in sales of electricity and decrease in coal-fired costs.

Details regarding the Company's acquisition of subsidiaries are set out in Note 43 of the consolidated financial statements in report on investment in subsidiaries.

(2) Shenhua Finance Company

As of the end of the reporting period, the Company directly and indirectly held 100% equity interest in Shenhua Finance Company.

No.	Name of Shareholder	Percentage of equity interest held *(%)*
1	China Shenhua Energy Company Limited	81.43
2	Shuohuang Railway Development Co., Ltd.	7.14
3	Shenhua Zhunge'er Energy Co., Ltd.	7.14
4	Shenhua Baoshen Railway Co., Ltd.	4.29
Total		100.00

During the reporting period, Shenhua Finance Company strictly implemented the following resolutions passed at the 12th meeting of the second session of the Board of China Shenhua held on 25 March 2011: (1) China Shenhua currently had no intention or plan to change the existing operation policies and strategies of Shenhua Finance Company; (2) the deposits placed by China Shenhua and its subsidiaries and branches with Shenhua Finance Company would be used solely for the credit business of China Shenhua and its subsidiaries and branches, and would be deposited in the People's Bank of China and the five major commercial banks (namely, Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank and Bank of Communications), and would not be invested in the public market/private equity market and real estate, etc.

(1) Governance of Shenhua Finance Company is as follows:

A. Board of directors

No.	Members of the board at the end of the reporting period	Position
1	Zhang Kehui	Chairman
2	Han Weiping	Executive director, general manager
3	Mei Xueyan	Executive director, party secretary
4	Che Jianming	Executive director, deputy general manager
5	Hao Jianxin	Non-executive director
6	Feng Ning	Non-executive director
7	Du Shengli	Independent director *Note*
8	Zhang Donghui	Employee director

Note: According to the resolutions passed at the first shareholder's general meeting of Shenhua Finance Company in 2015, Mr. Du Shengli was appointed as an independent director, which was approved by the Beijing Branch of China Banking Regulatory Commission in January 2016.

Dr. Zhang Kehui, chairperson, has many years of financial management and auditing experience, she has served as the deputy general manager of the financial department of Shenhua Group Corporation and head of the auditing department of China Shenhua. Dr. Zhang Kehui also serves concurrently as the chief financial officer of China Shenhua.

Each of the three executive directors has extensive experience in financial and risk management. Mr. Han Weiping, executive director and general manager, has over 30 years of experience in financial management. He served as the deputy general manager of the financial department of Shenhua Group Corporation in 1996, and deputy general manager and general manager of Shenhua Real Estate Co Ltd. since 2001. Mr. Han has extensive experience in management. Ms. Mei Xueyan, executive director and party secretary, has served as a director and general manager of Shenhua Finance Company since January 2005 and July 2006 respectively. Ms. Mei Xueyan had worked on capital planning, finance investment and internal control at the headquarters of China Construction Bank for eight years. Mr. Che Jianming, executive director and deputy general manager, has served as a director of Shenhua Finance Company since January 2005. Mr. Che Jianming had worked in investment banks in China for ten years, being responsible for credit approval, project approval and assets management, etc. He had also taken up assets management in Zhongxing Trust & Investment Co., Ltd. for four years.

The two non-executive directors, namely Mr. Hao Jianxin and Mr. Feng Ning, and Ms. Zhang Donghui as the employee director participated in the decision-making process of the company by attending board meetings.

The Board of Shenhua Finance Company Limited operates in accordance with the Articles of Association of Shenhua Finance Company Limited. Any resolution passed at the board meetings of Shenhua Finance Company will only be valid if consent is obtained from two-thirds or more of directors present at the meeting, at which more than one-half of all directors shall be present.

In 2015, the Board of Shenhua Finance Company held two meetings.

B. Board Committees

According to the fourth meeting of the fourth session of the Board of Shenhua Finance Company, the Board revoked the Credit Approval Committee and Investment Decision Committee, and instructed the management to establish the Credit Business Approval Committee and the Investment Business Approval Committee during this reporting period. Credit Approval Committee (revoked) held the ten meetings in 2015. Investment Decision Committee (revoked) did not hold any meetings in 2015.

The Board of Shenhua Finance Company currently has two board committees, namely the Related Party Transaction Control Committee and Risk Management Committee.

(A) Related Party Transaction Control Committee

Related Party Transaction Control Committee of Shenhua Finance Company is responsible for administration over the related party transactions of the company, including identification, statistics, forecasts, reporting, limit management and recommendations in respect of the related party transactions.

In 2015, the Related Party Control Transaction Committee held one meeting.

(B) Risk Management Committee

Risk Management Committee of the board of Shenhua Finance Company is responsible for assisting the board of Shenhua Finance Company to review the company's overall target of risk management, risk management policies, risk management procedures and internal control processes, and monitor and assess the risk management endeavors of relevant senior management members and the risk management function.

In 2015, the Risk Management Committee held two meetings.

(2) Risk Management and Internal Control

The overall target of risk management for Shenhua Finance Company is to uphold the principles of "system enhancement, procedure optimization, implementation strengthening and strict supervision" in its work to build up a top-notch risk management system, in order to steer the company to realizing its strategic planning and continued steady development.

In 2015, Shenhua Finance Company performed better in risk management and control, controlled the supervision indicators within a reasonable range, proactively built and continued to improve the risk management system, steadily pushed forwards the information technology of risk management and continued to strengthen the structure of risk management culture.

(3) Deposits and Loans of Shenhua Finance Company during the reporting period

A. *Total deposits and loans at the end of the reporting period*

Unit: RMB million

	As at 31 December 2015	As at 31 December 2014	Change *(%)*
Balance of deposits	**51,282**	39,074	**31.2**
Balance of loans	**29,380**	33,677	**(12.8)**
Of which: balance of guaranteed loans	**0**	300	**(100.0)**

B. Balance of deposits and borrowings of the top ten customers

(a) Balance of deposits of the top ten customers

Unit: RMB million

No.	Name of customer	As at 31 December 2015
1	China Shenhua Energy Company Limited	26,782
2	Shenhua Group Corporation Limited	9,681
3	China Shenhua Coal Liquefaction and Chemical Company Limited	3,073
4	Shenhua Guoneng Group Company Limited	2,540
5	Shenhua Wuhai Energy Co., Ltd.	2,288
6	Guohua Energy Investment Co., Ltd.	2,030
7	China Energy Conservation and Environmental Protection Group	1,146
8	China Shenhua International Construction Company Limited	1,121
9	Shenhua Ningxia Coal Industry Group Co., Ltd.	726
10	Beijing Guohua Power Company Limited	578

Note: Data of all companies were consolidated except those of Shenhua Group Corporation, which were based on the headquarters of the company.

(b) Balance of loans of the top ten customers

Unit: RMB million

No.	Name of customer	As at 31 December 2015
1	Shenhua Ningxia Coal Industry Group Co., Ltd.	4,500
2	Shenhua Xinzhun Railway Co., Ltd.	3,500
3	State Grid Energy Hami Coal and Electricity Co., Ltd.	3,100
4	Shenhua Bayannur Energy Co., Ltd.	2,356
5	Shenhua Yili Energy Co., Ltd.	2,230
6	Shenhua Ganquan Railway Co., Ltd.	1,790
7	Shenhua Guoneng Jiaozuo Power Plant Company Limited	1,500
8	Shenhua Materials Group Ltd.	1,500
9	China Shenhua Coal Liquefaction and Chemical Company Limited	1,000
10	Inner Mongolia Dayan Minning Industry Group Co., Ltd.	1,000

C. *Approval of loans during the reporting period*

Unit: RMB million

Item	2015
Amount of contracted loans	10,856
Amount of granted loans (including discounted assets) Note	7,269
Of which: amount of guaranteed loans (including discounted assets) Note	0
Amount of rejected loans	0

Note: The amount of granted loans refers to the balance as at 31 December 2015 of the loans granted in the current year in connection with the loans contracts signed in 2015.

(X) Structured Vehicle Controlled by the Company

☐ Applicable ✔ Not Applicable

(XI) Environmental Policies and Performance

The Group is committed to the long-term sustainability of the environment and communities in which it operates. Acting in an environmentally responsible manner, the Group endeavors to comply with laws and regulations regarding environmental protection and adopt effective measures to achieve efficient use of resources, energy saving and waste reduction.

(XII) Compliance with Relevant Laws and Regulations

As far as the Board and management are aware, the Group has complied in all material aspects with the relevant laws and regulations that have a significant impact on the business and operation of the Group. In 2015, there was no material breach of or non-compliance with the applicable laws and regulations by the Group.

(XIII) Relationship with Stakeholders

For details of remuneration and training of the Group's employees, please refer to the section headed "Directors, Supervisors, Senior Management and Employees". The Group also understands that it is important to maintain good relationships with customers, suppliers and other business partners to achieve its long-term goals. Accordingly, our senior management have kept good communication, promptly exchanged ideas and shared business updates with them when appropriate. In 2015, there was no material and significant dispute between the Group and its customers, suppliers and other business partners.

II. DISCUSSION AND ANALYSIS ON THE COMPANY'S FUTURE PLANS[1]

(I) Competition Landscape and Development Trend in the Industry

1. Macroeconomic conditions

In 2015, there were many difficulties and severe challenges in the Chinese economic development. The government strived to stabilize growth, make structural adjustment and control risks, thereby maintaining the economic operation in a reasonable range while making positive progress in structural adjustment. The gross domestic product (GDP) of China grew by 6.9% year-on-year, representing a decrease of 0.4 percentage point as compared to that of last year. The consumer price index (CPI) recorded a year-on-year increase of 1.4%, representing a decrease of 0.6 percentage point as compared to that of last year.

In 2016, the Chinese government will step up the implementation of new ideals. The government adheres to the key note of "making progress while maintaining stability", strikes a balance between stabilizing growth and adjusting structure, focuses on strengthening structural reform on the supply side and sticks to "eliminating excessive capacities, destocking, deleveraging, lowering costs and shoring up growth in weak areas", in addition to sustainable and sound development of the economy. GDP growth is expected to be around 6.5% to 7.0% in 2016, with CPI increase maintaining at around 3%. The all-year coal demand is expected to remain stable with slight decrease, and electricity demand is expected to increase at a slow rate.

1 This section is for reference only and does not constitute any investment advice. The Company has used its best endeavors to ensure the accuracy and reliability of information in this section, but does not assume any liability or provide any form of guarantee for the accuracy, completeness or validity of all or part of its content. If there is any error or omission, the Company does not assume any liability. The content in this section may contain certain forward-looking statements based on subjective assumptions and judgments of future political and economic developments; therefore there may exist uncertainties in these statements. The Company does not undertake any responsibility for updating the information or correcting any subsequent error that may appear. The opinions, estimates and other data set out herein can be amended or withdrawn without further notice. The data contained in this section are mainly derived from sources such as the National Bureau of Statistics, China Coal Market Network, China Coal Resource Network, China Electricity Council, and China Coal Transportation & Sales Society etc.

2. **Market environment of the coal industry**

(I) Thermal coal market in China

Review for 2015

Due to the slower macroeconomic growth in China, adjustment of energy structure became more intense and demand for coal decreased, resulting in continuous excessive production in the coal industry and falling coal prices. As at 31 December 2015, Bohai-Rim Steam-Coal Price (5,500 kcal) was RMB372/tonne, representing a decrease of RMB153/tonne as compared to that (RMB525/tonne) of the beginning of this year. During the year, the average price of Bohai-Rim Steam-Coal Price Index was RMB427/tonne, representing a year-on-year decrease of 18.2%.

	2015	2014	Year-on-year change *(%)*
Raw coal output (million tonnes)[2]	**3,685**	3,819	(3.5)
Coal transportation by railway (million tonnes)	**2,000**	2,290	(12.6)
Coal import (million tonnes)	**204**	291	(29.9)
Coal export (million tonnes)	**5.33**	5.74	(7.2)

In 2015, the national raw coal output amounted to 3.69 billion tonnes, representing a year-on-year decrease of 3.5% and a further decrease as compared with last year. In particular, Shanxi recorded an output of 0.96 billion tonnes, representing a year-on-year decrease of 1.6%; Inner Mongolia recorded an output of 0.9 billion tonnes, representing a year-on-year decrease of 8.1%; and Shaanxi recorded an output of 0.5 billion tonnes, representing a year-on-year decrease of 1.7%. The accumulated coal import during the year was 0.2 billion tonnes, representing a year-on-year decrease of 29.9%.

The national coal sales volume in 2015 was 3.46 billion tonnes[1], representing a year-on-year decrease of 6%. In the main coal consumption sectors in the downstream, except a certain increase in the chemical coal consumption, there was a decrease in the coal consumption of electricity, steel and construction material industries.

As the coal market was weak, coal outbound shipment clearly fell. The coal transportation volume through railways in China was 2.00 billion tonnes during the year, representing a year-on-year decrease of 12.6%. The coal transportation volume through cars increased, intensifying its competition with railway transportation. Coal outbound shipment through major ports in China was 0.64 billion tonnes, representing a year-on-year decrease of 5.6%.

[1] Data source: China Coal Transportation & Sale Society

The coal inventory differentiated throughout the year. The coal inventory in ports and plants significantly dropped in the second half year, while the coal inventory in coal mines remained relatively abundant. As at 31 December, the inventories at major ports in northern areas were 14.8 million tonnes, representing a decrease of 48.3% as compared to that of the end of last year; the inventories at major plants was 73.6 million tonnes, representing a decrease of 22.2% as compared to that of the end of last year; the inventories at major coal mines in China was 0.06 billion tonnes, representing an increase of 16.0% as compared to that of the end of last year. The low inventories at ports and plants will benefit the stability of coal market.

Prospect for 2016

In 2016, China's economy will grow slower and excess capacity of coal industry will continue. Coal price is expected to remain at a low level for the year while production volume of coal is expected to be stable with a slight decline as there will be larger scale of deficit for coal enterprises and the production of certain coal mines will be cut or suspended.

In accordance with the Opinions on Overcoming Difficulties and Development Through Solving Excess Capacity in Coal Industry issued by the State Council to propose to exit coal production capacity of around 500 million tonnes and reduce and reorganize coal capacity of around 500 million tonnes in the coming three to five years. With the implementation of such policies, excess capacity in the coal industry is expected to be solved gradually, market supply and demand will be more balanced and industrial structure will be optimized, thereby making progress in transformation and upgrade.

Coal exporting countries such as Australia & Indonesia still enjoy certain edges over prices. However, affected by the depressed coal demands in China and the decreased difference in coal price between China and overseas, coal import volume is expected to change slightly as compared with the same period of last year.

Coal demand is expected to slacken. Oversupply will persist in the coal market and coal price will fluctuate at a low level.

(2) Thermal coal market in the Asia Pacific region

Review for 2015

In 2015, due to the downward trend of the global economy and significant drop in oil price, coal demand was weak in countries with a continuous drop in international coal prices. The spot price of Australian BJ thermal coal decreased from US$62.95/tonne at the beginning of 2015 to US$52.28/tonne at the end of the year.

In 2015, there was a decrease in the total coal export volume of major coal exporters. Indonesia exported 0.30 billion tonnes of coal, representing a year-on-year decrease of 22.9%. Russia exported 0.15 billion tonnes of coal, representing a year-on-year decrease of 0.8%. The United States exported 0.07 billion tonnes of coal, representing a year-on-year decrease of 23%. Australia exported 0.39 billion tonnes of coal, representing a year-on-year increase of 4.5%.

In 2015, India imported 0.25 billion tonnes of thermal coal, representing a year-on-year increase of 16.6%. Japan and South Korea maintained a stable increase of coal import. Japan imported 0.19 billion tonnes of coal, representing a year-on-year increase of 1.2%; South Korea imported 0.14 billion tonnes of coal, representing a year-on-year increase of 3.1%.

Prospect for 2016

In 2016, overcapacity in the coal industry is expected to continue to exist. Due to the commencement of the China-Australia Free Trade Agreement and the impacts of exchange rates, coal export from Australia will be benefited.

China and India will remain as the major consumers of coal. Demand for thermal coal in India will remain at a relatively high level, but, with the increasing production of coal in the nation, the export volume will slow down. Coal import volume in Japan, South Korea and other countries is expected to remain stable.

Global demand for coal is expected to manifest a downward trend in 2016 as impacted by the slackened global economy growth, structural adjustment of energy, slow energy consumption growth and climate change. The coal supply will be excessive, and prices of thermal coal will remain low.

3. Market environment of the power industry

Review for 2015

The growth in power consumption nationwide had a clear year-on-year decrease as impacted by the slow macroeconomic growth, adjustment of assets structure and climate change. The nationwide power supply was generally excessive. The total power consumption was 5,550 billion kwh, representing a year-on-year increase of 0.5% but the growth was 3.3 percentage points slower than 2014.

As at the end of 2015, the nationwide capacity of power generation equipment of power plants with capacity of 6,000 kw and above reached 1.51 billion kw, representing a growth of 10.4% as compared to that of the end of last year, of which the installed capacity of thermal power was 0.99 billion kw, representing a growth of 7.8% which was 1.9 percentage points faster year-on-year. The power-generating ability of non-fossil fuel including hydropower and nuclear power clearly increased.

Due to the slowdown in electricity demand and rapid growth of non-fossil energy generation capacity in the country, thermal power installed capacity increased significantly with the utilization hours of thermal power equipment being only 4,329 hours for the year, representing a year-on-year decrease of 410 hours which marked a further decline. The issue of oversupply of thermal power started to appear.

For analysis by geographical regions, there are more surplus of power supply capacity in the Northeast and Northwest of China, whereas there was a slight oversupply in the North, East, Central and South China in overall, and a little tight supply of electricity in rush hours in some areas.

Prospect for 2016

In 2016, the domestic economy will still be shifting its gears and the pace of industrial restructuring will accelerate. It is expected that the annual electricity demand in the primary and second industries will remain low. Nevertheless, the tertiary industry and residential electricity consumption are expected to maintain rapid growth as driven by economic restructuring. The electricity consumption demand growth rate in 2016 is expected to slightly increase.

The power supply capacity across the country will be sufficient in 2016. Thermal power installed capacity will continue to increase. It is expected that hydropower, nuclear power and wind power will continue to maintain their strong growth momentum.

The domestic supply of and demand for power in 2016 will continue to be stable in general, with a slight oversupply. The structure of power usage and supply and demand by geographical regions will align with those in the previous year. The urge for non-fossil energy power generation as an alternative will be gradually apparent given the growth rate of demand for electricity consumption continued to slow down with sufficient supply capacity of thermal power. The annual utilization hours of thermal power equipment are estimated to continue its downward trend. With the advance of the power system reform, it will further intensify competitions among power companies.

The government is committed to promoting energy saving and environmental protection reconstruction of thermal power with an aim to achieve "ultra-low emissions" by all coal-fired power plants which possess transformation conditions and newly built coal-fired generating units by 2020, which will be favorable to the continuous improvement of lowering air pollutant emission mostly from coal-fired units. Meanwhile, the introduction of supportive policies by the government will provide the pioneering coal-fired power plants which adopt ultra-low-emission technologies with a broader market space.

(II) Development Strategy of the Company

1. China Shenhua's opportunities for future development

As a major energy source and industrial material, coal will remain as one of the primary energy sources in China in the medium and long term. It offers fundamental protection of a safe and stable supply of energy in China. The safe, green and efficient development as well as the technology of clean, efficient and low-carbon utilization of coal can further explore the use of coal.

The market share of coal-fired power generation has declined but its dominant position has not changed. As clean and efficient coal-fired power generation technology keeps improving, the competitiveness of high-quality thermal power will be enhanced, which in turn provides a key support for the development of the industry.

The "the Belt and Road" strategy initiated by China provides important external opportunities for exploring international markets, which creates enormous potential in overseas business development.

The supply-side reform will accelerate the elimination of backward production capacity and promote mergers and acquisitions of coal and electric power enterprises in order to achieve large-scale development. New acquisitions and investment opportunities will come along with the state's transport corridor and local railway construction. The advancement of technology will also provide investment opportunities for promoting technology industrialization.

2. China Shenhua's future main challenges:

In 2016, the new normal state of the coal industry will become further defined. The development mode of purely relying on the expansion of output and capacity has changed, which in turn causes changes in the market competition model.

The slow international economy recovery and the national economy structure under adjustment will slacken the growth in the demand for energy, coal in particular. The oversupply in the coal market will remain and the pressure for falling coal prices will linger.

The power business has encountered more difficulties in accelerating development. The growth in demand for power will decrease as affected by the slow growth in economy; the government accelerated the adjustment of the power structure, and imposes a strict limit on the newly installed capacity of coal-fired power; factors such as the structural reform of the power industry will intensify the competition in the industry.

With regard to the tightening regulation on energy and the environment, the potential risks posed by environmental and ecological protection are gradually increasing. The entry requirements for coal exploitation and coal-fired power development and standards for energy saving, environmental protection and production safety, etc. are becoming more stringent. Restraints on water resources and significant investment in infrastructure are the key factors that hinder the development of the coal chemical business.

3. Development Strategy of China Shenhua

China Shenhua will step up the implementation of the clean energy development strategy. Focusing on the goal of "building itself into a world first-class supplier of clean energy", China Shenhua will accelerate the change in the concept and mode of development and facilitate the four developments, namely "safe development, transitional development, innovative development and harmonious development", and achieve the "five enhancements", namely "enhancing the quality and efficiency of development, the standards of management, the capability of internationalization, the soft power of the enterprise and the ability to fulfill social responsibilities." By strengthening the integrated operation of coal production, transportation and marketing, improving clean and efficient conversion and utilization of coal and the production chain of new energies, and refining the technological system of clean combustion and efficient conversion of coal, China Shenhua will gradually explore new room for development, improve its comprehensive competitiveness, profitability and risk resilience, adhere to the continuity and stability of the profit distribution policy, and dutifully assume its social responsibility, building China Shenhua into a reputable international company and creating greater value for its shareholders.

(III) Business Targets for 2016

Item	Unit	Target of 2016	Accomplishment in 2015	increase/ (decrease) (%)
Commercial coal production	100 million tonnes	**2.8**	2.809	(0.3)
Coal sales	100 million tonnes	**3.4**	3.705	(8.2)
Power output dispatch	billion kwh	**211.40**	210.45	0.5
Revenue	RMB100 million	**1,451**	1,770.69	(18.1)
Cost of sales	RMB100 million	**1,138**	1,233.41	(7.7)
Selling, general and administrative expenses and net finance costs	RMB100 million	**140**	148.13	(5.5)
Amount of change in unit production cost of the self-produced coal	/	**Flat year-on-year growth**	Year-on-year decrease of 6.7%	/

The above business targets and estimates are subject to risks, uncertainties and assumptions. The actual outcome may differ materially from these statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to investment risks.

(IV) Capital expenditures plans for 2016

Unit: RMB100 million

	Plans for 2016		Accomplishment in 2015
	Total amount	Of which: first batch	
1. Coal segment		12.9	70.0
2. Power segment		80.2	198.0
3. Transportation segments		6.3	80.6
Of which: Railway		4.2	65.3
Port		0.9	13.9
Shipping		1.2	1.4
4. Coal chemical segment		1.6	5.3
5. Others		0.0	0.4
Total	200.0	101.0	354.3

Total capital expenditures of 2015 amounted to RMB35.43 billion, which were mainly used for Guohua Shouguang Power Plant, and expansion of Shenwan Energy Company Anqing Phase II, coal mine infrastructure and purchasing equipments, and the construction of Huangda Railway,etc.

In 2015, the Company issued three tranches of super short-term commercial papers, with proceeds of RMB15 billion.

On 20 January 2015, China Shenhua Overseas Capital Company Limited, a wholly-owned subsidiary of Shenhua Hong Kong Limited, which is a wholly-owned subsidiary of the Company, issued bonds of US$1.5 billion which were listed on the Hong Kong Stock Exchange. The proceeds would mainly be used for the repayment of loans of overseas subsidiaries, approved overseas projects and other uses in compliance with applicable rules. For details, please refer to Note 30 of the consolidated financial statements of this report and the relevant announcements dated 14 January and 20 January 2015.

Based on the principles of maintaining the strict limit of investment scale and the continuity of major construction projects, the Board approved total planned capital expenditures of 2016 of no more than RMB20 billion, and implemented in batches. The first batch of planned capital expenditures of 2016 amounted to RMB10.10 billion. Regarding the capital expenditures for coal segment, the expenditures approved of mines amounted to RMB0.82 billion, and the other expenditures for technology transformation amounted to RMB0.47 billion. Regarding the capital expenditures for power segment, the expenditures for green technology reform of "ultra-low emission" of plants amounted to RMB0.72 billion.

The capital expenditure plans of the Group in 2016 are subject to the development of business plans (including potential acquisitions), progress of investment projects, market conditions, outlook for future operation environment and the obtaining of the requisite permissions and approval documents. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance its capital expenditures by cash generated from operating activities, short-term and long-term borrowings, and other debt and equity financing.

(V) Major risks faced

Investors should be aware that although the Group has reviewed and listed the major risks, and adopted relevant countermeasures, there is no absolute guarantee that all adverse impact could be eliminated due to the limitation of various factors.

1. Risk of macroeconomic fluctuations

The industry in which the Group operates is closely correlated to the prosperity of the national economy. In 2015, the GDP of China grew by 6.9%, which was a record low since 1990. Uncertainties will still remain amid the steady pace of the macro-economy. Such uncertainties may materially affect the Group's results.

To cope with the risk of macroeconomic fluctuations, the Group will further strengthen the studies on relevant industrial trends, optimize production structure, and implement strategies of green energy to continuously upgrade the quality of development.

2. Risk of market competition

In the coal market, the coal oversupply and structural surplus will become complicated due to relatively significant investment in the newly added production capacities and coal import volume, structural decrease in and environmental restriction on coal consumption. In the power market, competition in the thermal power market will somewhat intensify, mainly attributable to the slowdown in economic growth, continuous trend of industrial growth slowdown, weak growth in power usage nationally. In the coal chemical market, coal chemical products will continue to decrease due to the lowering oil prices internationally. Such factors in market competition may have adverse impacts on the Company, such as lower sales prices of coal and coal chemical products and lower power generation than expected, and therefore may affect the Company's business results.

In response to the risks of market competition, the Company will enhance the accuracy of its market forecasts, optimize sales planning, coordinate and plan transportation capacity, promote the electronic trading platform and strengthen the coordination of power grids. The Company will also devote efforts to contingency plans and early warnings of market risks and continuously strengthen its market risks resistance.

3. Risk of changes in industry policies

The Group's business activities are subject to the industrial regulatory policies in China. For the coal industry, there are major guidelines put forward by the PRC government such as "total consumption of primary energy to be controlled at approximately 4.8 billion tonnes of standard coal, and total consumption of coal to be controlled at approximately 4.2 billion tonnes by 2020", "increasing the proportion of non-fossil energy consumption in primary energy consumption to 15%, and proportion of coal consumption to be controlled at no more than 62% by 2020". At the beginning of 2016, the State Council issued Opinions on Overcoming Difficulties and Development Through Solving Excess Capacity in Coal Industry were successively issued by the State Council to propose to exit coal production capacity of around 500 million tonnes and reduce and reorganize coal capacity of around 500 million tonnes in the coming three to five years. For the power industry, in accordance with the " Opinions on Further Deepening the Reform of the Power Sector" issued by the State Council in 2015, which involves price deregulation of the competitive segment of power other than power transmission and distribution, opening of the power allocation and sales business, deregulation of power generation and usage plan other than those of public interest and adjustment purposes, and promotion of relatively independent trading agencies. The above policies may have an objective impact on the approval of the Company's new expansion and construction projects, and reforms of operation and management models.

To cope with the risk of changes in industry policies, the Group will strengthen its research on the latest industry policies and regulations in the PRC and promote industrial upgrading and structural adjustment through a rational investment portfolio across the business segments and increasing expenditure on environmental protection.

4. Risk of rising costs

As the mining process proceeds further and production conditions become increasingly complicated, the Group's corporate mining cost may increase gradually. Furthermore, a number of factors, including the long-term price increase of productive resources, increase in resource and environmental constraints and changes in fiscal and taxation policies, may lead to an increase in the Group's costs.

To cope with the risk of increasing costs, the Company will establish the value-creation concept and strengthen the strategic cost control; optimize the cost accountability system; strengthen taxation planning to refine cost management and improve the quality of cost control.

5. Risk of environmental protection

In 2015, the Chinese government issued successive policies and measures, including the Notice on Printing and Distribution of Water Pollution Prevention Action Plan and the Overall Proposal of Reform of Ecological Civilization System. The businesses of coal, electric power and coal chemicals face more stringent environmental pressure.

The Group focuses on the development strategy of clean energy. With the efficient development, use and conversion of clean coal as the core, it spares no effort in constructing ecological civilization. The Company implemented the Air Pollution Control Action Plan for 2013–2017 and promulgated the Water Pollution Control Action Plan for 2015–2020. The Company is also building the brand image of ultra-low emissions in coal power. It further improves the environmental risk pre-control management system and strengthens the identification, remediation of potential issues and environmental emergency management in order to achieve energy conservation and emission reduction targets as well as to prevent severe environmental pollution incidents.

The management of the Company is of the view that other than those accounted for in the financial statements, there are currently no environmental lability that may have material adverse effect on the Group's financial position.

6. Risks of production safety for coal mines

The Group has established the safety production targets of "preventing serious work-related accidents and general accidents, striving to reduce cases of light and serious injuries, creating long-term mechanism for production and work safety". Although the Group has been sustaining stable performance in safe production for its coal mines, there are uncertainties in the course of safe production and any major safety accident would have a material impact on the Group.

To cope with the risks of production safety for coal mines, the Group will strengthen various areas in respect of the implementation of its safety risk prevention and control management system, inspections and treatments of significant risks, establishment of "three-breaching" control mechanism, enhancement of site management level, safety production training, emergency rescue management and emergency management, and consolidation of safety production fundamentals.

7. Risk of integrated operations

The Group's advantages in integrated coal mines, power, transportation and coal chemical operations come along with considerable operating risks. In case of poor organization or coordination or a discontinuation of any link, the balance and high efficiency of integrated organization and operations will be affected and the impact may be amplified, which may in turn adversely affect the Group's business results.

To cope with the risk of integrated operations, the Group will take an array of measures based on production safety, including scientific scheduling and plan management, improve railway collection and distribution system, strengthen the coordination of power grid, and strengthen the operation management of production equipment, with an aim at balanced production and uninterrupted integrated operations to maximize its competitiveness.

8. Risk of international operations

Due to the complex economic, social, political and religious conditions in the globe and the fluctuations in exchange rates, the risk of investments in different countries varies significantly. Given the highly competitive energy market worldwide, the uncertainties in the Group's international operations may have an impact on its business.

To cope with the risk of international operations, the Group will actively respond to the national promotion of "the Belt and Road", and conscientiously carry out overseas resource evaluation and project assessment based on sound information analysis prior to making any decision on overseas project investment so as to ensure economic feasibility. Furthermore, the Company will strengthen the cultivation and introduction of interdisciplinary talents to lay a solid cornerstone for its "Going Overseas" strategy.

9. Risk of natural disasters

The production and operation activities of the Group will be affected by factors including natural disasters or bad weather. Certain particularly major natural disasters which occurred in China in recent years had adversely affected the Group's operations to a certain extent. Factors such as unforeseeable natural disasters and bad weather may bring certain losses to the Group's operations.

In order to cope with the risks arising from natural disasters, the Group will further strengthen early warnings of major natural disasters, formulate emergency plans, allocate necessary resources and perform relevant emergency drills to ensure that the impacts of natural disasters can be minimized.

The Group carries out centralized management of commercial property insurance with ongoing review and assessment of risks and risk portfolio. Necessary and appropriate adjustments which are in line with the needs and practices of the insurance industry in China have been made to the insurance strategies and actions as safeguard against losses arising from various exposure.

III. REASONS AND CAUSES OF FAILURE TO DISCLOSE PURSUANT TO GUIDELINES BY THE COMPANY DUE TO NON-APPLICATION OF GUIDELINES OR SPECIAL REASONS

☐ Applicable ✔ Not Applicable

I. PROFIT DISTRIBUTION PLAN

1. Formulation, implementation or adjustment of cash dividend policy

In accordance with the requirements of the relevant laws and regulations and the Articles of Association, the profit distribution policy of the Company shall maintain continuity and stability and emphasize on achieving reasonable investment returns for investors. Pursuant to the Articles of Association, the profit distribution of the Company shall be made based on the profit for the year attributable to equity holders of the Company in the consolidated financial statements prepared under the Accounting Standards for Business Enterprises or the International Financial Reporting Standards, whichever is lower. Annual profit distribution in cash shall be no less than 35% of the net profit for the year attributable to equity holders of the Company subject to the relevant conditions.

2. Profit distribution scheme or plan of the Company in the past three years (inclusive of the reporting period)

Year	Dividend per 10 shares (inclusive of tax)	Amount of cash Dividend (inclusive of tax)	Profit for the year attributable to equity holders of the Company in the consolidated financial statements of the respective dividend year in accordance with Accounting Standards for Business Enterprises (Unrestated)	Percentage to the profit for the year attributable to equity holders of the Company in the consolidated financial statements
	RMB	*RMB million*	*RMB million*	*(%)*
2015 (Proposed)	3.2	6,365	16,144	39.4
2014	7.4	14,718	36,807	40.0
2013	9.1	18,100	45,678	39.6

1. Profit distribution plan for the year 2015

   Net profit for the year attributable to equity holders of the Company for 2015 under the Accounting Standards for Business Enterprises amounted to RMB16,144 million, with basic earnings per share of RMB0.812/share; profit for the year attributable to shareholders of the Company under the International Financial Reporting Standards amounted to RMB17,649 million, with basic earnings per share of RMB0.887/share. As at 31 December 2015, the retained earnings available for distribution to shareholders of the Company amounted to RMB104,992 million. The Board recommends the payment of a cash dividend of RMB0.32 per share (inclusive of tax) on the basis of the total share capital of 19,889,620,455 shares of the Company as at 31 December 2015, totaling approximately RMB6,365 million (inclusive of tax), which represents 39.4% of the net profit for the year attributable to shareholders of the Company under the Accounting Standards for Business Enterprises and 36.1% of the profit for the year attributable to shareholders of the Company under the International Financial Reporting Standards.

   The above plan is in compliance with the requirement of the Articles of Association and endorsed by the independent directors and approved by the Board of the Company. When recommending the final dividend plan for 2015, the Board has fully attended to and considered the opinions and concerns of the shareholders of the Company, in particular the minority shareholders. The Company will hold the 2015 annual general meeting on Friday, 17 June 2016 to consider and approve the relevant resolutions, including the above final dividend plan for the year 2015 as proposed by the Board.

2. Dividends distributed by the Company is denominated and announced in RMB. Dividends to holders of the Company's A shares, including holders of the Company's A shares through the Northbound Trading Link of the Shanghai-Hong Kong Stock Connect (hereinafter referred to as the "Northbound shareholders") and holders of the Company's H shares through the Southbound Trading Link (hereinafter referred to as the "Southbound Shareholders") are paid in RMB. Dividends to holders of the Company's H shares, except the Southbound Shareholders, are paid in HKD. The dividend paid in HKD is calculated according to the exchange rate based on the average benchmark rate of RMB against HKD, as published by the Bank of China five business days preceding the date of declaration of such dividend.

   In accordance with the preliminary arrangement of profit distribution plan and annual general meeting of the Company for the year 2015, the final dividend of the Company's H shares for the year 2015 is estimated to be distributed on or about 29 July 2016.

3. Pursuant to the Articles of Association:

   (1) After the Shanghai Stock Exchange is closed in the afternoon on Wednesday, 18 May 2016, the shareholders of A shares of the Company (including the Northbound Shareholders) and the proxies of shareholders as registered in the China Securities Depository and Clearing Corporation Limited Shanghai Branch are entitled to attend and vote at the 2015 annual general meeting of the Company;

   (2) Under the relevant regulations of China Securities Depository and Clearing Corporation Limited Shanghai Branch and according to the market practice adopted for final dividend distribution for A shares, the Company will publish a separate announcement in respect of final dividend distribution to holders of A shares (including the Northbound Shareholders) for the year 2015 after the 2015 annual general meeting to determine the record date, ex-rights date and dividend distribution date for final dividend distribution to holders of A shares for the year 2015.

4. The arrangement of temporary closure for the register of members of H Shares of the Company:

		Temporary closure for the register of members			
No.	Corresponding Rights	First Day (inclusive)	Last Day (inclusive)	The last day for registering members	The Company's share registrar for H shares
1	Attending and voting at the 2015 annual general meeting	18 May 2016, Wednesday	17 June 2016, Friday	17 May 2016, Tuesday 4:30p.m.	Computershare Hong Kong Investor Services Limited
2	Entitled to final dividend for the year 2015	27 June 2016, Monday	1 July 2016, Friday	24 June 2016, Friday 4:30p.m.	Computershare Hong Kong Investor Services Limited

5. In accordance with the Enterprise Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold and pay enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H shares of the Company when distributing final dividends. The Company shall withhold and pay enterprise income tax for the non-resident enterprise shareholders whose name would appear on the register of members for H shares of the Company on 1 July 2016.

6. According to Guo Shui Han [2011] No.348 issued by the State Administration of Taxation, the Company shall withhold and pay individual income tax for dividend payable to the individual shareholders of H shares. The individual shareholders of H shares are entitled to the relevant preferential tax treatment pursuant to the provisions in the tax agreements entered into between their countries of residence and China or the tax arrangements between mainland China and Hong Kong (Macau).

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

   The Company shall use the registered address (hereinafter referred to as "registered address") as recorded in the register of members of H shares on 1 July 2016 as the criterion in determining the residence of the individual shareholders of H shares, and withhold and pay individual income tax accordingly. If the residence of the individual shareholders of H shares is inconsistent with the registered address, such shareholders shall notify the Company's share registrar for H shares at or before 4:30 pm on 24 June 2016 with the relevant evidence at Computershare Hong Kong Investor Services Limited of 17M Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong.

7. With respect to the Southbound Shareholders, according to the relevant requirements of China Securities Depository and Clearing Corporation Limited, China Securities Depository and Clearing Corporation Limited Shanghai Branch shall receive cash dividends distributed by the Company as the nominee of the Southbound Shareholders and distribute such cash dividends to the relevant Southbound Shareholders through its depository and clearing system.

   According to the relevant provisions under the "Notice on Tax Policies for Shanghai-Hong Kong Stock Connect Pilot Programme (Cai Shui [2014] No. 81)", the Company shall withhold individual income tax at the rate of 20% with respect to dividends received by Mainland individual investors for investing in H-shares listed in Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the above rules also apply and individual income tax shall be levied on dividends derived therefrom. The Company is not required to withhold income tax on dividends derived by Mainland enterprise investors, and such enterprises shall report the income and make tax payment by themselves. The record date and the relevant arrangements of dividend distribution for Southbound Investors are the same as that of the Company's shareholders of H shares.

8. The Company assumes no responsibility arising from any delayed or inaccurate determination of the status of the shareholders or any dispute over the mechanism of withholding. Shareholders should consult their tax advisers regarding the PRC, Hong Kong and other tax implications of owning and disposing of the Company's H shares.

II. PERFORMANCE OF COMMITMENTS

Background of Commitment	Type of Commitment	Party Making the Commitment	Commitment	Date and Duration of Commitment	Any Time Limit for Commitment	Timely and Strict Performance of Commitment	Detailed reasons shall be specified if commitment is not fulfilled in time	Further steps shall be specified if commitment is not fulfilled in time
Commitment in relation to initial public offering	Non-competition undertaking	Shenhua Group Corporation	The Company and Shenhua Group entered into a "Non-competition Agreement" on 24 May 2005. Pursuant to such agreement, Shenhua Group has committed not to compete with the Company in respect of the Company's principal businesses whether inside or outside of the PRC, and granted the Company priority trading and pre-emptive right to acquire and be transferred from Shenhua Group any business opportunities and assets which may pose potential competition.	24 May 2005, long-term	Yes, China Shenhua will initiate the acquisition of 14 asset items of Shenhua Group and its subsidiaries before 30 June 2019 (submitting the asset acquisition plan to the internal competent authorities of China Shenhua for approval).	Yes, in process	N/A	N/A
Other commitment	Commitment in relation to increase in shares	Shenhua Group Corporation	Shenhua Group Corporation proposed to increase its shareholding of A shares in the Company in its own name via the trading system of the Shanghai Stock Exchange within 12 months after 8 July 2015. Shenhua Group Corporation undertakes that it will not dispose any share it holds in the Company during the period of the implementation of the increase plan and within the statutory period.	8 July 2015, during the period of increase in shares and the statutory period	Yes	Yes, in process	N/A	N/A

III. FUND OCCUPANCY AND PROGRESS OF THE COLLECTION DURING THE REPORTING PERIOD

☐ Applicable ✔ Not applicable

IV. AUDIT OPINIONS AND OTHER EXPLANATIONS

(I) Explanation from the Board and the Supervisory Committee for the "Non-standard Audit Report" issued by the auditors

☐ Applicable ✔ Not applicable

(II) The Board's analysis and explanation about the reasons for and impact of changes in accounting policies, accounting estimates or accounting method

☐ Applicable ✔ Not applicable

(III) The Board's analysis and explanation about the reasons for and impact of correction to material previous errors

☐ Applicable ✔ Not applicable

The auditors issued a standard unqualified audit report in respect of the annual financial report of the Company.

During the reporting period, there were no changes in accounting policies or accounting estimates or correction to material accounting errors. For details of the significant accounting policies and significant accounting estimates, please refer to Note 3 and Note 4 set out in the consolidated financial statements of this report.

V. APPOINTMENT AND REMOVAL OF AUDITORS

Unit: RMB million

	Current appointment
Name of Auditors of the Company	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Remuneration of Domestic Auditors of the Company	9.375
Term of Auditing of Domestic Auditors of the Company *(year)*	3
Name of International Auditors of the Company	Deloitte Touche Tohmatsu
Remuneration of International Auditors of the Company	1.50
Term of Auditing of International Auditors of the Company *(year)*	3

Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu were re-appointed as the domestic and international auditors of the Company respectively for 2015 at the Company's 2014 annual general meeting held on 29 May 2015.

The above auditors also served as the external auditors of several subsidiaries of the Company (of which the Company is a controlling shareholder) and their remuneration relating to audit services amounted to approximately RMB3.37 million during the reporting period.

Unit: RMB million

	Name	Remuneration
Internal Control Auditors	Deloitte Touche Tohmatsu Certified Public Accountants LLP	1.59
Sponsors	China International Capital Corporation Limited, China Galaxy Securities Co., Ltd.	0

VI. INSOLVENCY OR RESTRUCTURING RELATED MATTERS

☐ Applicable ✔ Not applicable

VII. MATERIAL LITIGATION AND ARBITRATION

☐ Applicable ✔ Not applicable

As at the end of the reporting period, the Group was not involved in any material litigation or arbitration. As far as the Group was aware, the Group did not have any material litigation or claim which was pending or threatened against the Group. As at 31 December 2015, the Group was the defendant or the party of certain non-material litigations. The management of the Company believes that any possible legal liability which may be incurred from the aforesaid cases will not have any material impact on the financial position of the Group.

VIII. SANCTIONS AND RECTIFICATIONS IMPOSED ON THE LISTED COMPANY, DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT STAFF, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND OFFEROR

✔ Applicable ☐ Not applicable

On 7 June 2015, the Company was notified by Shenhua Group Corporation, that Hao Gui was being investigated by the competent judicial authorities. Therefore, he was unable to properly perform his duties. The production and operation of the Company remain normal and unaffected. On 21 August 2015, the 9th meeting of the third session of the Board resolved to dismiss Hao Gui from the position of senior vice president. The dismissal became effective immediately.

Save as disclosed above, no other matters shall be disclosed.

IX. EXPLANATION FOR CREDIT CONDITIONS OF THE COMPANY AND ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER

Upon self-investigation, as at the end of the reporting period, there has been no failure in fulfilling the judgment from court or relatively large amount of outstanding debt such as failure in fulfilling the judgment from court or debit interests owed to external financial institutions due of the Company and Shenhua Group Corporation.

X. THE SHARE OPTIONS INCENTIVE PLAN, EMPLOYMENT STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE SITUATION OF THE COMPANY AND THEIR IMPACTS

☐ Applicable ✔ Not applicable

XI. MATERIAL CONNECTED TRANSACTIONS

✔ Applicable ☐ Not applicable

(I) Connected transactions relating to daily operation

Pursuant to the requirements under the Guidelines of Shanghai Stock Exchange on Connected Transactions of Listed Companies, the Audit Committee of the Board of the Company shall perform the duties of control and daily management of connected transactions of the Company. The Company has a connected transaction team under the direct supervision of the Chief Financial Officer, which is responsible for the management of connected transactions; and has established a business process, which properly delineates the responsibilities of the Company, its subsidiaries and branches in the management of connected transactions. The team has also established routine examinations, reporting systems and accountability systems in the subsidiaries and branches of the Company.

(1) Non-exempt continuing connected transactions between the Group and Shenhua Group

In order to ensure a reliable and quality-assured provision of materials and services for the Company, lower operation risks and costs, and allow Shenhua Finance Company, in which the Company has controlling shareholding, to provide financial services to the companies under the Group and Shenhua Group Corporation so that it can fully leverage on its functions as an internal financing platform and capital management platform, and to further contain risks and increase income. The Company entered into the following continuing connected transaction agreements with Shenhua Group Corporation:

A. Mutual Coal Supply Agreement

The Company entered into the Mutual Coal Supply Agreement with Shenhua Group Corporation on 22 March 2013. The Mutual Coal Supply Agreement would be effective from 1 January 2014 to 31 December 2016. Pursuant to the Mutual Coal Supply Agreement, the Group and Shenhua Group mutually sold and supplied various types of coal. The price of the coal supplied under the Mutual Coal Supply Agreement is market price, namely, the price charged by an independent third party for the supply of coal of the same grade based on the normal commercial terms concluded on the normal commercial conditions in the same region or its vicinity, or the price of coal of the same grade supplied to or purchased from an independent third party by the parties separately based on the normal commercial terms concluded on the normal commercial conditions. The price of the coal supplied under the Mutual Coal Supply Agreement was determined by the Company and Shenhua Group Corporation through fair negotiation with reference to the Bohai -Rim Steam-Coal Price Index. In accordance with the provisions of the Mutual Coal Supply Agreement, priority will be given to the other party when one party purchases coal unless the terms of sales provided by a third party are more favorable.

B. Mutual Supplies and Services Agreement

On 22 March 2013, the Company entered into the Mutual Supplies and Services Agreement with Shenhua Group Corporation. The Mutual Supplies and Services Agreement would be effective from 1 January 2014 to 31 December 2016. In accordance with the Mutual Supplies and Services Agreement, in addition to providing administrative and management services at agreed price (the cost plus a profit margin of 5%), Shenhua Group also supplied production materials and ancillary services to the Group with a pricing policy as follows:

Price prescribed by the state if applicable; when there is no state-prescribed price, the state-guidance price should be applied; where there is neither a state-prescribed price nor a state-guidance price, the market price (including bidding price); where there is no comparable market price from independent third parties, transaction prices can be determined with reference to the prices of non-connected transactions between a connected party and a third party independent thereof (or the prices of non-connected transaction between Shenhua Group Corporation and a third party independent thereof); where none of the above is applicable or where it is not practical to apply the above pricing policies in reality, the price shall be the contractual price (i.e. the costs incurred + a profit margin of 5%).

C. Financial Services Agreement

On 22 March 2013, the Company entered into the Financial Services Agreement with Shenhua Group Corporation. The Financial Services Agreement would be effective from 1 January 2014 to 31 December 2016. In accordance with the Financial Services Agreement, the Company provided relevant financial services to Shenhua Group through Shenhua Finance Company.

The pricing policy of the Financial Services Agreement is as follows:

a. Deposits and loans: The interest rate for deposits placed by Shenhua Group Corporation, its subsidiaries and associates with Shenhua Finance Company shall not be lower than the lowest rate allowed by the PBOC for the same type of deposit; in addition to the above, the interest rate shall be determined by reference to the rate confirmed by normal commercial banks for offering the same type of deposits to Shenhua Group Corporation and its subsidiaries and associates and shall be determined on normal commercial terms. The interest rate for loans offered by Shenhua Finance Company to Shenhua Group Corporation and its subsidiaries and associates shall not be higher than the highest rate allowed by the PBOC for the same type of loans; in addition to the above, the interest rate shall be determined by reference to the rate confirmed by normal commercial banks for offering the same type of loans to Shenhua Group Corporation and its subsidiaries and associates and shall be determined on normal commercial terms;

b. Paid services: Shenhua Finance Company may offer paid consultancy, agency, settlement, account transfer, investment, finance leasing, letter of credit, online banking, entrusted loans and other related services to Shenhua Group Corporation, its subsidiaries and associates. The fees receivable by Shenhua Finance Company for offering consultancy, agency, settlement, account transfer, investment, finance leasing, letter of credit, online banking, entrusted loans and other related services to Shenhua Group Corporation, its subsidiaries and associates shall comply with the relevant requirements on fee standards (if any) stipulated by the PBOC or the CBRC; in addition to the above, the fees receivable by the Shenhua Finance Company for offering financial services to Shenhua Group Corporation, its subsidiaries and associates shall be determined by reference to the fees receivable by normal commercial banks for offering the same type of financial services to Shenhua Group Corporation, its subsidiaries, associates and shall be determined on normal commercial terms.

(2) Non-exempt continuing connected transactions between the Group and other parties

D. Transportation Service Framework Agreement between the Company and Taiyuan Railway Bureau

Taiyuan Railway Bureau is the parent company of Daqin Railway, which is a substantial shareholder of 10% shareholding or above of Shuohuang Railway, a significant subsidiary of the Company under the Hong Kong Listing Rules. Therefore, Taiyuan Railway Bureau is a connected person of the Company under the Hong Kong Listing Rules, and the Transportation Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under the Hong Kong Listing Rules.

In order to secure coal transportation service for the Group, the Company entered into the Transportation Service Framework Agreement with Taiyuan Railway Bureau on 22 March 2013. The Transportation Service Framework Agreement would be effective from 1 January 2014 to 31 December 2016. Pursuant to the Transportation Service Framework Agreement, the transportation fee payable by the Group was determined in accordance with the following pricing policy: (a) state-prescribed price; (b) the state-guidance price where there is no state-prescribed price; and (c) where there is neither a state-prescribed price nor a state-guidance price, the price is determined by fair negotiation between Taiyuan Railway Bureau and the Group with reference to the transportation fee received by Taiyuan Railway Bureau for offering transportation services to a third party.

The agreements A to C above are daily connected transactions under the Shanghai Listing Rules, while the agreements A to D above are continuing connected transactions under the Hong Kong Listing Rules.

(3) Implementation of and review opinion on the non-exempt continuing connected transactions

During the reporting period, the implementation of the agreements A to D above is set out in the table below. The total amount of connected transactions for sale of products and provision of services by the Group to Shenhua Group during the reporting period amounted to RMB10,658 million, which accounted for 6.0% of the operating revenue of the Group during the reporting period.

		Provision of products and services by the Group to connected persons and other inflows			Purchase of products and services from connected persons by the Group and other outflows		
No.	Name of agreement	Prevailing transaction cap *RMB million*	Transaction amount during the reporting period *RMB million*	Proportion in the same type of transactions *%*	Prevailing transaction cap *RMB million*	Transaction amount during the reporting period *RMB million*	Proportion in the same type of transactions *%*
A	Mutual Coal Supply Agreement between the Company and Shenhua Group Corporation	30,300	4,188	5.1	31,800	2,017	11.7
B	Mutual Supplies and Services Agreement between the Company and Shenhua Group Corporation	19,200	6,470	6.9	12,400	3,729	0.8
	Including: (1) Products		5,469	7.2		1,521	0.3
	(2) Services		1,001	10.9		2,208	10.6
D	Transportation Service Framework Agreement between the Company and Taiyuan Railway Bureau	–	–	–	12,400	5,796	47.5

No.	Name of agreement	Connected transaction item		Prevailing transaction cap *RMB million*	Transaction amount during the reporting period *RMB million*
C	Financial Services Agreement between the Company and Shenhua Group Corporation	1.	annual total transaction amount of bill acceptance and discount services handled for Shenhua Group Corporation, its subsidiaries and associates ("Shenhua Group and its associates" (excluding the Group))	26,000	0
		2.	daily balance of deposits from Shenhua Group and its associates (including relevant accrued interests incurred)	91,000	25,707
		3.	daily balance of loans, consumption credit, buyer's credit and finance leasing (including relevant accrued interests incurred) granted to Shenhua Group and its associates	58,500	15,069
		4.	daily balance of entrusted loans (including relevant accrued interests incurred)granted by Shenhua Group through Shenhua Finance Company to the Group	58,500	3,633
		5.	sum of agency fees, handling fees or other service charges in respect of the financial services (including but not limited to rendering services such as consultancy, agency, settlement, account transfer, investment, finance leasing, letter of credit, online banking and entrusted loans services) rendered to Shenhua Group and its associates	430	62

The above continuing connected transactions were settled in cash or bills and carried out in the ordinary course of business of the Company, and were strictly in compliance with procedures of review and approval by independent directors and independent shareholders as well as disclosure requirements.

The independent non-executive directors of the Company have confirmed to the Board of the Company that they have reviewed the transactions contemplated under the agreements A to D above and are of the view that (1) those transactions were entered into in the ordinary course of business of the Group; (2) those transactions were on normal commercial terms or better terms; and (3) those transactions were conducted according to the agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Deloitte Touche Tohmatsu, the international auditors of the Company, have reviewed the transactions contemplated under the agreements A to D above and issued a letter to the Board, indicating that they were not aware of any matter for which they would consider that the continuing connected transactions above (1) had not been approved by the Company's Board of Directors; (2) were not, in all material aspects, in accordance with the pricing policy of the Group, (3) were not entered into, in all material aspects, in accordance with the relevant agreements governing such transactions; and (4) the aggregate amount of those transactions for the year ended 31 December 2015 had not exceeded the annual caps disclosed in the Company's announcements on the continuing connected transactions.

Certain related party transactions set out in Note 41 of the consolidated financial statements prepared under the International Financial Reporting Standards also constituted connected transactions under the Hong Kong Listing Rules and were required to be disclosed in accordance with Chapter 14A of the Hong Kong Listing Rules. The Company has complied with the disclosure requirements of Chapter 14A of the Hong Kong Listing Rules in respect of the above connected transactions and continuing connected transactions.

(II) Connected transactions regarding acquisition and disposal of assets or equity

Summary of the matter	Index of disclosure
In October 2015, the Company completed the acquisition of the 100% equity interests in Ningdong Power, the 100% equity interests in Xuzhou Power and the 51% equity interests in Zhoushan Power held by Shenhua Group Corporation at a total consideration of RMB5,386 million by way of merger under common control.	For details, please refer to the Announcement, on Connected Transactions (H share) of the Company dated 23 October 2015 and the Announcement of Acquisition of Assets and Connected Transactions and (A share) of the Company dated 24 October 2015.

(III) Material connected transactions regarding joint external investment

☐ Applicable ✔ Not applicable

(IV) Debts and liabilities due from/owed to Connected Persons

Unit: RMB million

Related party	Relationship	Funds offered to connected persons			Funds offered by connected persons to the listed company		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
Shenhua Group Corporation and its subsidiaries	Holding company and its subsidiaries	0	0	0	2,174	5,249	7,423
Other related parties	Others	700	0	700	0	0	0
Total		700	0	700	2,174	5,249	7,423

Reasons for incurring connected debts and liabilities	The amount and balance of the above debts and liabilities only include other receivables, other payables, short-term loans, long-term loans due within one year, long-term loans, other noncurrent assets due within one year, other current assets and other non-current assets of a nonoperational nature between the Group and related parties. The above connected debts and liabilities incurred were mainly due to the fact that the Group provided entrusted loans to an associated company of a subsidiary of the Company through a bank, and the Group borrowed long-term and short-term borrowings from Shenhua Group and its subsidiary and performed internal decision procedures in accordance with relevant requirements.
The impact of connected debts and liabilities on the Company	Currently, the principal and interests of the above entrusted loans and borrowings are repaid in a normal manner in accordance with the repayment schedule.

XII. MATERIAL CONTRACTS AND THEIR PERFORMANCE

(I) Trusteeship, contracting and leasing

☐ Applicable ✔ Not applicable

During the reporting period, the Company did not enter into or have any management and administration contracts in respect of the whole or any material part of the business of the Company.

(II) Guarantees

Unit: RMB million

Guarantee provided by the Company to external parties (excluding guarantee granted to its subsidiaries)													
Guarantor	Relationship between the guarantor and the listed company	Guaranteed	Amount guaranteed	Date of provision of guarantee (execution date of agreement)	Beginning date of guarantee	Expiry date of guarantee	Type of guarantee	Whether performance has been completed	Whether guarantee is overdue	Amount of guarantee overdue	Whether Counter-guarantee exists	Whether guarantee is for the benefit of related parties	Connected relations
Shenbao Energy Company	Subsidiary	Hulunbeier Liangyi Railway Company Limited	111.48	2008.8.30	2008.8.30	2029.8.29	Joint and several liability guarantee	No	No	0	No	No	N/A

Total amount of guarantee provided during the reporting period (excluding guarantee provided to its subsidiaries)	(1.61)
Total balance of guarantee at the end of the reporting period (A) (excluding guarantee provided to its subsidiaries)	111.48

Guarantee provided by the Company and its subsidiaries for the benefit of its subsidiaries	
Total amount of guarantee provided for the benefit of subsidiaries during the reporting period	9,631.20
Total balance of guarantee provided for the benefit of subsidiaries at the end of the reporting period (B)	10,488.60

Aggregated amount of guarantee (including guarantee for the benefit of its subsidiaries)	
Total amount of guarantee (A+B)	10,600.08
Proportion of total amount of guarantee in net assets of the Company *(%)*	4.86%
Including:	
Amount of guarantee provided for the benefit of shareholders, de facto controller and their related parties (C)	0
Amount of guarantee directly or indirectly provided for the benefit of parties with a gearing ratio in excess of 70% (D)	10,116.01
Portion of the total amount of guarantee in excess of 50% of net assets (E)	0
Aggregated amount of the above three amounts of guarantee (C+D+E)	10,116.01
Description of the potential joint and several repayment liability for outstanding guarantee	See below
Description of guarantee	See below

Note: 1. The amount of guarantee provided by the subsidiary to external parties of total balance of guarantee at the and of the reporting period equals to the amount of external guarantee of the subsidiary times the equity ratio of the subsidiary held by the Company;

2. Total amount of guarantee accounting for the net asset ratio of the Company = total amount of guarantee/net assets of the Company as at the end of the reporting period under accounting standards for business enterprises.

At the end of the reporting period, the total balance of the amount of guarantee provided by the Company and its subsidiaries for the benefit of its subsidiaries and that provided by the Company and its subsidiaries for the benefit of external parties amounted to RMB 10,600.08 million, including:

(1) At the end of the reporting period, the guarantee provided by Shenbao Energy Company, a subsidiary of which the Company owns 56.61% of the shares, for the benefit of external parties was as follows: prior to the acquisition of Shenbao Energy Company by the Company in 2011 and pursuant to the Guarantee Agreement on the Syndicated Renminbi Loan for the Cooperative Railway Project Connecting Yimin and Yiershi Newly Constructed by Hulunbeier Liangyi Railway Company Limited, in 2008, Shenbao Energy Company, as one of the guarantors, provided joint and several liability guarantee to Hulunbeier Liangyi Railway Company Limited (hereinafter referred to as the "Liangyi Railway Company", of which Shenbao Energy Company owns 14.22% of the shares) for the syndicated loans. The major liability guaranteed was the debts due to the lender with a maximum balance of RMB207.5 million from 2008 to 2027, regardless of whether the debt is due when the above period expires. The above syndicated loans will fall due by tranches between 2011 and 2026. The Guarantee Agreement provides that the guarantee period of the debts borne by the guarantor shall be calculated from the due date of each tranch to two years after the due date of the last tranche, i.e. 2029.

Given that Liangyi Railway Company failed to pay the loan interest on time due to its deteriorating business operation, as resolved by the shareholders' general meeting of Liangyi Railway Company, additional capital was injected into Liangyi Railway Company by its shareholders (including Shenbao Energy Company). Shenbao Energy Company has injected an accumulated amount of RMB11.82 million into Liangyi Railway Company.

As at the end of the reporting period, Shenbao Energy Company, in proportion to its shareholding, repaid the principal on the loans on behalf of Liangyi Railway Company Limited amounting to a total of RMB4.69 million. Shenbao Energy Company already made full provision for impairment on its 14.22% equity interest in Liangyi Railway Company Limited and the repayment amount paid on its behalf. Together with other shareholders, Shenbao Energy Company will continue to call for improvement of business operation of Liangyi Railway Company. As at 31 December 2015, Liangyi Railway Company had a gearing ratio of 112%.

(2) At the end of the reporting period, the amount of guarantee provided by the Company for the benefit of its subsidiaries is detailed as follows: in 2008, China Development Bank ("CDB") granted a US$350 million (hereinafter referred as "USD Loan") direct loan to Coal Liquefaction and Chemical Company, a wholly-owned subsidiary of Shenhua Group, for a term from 26 August 2008 to 25 August 2018 for the Baotou coal-to-olefins project, with guarantee provided by Shenhua Group Corporation. Since Coal Liquefaction and Chemical Company established Baotou Coal Chemical Company by way of spin-off in 2013, the USD Loan has been taken up by Baotou Coal Chemical Company.

On 23 December 2013, the Board approved the acquisition of Baotou Coal Chemical Company by the Company and agreed that upon the completion of the acquisition, the Company would replace Shenhua Group Corporation in providing guarantee for the USD Loan for the benefit of Baotou Coal Chemical Company, subject to the consent of CDB. In 2014, the Company became the guarantor of the USD Loan.

As of 31 December 2015, the balance of the guarantee for the USD Loan was US$74.55 million (equivalent to approximately RMB484.07 million), and the gearing ratio of Baotou Coal Chemical Company was 45%.

(3) On 23 October 2015, the 10th meeting of the third session of the Board approved Shendong Coal Group, in proportion to its 40% shareholding, to provide Ordos Shendong Shengyuan Property Company Limited with joint and several liabilities guarantee. As of the end of the reporting period, the guarantee agreement has not been executed.

(4) According to statistics, as of the end of the reporting period, the amount of guarantee between subsidiaries in consolidated reports of the Company amounted to approximately RMB10,004.53 million, which was mainly due to the fact that Shenhua Hong Kong Limited, the wholly-owned subsidiary of the Company, provided guarantees for the issuance of USD 1.5 billion bonds to China Shenhua Overseas Capital Co., Ltd., its wholly-owned subsidiary, and Shenhua Funeng Power Co., Ltd. of which the Company indirectly held 51% shares provided guarantees to Shenhua Funeng (Fujian Longyan) Power Co., Ltd. and Shenhua Funeng (Fujian Yanshi) Power Co., Ltd., which are subsidiaries of Shenhua Funeng Power Co., Ltd..

For details of the opinions of the independent Directors, please refer to relevant reports disclosed in conjunction with the report.

(III) Entrusted cash asset management

1. Asset management on trust

☐ Applicable ✔ Not applicable

2. Entrusted loans

✔ Applicable ☐ Not applicable

Unit: RMB million

Borrower	Balance of entrusted loans	Maturity	Interest rate	Use of proceeds	Collaterals or guarantor	Whether it is expired	Whether it is a connected transaction	Whether the term is extended	Whether it is involved in legal proceedings	Connected relationship	Gain or loss from investment
Inner Mongolia Sanxin Railway Co., Ltd. ("Sanxin Railway Company")	37.4	1 year	6%	Working capital	Nil	Yes	No	No	No	N/A	1.1
Inner Mongolia Yili Chemical Industry Co., Ltd.	626.6	10 years	6.15%	Replacement of bank loans	Pledge	No	No	No	No	N/A	38.8

Note: The entrusted loans provided by the Company to Sanxin Railway Company was due in February 2015 and has yet to be regarded as repayment, and both parties are under negotiation in respect of the subsequent relevant matters.

As of 31 December 2015, the Group did not grant entrusted loans with an amount exceeding 10% of the Group's latest audited net assets to any individual party. The Company did not utilize the proceeds raised to grant entrusted loans, nor was there entrusted loan that was involved in litigations.

Under centralised capital management of the Group, the entrusted loans were provided to subsidiaries which were short of funds to meet operating and development needs. The part of entrusted loans has been offset in the consolidated financial statements of the Group.

3. Other investment and wealth management products and derivatives investment

✔ Applicable ☐ Not applicable

The subject matter of the exchange rate swap transaction conducted by the Company is the loans denominated in Japanese Yen and the purpose of the said transaction is to hedge the risk exposure of the loans denominated in Japanese Yen, and not to procure profits. The specific measures adopted are in line with the nature of risk-hedging, and the risk is under control.

As of 31 December 2015, the balance of loans denominated in Japanese Yen with which the Company conducted risk-hedging amounted to RMB64.0 million, which was part of the loans denominated in Japanese Yen owed by the Company. During the reporting period, the loss on fair value changes from the above swap contracts amounted to RMB7 million. The swap transactions conducted by the Company were not involved in any litigation.

XIII. DONATIONS

During the reporting period, the Group made external donations of RMB209 million.

XIV. CORPORATE SOCIAL RESPONSIBILITIES ENDEAVORS

(1) Corporate Social Responsibilities (CSR)

For details of the Group's CSR endeavors, please refer to the Company's 2015 CSR report which is disclosed in conjunction with this report.

(II) Environmental issues of listed companies and their subsidiaries in heavy polluting industries as stipulated by the competent environmental protection authorities of the PRC

During the reporting period, the Group did not have any material environmental pollution accidents. For details of the Company's endeavors in relation to environmental protection, please refer to the Company's 2015 CSR report which is disclosed in conjunction with this report.

XV. CONVERTIBLE BONDS OF THE COMPANY

☐ Applicable ✔ Not applicable

Section VII Changes in Share Capital and Shareholders

I. CHANGE IN ORDINARY SHARE CAPITAL

(I) Change in the number of ordinary shares

There were no changes in the total number of ordinary shares and the shareholding structure of the Company during the reporting period. No preference shares has been issued by the Company.

		As at 31 December 2015	
		Number	**Percentage** *(%)*
I.	Shares with selling restrictions	0	0.00
II.	Shares without selling restrictions	19,889,620,455	100.00
	1. RMB ordinary shares	16,491,037,955	82.91
	2. Overseas listed foreign shares	3,398,582,500	17.09
III.	Total number of shares	19,889,620,455	100.00

For the year ended 31 December 2015, the Group did not purchase, sell, or redeem any of the Company's securities as defined under the Hong Kong Listing Rules.

The minimum public float of the Company has satisfied the provisions under Rule 8.08 of the Hong Kong Listing Rules.

(II) Changes of shares with selling restrictions

☐ Applicable ✔ Not applicable

II. ISSUANCE AND LISTING OF SECURITIES

The Company did not issue any ordinary share, convertible corporate bond, warrant bond, corporate bond or other derivative securities, nor did it enter into any equity-linked agreement during the reporting period.

(I) Changes in total number of ordinary shares, shareholding structure and assets and liabilities structure of the Company

There were no changes in the total number of shares, shareholding structure and assets and liabilities structure of the Company due to bonus issue, capital conversion, placing, issuance of new shares, nonpublic offering of shares, exercise of warrants, implementation of share options incentive plan, business combination, conversion of convertible bonds, reduction of share capital, listing of shares held by internal employees or otherwise during the reporting period.

(II) Pre-emptive rights

There are no provisions for pre-emptive rights under the Articles of Association of the Company and the PRC laws which would entitle the existing sharesholders to have priority to subscribe for new shares on a pro rata basis in the event of new share issuance by the Company.

III. SHAREHOLDERS

(I) Total number of shareholders

Total number of shareholders of ordinary shares as at the end of the reporting period (accounts)	237,089
Including: Registered holders of A shares(including Shenhua Group Corporation)	234,709
Registered holders of H shares	2,380
Total number of ordinary shareholders at the end of last month prior to the date of this annual report (accounts)	232,480
Including: Registered holders of A shares (including Shenhua Group Corporation)	230,098
Registered holders of H shares	2,382

(II) Shareholdings of top ten shareholders and top ten holders of marketable shares (or shareholders not subject to selling restrictions)

Unit: share

Shareholdings of the top ten shareholders							
Full name of shareholders	Increase/ decrease during the reporting period	Number of shares held at the end of the reporting period	Percentage (%)	Number shares with selling restrictions	Shares subject to pledge or lock-up Status	Number	Nature of shareholders
Shenhua Group Corporation Limited	8,727,892	14,530,574,452	73.06	0	Nil	N/A	State-owned
HKSCC NOMINEES LIMITED	-75,054	3,390,058,476	17.04	0	Unknown	N/A	Overseas corporate
China Securities Finance Corporation Limited	547,786,589	556,048,233	2.80	0	Nil	N/A	Others
Central Huijin Asset Management Ltd.	110,027,300	110,027,300	0.55	0	Nil	N/A	State-owned
Bank of China Limited – China Merchants Fengqing Flexible Configuration Hybrid Initiated Securities Investment Fund	25,159,394	25,159,394	0.13	0	Nil	N/A	Others
National Social Security Fund 503 Portfolio	16,880,000	16,880,000	0.08	0	Nil	N/A	State-owned
National Social Security Fund 504 Portfolio	15,000,000	15,000,000	0.08	0	Nil	N/A	State-owned
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	-7,321,748	14,496,433	0.07	0	Nil	N/A	Others
Industrial & Commercial Bank of China Limited –China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	14,014,887	14,014,887	0.07	0	Nil	N/A	Others
National Social Security Fund 105 Portfolio	7,890,491	8,890,491	0.04	0	Nil	N/A	State-owned

Shareholdings of top ten shareholers without selling restrictions

Name of shareholders	Number of shares with selling restrictions	Type and number of shares: Type	Number
Shenhua Group Corporation Limited	14,530,574,452	RMB ordinary shares	14,530,574,452
HKSCC NOMINEES LIMITED	3,390,058,476	Overseas listed foreign shares	3,390,058,476
China Securities Finance Corporation Limited	556,048,233	RMB ordinary shares	556,048,233
Central Huijin Asset Management Ltd.	110,027,300	RMB ordinary shares	110,027,300
Bank of China Limited – China Merchants Fengqing Flexible Configuration Hybrid Initiated Securities Investment Fund	25,159,394	RMB ordinary shares	25,159,394
National Social Security Fund 503 Portfolio	16,880,000	RMB ordinary shares	16,880,000
National Social Security Fund 504 Portfolio	15,000,000	RMB ordinary shares	15,000,000
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	14,496,433	RMB ordinary shares	14,496,433
Industrial & Commercial Bank of China Limited –China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund	14,014,887	RMB ordinary shares	14,014,887
National Social Security Fund 105 Portfolio	8,890,491	RMB ordinary shares	8,890,491

Statement on the connected relationships among the above shareholders or whether they are parties acting in concert	The de facto controller of National Social Security Fund 503 Portfolio, National Social Security Fund 504 Portfolio and National Social Security Fund 105 Portfolio is the National Social Security Fund. The custodian bank of Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund and Industrial & Commercial Bank of China Limited – China Southern Consumption Vitality Flexible Allocation Hybrid Initiated Securities Investment Fund is the Industrial & Commercial Bank of China Limited. Saved as disclosed above, the Company is not aware of any connected relationships betweenthe top ten shareholders not subject to selling restrictions and the top ten shareholders, and whether they are parties acting in concert as defined in the Measures for Administration of Acquisition of Listed Companies.
Statement on holders of preference shares with voting rights restored and number of shares held	N/A

Note: HKSCC Nominees Limited holds H shares on behalf of a number of clients.

(III) Substantial shareholders' interests and short positions in the shares of the Company

As at 31 December 2015, persons disclosed in the table below had an interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register of equity interests and/or short positions pursuant to section 336 of Part XV of the Securities and Futures Ordinance (the"SFO", Chapter 571 of the Laws of Hong Kong):

No.	Name of shareholders	Capacity	H share/ domestic share	Nature of interest	Number of H shares/domestic shares held	Percentage of H shares/domestic shares over total issued H shares/ domestic shares respectively %	Percentage of total issued share capital of the Company %
1	Shenhua Group Corporation	Beneficial owner	Domestic shares	N/A	14,530,574,452	88.11	73.06
2	JPMorgan Chase & Co.	Beneficial owner; Investment manager; Trustee (other than a bare trustee); Custodian-corporation/Approved lending agent	H shares	Long position	273,872,894	8.05	1.38
				Short position	8,995,999	0.26	0.05
				Shares available for lending	117,373,047	3.45	0.59
3	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholders	H shares	Long position	264,591,604	7.79	1.33
				Short position	1,313,500	0.04	0.01

Note: Information disclosed above is based on the information availalble on the website of the Hong Kong Stock Exchange (www.hkex.com.hk).

Save as disclosed above, as at 31 December 2015, no other person held any interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register to be kept thereunder, or was a substantial shareholder of the Company pursuant to section 336 of Part XV of the SFO.

IV. CHANGES IN CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Controlling shareholder

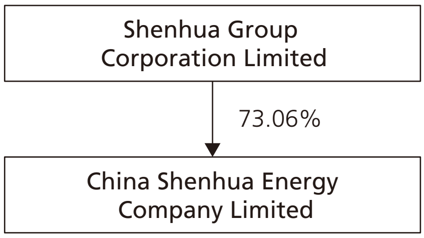
1. Legal person

Name	Shenhua Group Corporation Limited
Legal representative	Zhang Yuzhuo
Date of incorporation	23 October 1995
Principal business	State-owned assets operating activities within the scope authorized by the State Council; investment and management activities in various sectors, including resource products (such as coal), coal liquefaction, coal chemical, power, thermal, port, various transportation, finance, domestic and international trade and logistics, real estate, advanced technology and information consultation and etc; planning, organizing, coordinating and managing the production and operating activities of the companies in the Shenhua Group in such sectors; and sales of chemical materials and chemical products (excluding hazardous chemicals), textiles, construction materials, machinery, electronic equipment and office equipment. (For projects that are subject to approval pursuant to the law, business operations shall commence in accordance with the business scope approved upon receipt of the approval from revenant authorities.)
Shareholdings in other domestic and overseas listed subsidiaries and associates during the reporting period	As at the end of the reporting period, Shenhua Group Corporation held 143,068,000 shares in China National Chemical Engineering Co., Ltd., representing 2.90% of its total shares.

2 Index and date of changes in controlling shareholders during the reporting period

There was no change in the controlling shareholder of the Company during the reporting period.

3 Diagram of the equity and controlling relationship between the Company and the controlling shareholder



(II) De facto controller

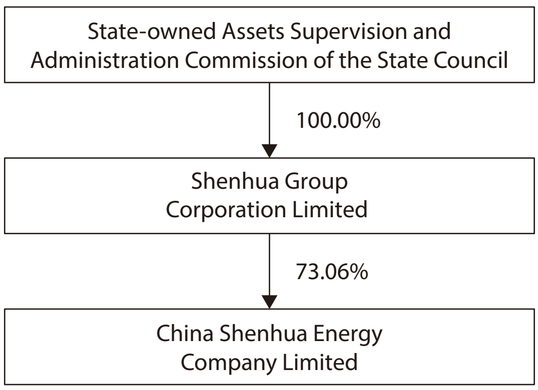
1 Name of legal person

State-owned Assets Supervision and Administration Commission of the State Council

2 Index and date of changes in de facto controller during the reporting period

There was no change in de facto controller of the Company during the reporting period.

3 Diagram of the equity and controlling relationship between the Company and the de facto controller



V. OTHER CORPORATE SHAREHOLDERS WITH MORE THAN 10% SHAREHOLDING IN THE COMPANY

As at the end of the reporting period, there was no other corporate shareholder with more than 10% shareholding in the Company.

VI. RESTRICTIONS ON THE REDUCTION IN THE SHAREHOLDING

✔ Applicable ☐ Not applicable

On 8 July 2015, Shenhua Group Corporation increased its shareholding of 8,024,505 A shares in the Company via the trading system of the Shanghai Stock Exchange, and proposed to continue to increase its shareholding of A shares in the Company in its own name via the trading system of the Shanghai Stock Exchange within the 12 months starting from 8 July 2015 by up to an aggregate number of A shares not exceeding 2% of the total issued share capital of the Company (including those shares purchased on 8 July). Shenhua Group Corporation undertakes that it will not dispose of any share it holds in the Company during the period of the implementation of the shareholding increase plan and within the statutory period.

During the reporting period, Shenhua Group Corporation has increased its shareholding in the Company by 8,727,892 A shares in aggregate, representing 0.04% of the total issued share capital of the Company.

I. CHANGES IN SHAREHOLDING AND REMUNERATION

(I) Changes in shareholding and remuneration

1. Directors, Supervisors and Senior Management as at the end of the reporting period

Name	Position as at the end of the reporting period	Gender	Age	Date of appointment (from the first appointment date)	Scheduled expiration of term of office	Total remuneration before tax received from the Company during the reporting period (RMB ten thousand)	including performance remuneration received for previous years	Whether received remuneration from shareholders of the Company or associates during the reporting period
Zhang Yuzhuo	Chairman Executive Director	Male	53	27 June 2014 18 June 2010	–	0	0	Yes
Ling Wen	Vice Chairman Executive Director	Male	52	27 June 2014 6 November 2004	–	0	0	Yes
Han Jianguo	Executive Director President	Male	57	24 May 2011 27 June 2014	–	73.1	29.8	No
Fan Hsu Lai Tai	Independent Non-executive Director	Female	70	18 June 2010	–	45.0	0	No
Gong Huazhang	Independent Non-executive Director	Male	69	5 June 2009	–	45.0	0	No
Guo Peizhang	Independent Non-executive Director	Male	66	18 June 2010	–	45.0	0	No
Chen Hongsheng	Non-executive Director	Male	65	25 May 2012	–	0	0	Yes
Zhai Richeng	Chairman of the Supervisory Committee	Male	51	22 August 2014	–	0	0	Yes
Tang Ning	Supervisor	Male	60	18 June 2010	–	41.0	7.8	No
Shen Lin	Supervisor	Male	55	22 August 2014	–	85.1	8.0	No
Li Dong	Senior Vice President	Male	55	24 May 2011	–	65.3	25.1	No
Wang Jinli	Senior Vice President	Male	56	27 September 2013	–	73.0	34.6	No
Wu Xiuzhang	Vice President	Male	49	25 November 2015	–	6.6	0	No
Wang Yongcheng	Vice President	Male	53	25 November 2015	–	6.4	0	No
Zhang Zifei	Vice President	Male	57	25 November 2015	–	6.2	0	No
Wang Shumin	Vice President	Male	53	25 November 2015	–	6.2	0	No
Huang Qing	Secretary to the Board	Male	50	6 November 2004	–	101.4	27.7	No
Zhang Kehui	Chief Financial Officer	Female	52	22 January 2007	–	97.1	25.3	No
Total	/	/	/	/	/	696.4	158.3	/

Note:

(1) The remuneration package of Directors and supervisors for 2015 is subject to approval by the Company at the 2015 annual general meeting; the remuneration package of the senior management was approved by the Board; the remunerations payable include salaries, allowances, social benefit payment, income tax and retirement scheme contributions;

(2) Mr. Han Jianguo, Mr. Li Dong and Mr. Wang Jinli, members of the senior management of the Company, served concurrently in Shenhua Group Corporation; their remunerations were implemented pursuant to the Reform Plan of Remuneration System of Person-in-Charge in State-Controlled Enterprises which took effect in 2015. There was a magnitude of decrease in remuneration level in 2015. Other senior management's remunerations were implemented in accordance with the remuneration system of the Company.

(3) The personnel mentioned above did not hold any shares in the Company during the reporting period;

(4) The 2014 first extraordinary general meeting of the Company approved the term of service of the third session of the Board and the supervisory committee to be three years (22 August 2014 to 21 August 2017).

(5) Ages of the personnel were calculated as at 31 December 2015.

2. Director resigned during the porting period

Name	Position before resignation or dismissal	Gender	Age	Date of appointment	Date of resignation or dismissal	Total remuneration before tax received from the Company during the reporting period (RMB ten thousand)	Including: Performance remuneration received for previous years	Whether received from shareholders of the Company during the reporting period
Wang Xiaolin	Executive Director Senior Vice President	Male	52	22 August 2014 24 May 2011	20 August 2015	54.3	25.1	No

Note:

(1) The remuneration package of the above director for the year 2015 is subject to approval by the Company at the 2015 annual general meeting;

(2) The personnel mentioned above did not hold any shares of the Company during the reporting period;

(3) The age of the personnel was calculated as at 31 December 2015.

3. Senior Management resigned or being dismissed during the reporting period

Name	Position before resignation or dismissal	Gender	Age	Date of appointment	Date of resignation or dismissal	Total remuneration before tax received from the Company during the reporting period (RMB ten thousand)	including: performance remuneration received for previous years	Whether received remuneration from shareholders of the Company during the reporting period
Hao Gui	Senior Vice President	Male	53	24 May 2011	21 August 2015	49.6	17.0	No
Xue Jilian	Senior Vice President	Male	61	24 May 2011	10 March 2015	26.6	16.8	No
Wang Pingang	Senior Vice President	Male	54	24 May 2011	29 October 2015	56.7	24.1	No
Total	/	/	/	/	/	132.9	57.9	/

Note:

(1) The remuneration package of the senior management was approved by the Board;

(2) The personnel mentioned above did not hold any shares of the Company during the reporting period;

(3) The age of Wang Pingang was calculated as at 29 October 2015, while ages of other personnel were calculated as at 31 December 2015.

4. Biographical details of the directors, supervisors and senior management as at the end of the reporting period

ZHANG Yuzhuo Chairman and Executive Director

Born in January 1962, Chinese, a researcher and Academician of the Chinese Academy of Engineering, Dr. Zhang has extensive experience in corporate management and professional management in the coal industry in China. He received a Ph.D. degree from the University of Science and Technology of Beijing in 1989, and conducted postdoctoral studies and research in clean coal technology at the University of Southampton in the UK and Southern Illinois University in the USA from 1992 to 1996.

Dr. Zhang has served as the chairman and an executive director of the third session of the Board of the Company since August 2014, director of Shenhua Group Corporation since December 2008, and chairman for Shenhua Group Corporation since May 2014.

Dr. Zhang served as the chairman of China Shenhua Coal Liquefaction Company Limited from 2003 to 2010, chairman of Shenhua Hong Kong Limited from 2005 to 2010, general manager of Shenhua Group Corporation from 2008 to 2014, non-executive director of the second session of the Board of the Company from 2004 to 2010, vice chairman of the second session of the Board of the Company from 2011 to 2014, executive director of the second session of the Board of the Company from 2010 to 2014, and chairman of the second session of the Board of the Company from June to August 2014.

Prior to the foregoing, Dr. Zhang had served in various capacities, including non-executive director of the first session of the Board of the Company, deputy general manager of Shenhua Group Corporation, president of the China Coal Research Institute, chairman of China Coal Technology Corporation, chairman of Tiandi Science & Technology Co., Ltd. and deputy general manager of Shandong Yankuang Group Co., Ltd.

LING Wen Vice Chairman and Executive Director

Born in February 1963, Chinese, a professor and Academician of Chinese Academy of Engineering, Dr. Ling has extensive management experience in financial institutions and enterprises. He received a Ph.D. degree from Harbin Institute of Technology in 1991, and conducted postdoctoral research in macroeconomics in Shanghai Jiao Tong University from 1992 to 1994.

Dr. Ling has served as a vice chairman and an executive director of the third session of the Board of the Company since August 2014, director of Shenhua Group Corporation since April 2010, and general manager of Shenhua Group Corporation since May 2014. Dr. Ling is also a professor and mentor for doctoral students at Renmin University of China and China University of Mining and Technology.

Dr. Ling served as director and deputy general manager of Shenhua Group Corporation from 2010 to 2014, chairman of the Board of Shenhua Finance Company from 2002 to 2014, president of the Company from 2006 to 2014, executive director of the second session of the Board of the Company from 2010 to 2014, and vice chairman of the second session of the Board of the Company from June to August 2014.

Prior to the foregoing, Dr. Ling had served in various capacities, including executive director of the first session of the Board, executive vice president and chief financial officer of the Company, deputy general manager of the International Business Department of the Industrial and Commercial Bank of China, deputy general manager of Industrial and Commercial Bank of China (Asia) Limited and chairman of UB China Business Management Company Limited.

HAN Jianguo Executive Director and President

Born in April 1958, Chinese, a researcher, Mr. Han has extensive experience in the Chinese coal industry, macroeconomics and corporate management. He received a master's degree from Tongji University in 1999.

Mr. Han has served as the president of the Company since June 2014, an executive director of the third session of the Board of the Company since August 2014, deputy general manager of Shenhua Group Corporation since August 2003, chief information officer of Shenhua Group Corporation since March 2009, and director of Shenhua Group Corporation since July 2014.

He served as a non-executive director of the first session and second session of the Board of the Company from 2004 to 2011, executive director of the second session of the Board of the Company from 2011 to 2014, and senior vice president of the Company from 2011 to 2014.

Prior to the foregoing, Mr. Han had served in various capacities, including chairman and general manager of Shenhua Coal Trading Company Limited, and division head of the State Development and Planning Commission.

FAN Hsu Lai Tai Independent Non-executive Director

Born in September 1945, Chinese, Ms. Fan has extensive experience in legislative and supervision affairs. She received a master's degree from the University of Hong Kong in 1973.

Ms. Fan has served as an independent non-executive director of the third session of the Board of the Company since August 2014, independent non-executive director of China COSCO Holdings Company Limited since January 2009, independent non-executive director of China Overseas Land & Investment Ltd. since February 2009, independent non-executive director of COSCO Pacific Limited since May 2011, and a member of the Standing Committee of the 12th National People's Congress of China since March 2013.

Ms. Fan served as an independent non-executive director of the second session of the Board of the Company from 2010 to 2014.

Prior to the foregoing, Ms. Fan had served in various capacities, including deputy to the ninth and tenth National People's Congress of China, member of the Standing Committee of the 11th National People's Congress, member of Preliminary Working Committee for Preparatory Committee, member of Preparatory Committee, president of the Legislative Council of the Hong Kong Special Administrative Region, director of Career Centre of the University of Hong Kong, and assistant dean of Hong Kong Polytechnic Institute.

GONG Huazhang Independent Non-executive Director

Born in February 1946, Chinese, a professor-level senior accountant. Mr. Gong graduated from Jiangsu Yangzhou Business School in 1965 and has over 40 years' experience in accounting.

Mr. Gong has served as an independent non-executive director of the third session of the Board of the Company since August 2014, independent non-executive director of Nanyang Commercial Bank (China) Limited since December 2007 and external director of China National Cereals, Oils and Foodstuffs Corporation since April 2011. Mr. Gong is also a member of China Valuation Standards Committee, special councilor of China Appraisal Society and consultant of the Accounting Society of China and the Pricing Association of China. Mr. Gong is a part-time professor at Tsinghua University, Nankai University, Xiamen University, Shanghai National Accounting Institute, Xiamen National Accounting Institute and China University of Petroleum (Beijing) and a professor at Beijing National Accounting Institute.

Mr. Gong served as an independent non-executive director of the first and second sessions of the Board of the Company from 2009 to 2014, independent non-executive director of China Southern Airlines Company Limited from 2007 to 2013, independent non-executive director of China Railway Group Limited from 2007 to 2014, and external director of Dongfang Electric Corporation from 2009 to 2015.

Prior to the foregoing, Mr. Gong had served in various capacities, including chief accountant of China National Petroleum Corporation, director of Petrochina Company Limited and chairman of China Petroleum Finance Co., Ltd.

GUO Peizhang Independent Non-executive Director

Born in August 1949, Chinese, a senior economist, Mr. Guo has extensive experience in macroeconomics and enterprise management. He graduated from Renmin University of China in 1982 with a bachelor's degree.

Mr. Guo has served as an independent non-executive director of the third session of the Board of the Company since August 2014 and independent non-executive directorof China Railway Group Limited since June 2014.

Mr. Guo served as an independent Non-executive Director of the second session of the Board of China Shenhua from 2010 to 2014, party member and head of disciplinary inspection panel of China Guodian Corporation from 2005 to 2010, chairman of the supervisory committee of Guodian Power Development Co., Ltd. from 2009 to 2010, and external director of Dongfang Electric Corporation from 2010 to 2015.

Prior to the foregoing, Mr. Guo had served in various capacities, including deputy director and director of the Department of Regional Economic Development of State Development and Planning Commission, and deputy supervisor of the Planning Committee of Xinjiang Autonomous Region.

CHEN Hongsheng Non-executive Director

Born in March 1950, Chinese, a senior economist, Mr. Chen has extensive experience in the production, operation and management in the shipping industry. He graduated from Capital University of Economics and Business in 2001 with a postgraduate diploma in business administration.

Mr. Chen has served as a non-executive director of the third session of the Company since August 2014, external director of Sinotrans & CSC Holdings Corporation Limited since December 2011, of Shenhua Group Corporation since February 2012 and of State Development and Investment Corporation since April 2012.

Mr. Chen served as a non-executive director of the second session of the Board of the Company from 2012 to 2014, executive director, chairman of the Board and non-executive director of COSCO Pacific Limited from 2003 to 2010, and non-executive director of China COSCO Holdings Company Limited from 2009 to 2010.

Prior to the foregoing, Mr. Chen had served in various capacities, including chairman of COSCO Shipping Co., Ltd., executive director and general manager of China COSCO Holdings Company Limited, vice president of China Ocean Shipping (Group) Company and general manager of COSCO International Freight Co. Ltd.

ZHAI Richeng Chairman of the Supervisory Committee

Born in July 1964, Chinese, a senior accountant, Mr. Zhai received a master's degree from China University of Mining and Technology in 2003.

Mr. Zhai has served as the chairman of the third session of the supervisory committee of the Company since August 2014 and the director of Property Ownership Administration of the Company and Shenhua Group since June 2015.

Mr. Zhai served as a general manager of the financial department of Shenhua Group Corporation from November 2004 to June 2015.

Prior to the foregoing, Mr. Zhai had served in various capacities, including deputy manager of the financial department of Shenhua Group, director of financial division and chief accountant of Shenhua Zhunge'er Coal Company.

TANG Ning Supervisor

Born in April 1955, Chinese, Mr. Tang graduated from the Party School of the Central Committee of CPC in 1998.

Mr. Tang has served as a supervisor of the third session of the Supervisory Committee of the Company since August 2014. Mr. Tang served as a supervisor of the second session of the supervisory committee of the Company from 2010 to 2014, deputy director of Property Ownership Administration of Shenhua Group Corporation from 2010 to 2011, general manager of the first division of the delegated Supervisory Committee of Shenhua Group Corporation from 2011 to 2013 and general manager of the delegated Supervisory Committee of Shenhua Group Corporation from June 2013 to April 2015.

Prior to the foregoing, Mr. Tang had served in various capacities, including director and general manager of Shenhua Hong Kong Limited, and head of board office, deputy supervisor and office supervisor of Shenhua Group Corporation.

SHEN Lin Supervisor

Born in May 1960, Chinese, a senior economist, Mr. Shen graduated from Harbin Institute of Technology in 2005 with a master's degree.

Mr. Shen has served as an employee representative supervisor of the third session of the supervisory committee of the Company since August 2014, chief of the Department of Enterprise Culture of the Company since July 2010 and chief of the Department of Party Building of Shenhua Group since July 2010.

Mr. Shen served as a deputy chief of the Department of Enterprise Culture of the Company and deputy chief of the Department of Party Building of the Shenhua Group Corporation from 2009 to 2010.

Prior to the foregoing, Mr. Shen had served for Shenhua Baoshen Railway Co., Ltd. in various positions such as human resource manager, deputy chief economist, chief economist, deputy secretary to the Party committee and secretary to the commission for discipline inspection.

LI Dong Senior Vice President

Born in January 1960, Chinese, a senior engineer with the qualification as a professor, Dr. Li has extensive experience in the management of coal enterprises in China. He obtained a master's degree from China Europe International Business School in 2005 and a Ph.D. degree from Liaoning Technical University in 2005.

Dr. Li has served as a senior vice president of the Company since May 2011, vice general manager of Shenhua Group Corporation since August 2006 and general counsel of Shenhua Group Corporation since December 2011. Prior to the foregoing, Dr. Li had served in various capacities, including deputy chief engineer of Shenhua Group Corporation, chairman of Shenhua Zhunge'er Energy Co., Ltd., and head of General Manager's Office of Shenhua Group Corporation Limited.

WANG Jinli Senior Vice President

Born in March 1959, Chinese, a researcher and senior engineer, Dr. Wang has approximately 30 years of operational and managerial experience in the coal industry in China. Dr. Wang received an EMBA Degree from Tsinghua University in 2009 and graduated from Liaoning University of Engineering and Technology with a Ph.D. degree in 2006.

Dr. Wang has served as a senior vice president of the Company since September 2013 and deputy general manager of Shenhua Group Corporation Limited since July 2013.

Dr. Wang had served as a vice president of the Company between 2004 and 2013, and chairman of Shenhua Coal Trading Co., Ltd., a subsidiary of Shenhua Group, and chairman of Shenhua Trading Group Limited, a subsidiary of the Company between 2010 and 2014.

Prior to the foregoing, Dr. Wang had served in various capacities, including chairman of Shenhua Australia Holdings Pty Limited, chairman, general manager and deputy general manager of Shenhua Shendong Coal Company, director of the Changchun Coal Technology Centre, director of the Huichun Coal Mining Bureau.

WU Xiuzhang Vice President

Born in July 1966, Chinese, a senior engineer with the qualification as a professor, Dr. Wu has extensive experience in chemical business management. He graduated from Shandong University in 1986 with a bachelor's degree and obtained a master's degree in applied chemistry from China University of Petroleum in 1989 and a Ph.D. degree in chemical engineering and technology in 2010.

Dr. Wu has been serving as a vice president of the Company since November 2015.

Dr. Wu served as the deputy chief engineer in Shenhua Group Corporation Limited from January 2005 to November 2015 and as the chairman of China Shenhua Coal Liquefaction and Chemical Co., Ltd. from April 2010 to November 2015. From May 2009 to March 2013, Dr. Wu was the deputy director of National Institute of Clean-and-Low-Carbon Energy, a research institute set up by Shenhua Group Corporation Limited in Beijing.

Prior to the foregoing, Dr. Wu had previously served as the deputy general manager and vice chairman of China Shenhua Coal Liquefaction and Chemical Co., Ltd., the director of the research institute of China Shenhua Coal Liquefaction and Chemical Co., Ltd., the deputy manager of the coal liquefaction and chemical engineering department of Shenhua Group Corporation Limited and the deputy chief engineer of Beijing Yanshan Petrochemical Company.

WANG Yongcheng Vice President

Born in April 1962, Chinese, a senior economist, Mr. Wang has extensive experience in business management. He obtained an EMBA degree from Nankai University in 2006.

Mr. Wang has been serving as a vice president of the Company since November 2015.

Mr. Wang was the chairman of Shenhua Tianhong Trading Co., Ltd. from August 2002 to November 2011. From November 2011 to November 2015, he served as the chairman of Shenhua Logistics Group Corporation Limited.

Prior to the foregoing, Mr. Wang had previously served as the deputy manager of the human resources department, the deputy manager in charge of the business development department of Shenhua Group Corporation Limited and the deputy manager of the management administration department of Huaneng Fine Coal Company.

ZHANG Zifei Vice President

Born in May 1958, Chinese, a senior engineer with the qualification as a professor, Mr. Zhang has extensive experience in coal business management. He graduated from Taiyuan University of Technology with a master's degree in 2004.

Mr. Zhang has been serving as a vice president of the Company since November 2015 and employee representative director of Shenhua Group Corporation Limited since July 2014.

Mr. Zhang served as the chairman of Shenhua Shendong Coal Group Co., Ltd. from June 2011 to November 2015 and the chairman of Shenhua Xinjie Energy Co., Ltd. from January 2015 to November 2015.

Prior to the foregoing, Mr. Zhang had previously served as, among others, the chairman of Shenhua Xinjiang Energy Co., Ltd., the assistant to general manager and deputy general manager of Shenhua Shendong Coal Company and deputy director of its business development and coordination division, as well as the chief at Dahaize Mine and Bulianta Mine.

WANG Shumin Vice President

Born in November 1962, Chinese, a senior engineer with the qualification as a professor. Mr. Wang has extensive experience in power business management. He graduated from Northeast Dianli University with a bachelor's degree in 1985 and obtained an MBA degree from China Europe International Business School in 2005.

Mr. Wang has been serving as a vice president of the Company since November 2015.

Prior to the foregoing, Mr. Wang served as the general manager of Guohua Power Branch of the Company from December 2010 to November 2015. From December 2010 to March 2013, he served as general manager of Beijing Guohua Power Company Limited. From March 2013 to November 2015, he served as the chairman of Beijing Guohua Power Company Limited.

Mr. Wang had previously served as the deputy general manager of Guohua Power Branch of the Company as well as the deputy manager of the integrated planning department of North China Power Group Company.

HUANG Qing Secretary of the Board

Born in November 1965, Chinese, a senior engineer, Mr. Huang obtained a board secretary certification from the Shanghai Stock Exchange in 2004. Mr. Huang is a member of the Hong Kong Institute of Chartered Secretaries and a senior visiting scholar of the Eisenhower Foundation. Mr. Huang received a master's degree from Guangxi University in 1991.

Mr. Huang has served as secretary to the Board of the Company and company secretary of the Company since November 2004.

Prior to the foregoing, Mr. Huang had served in various capacities, including secretary to the chairman of Shenhua Group corporation, deputy director of the General Office of Shenhua Group Corporation, deputy general manager of Hubei Provincial Railway Company and secretary to the deputy governor of the Hubei provincial government.

ZHANG Kehui Chief Financial Officer

Born in February 1963, a researcher, a certified accountant in China as well as a fellow of certified public accountants of Australia (FCPA), Dr. Zhang has extensive experience in financial management and received a Ph.D. degree from Research Institute for Fiscal Science, Ministry of Finance of the PRC in 2014.

Dr. Zhang has served as the chief financial officer of the Company since January 2007, and chairman of Shenhua Finance Company, a subsidiary of the Company, since August 2014.

Prior to the foregoing, Dr. Zhang had served in various capacities, including head of internal control and audit department of the Company, deputy manager of the financial department of Shenhua Group Corporation and assistant to the general manager of Shuohuang Railway Development Company Limited.

The directors and supervisors of the Company have commenced relevant tasks in accordance with the requirements of the Articles of Association, Rules of Procedures for the Board and Rules of Procedures for the Supervisory Committee.

The senior management has reached decisions under the leadership of the Board and is responsible for operational tasks of the Company. President Han Jianguo is responsible for the Board and exercises his function as the President in accordance with the requirements of the Articles of Association. Senior Vice President Li Dong is in charge of coal production, safety supervision as well as environmental protection and energy conservation. Senior Vice President Wang Jinli is in charge of production operations and organization, sale of coal as well as the management of railways, ports and shipment transportation. Vice President Wu Xiuzhang is in charge of the coal chemical business. Vice President Wang Yongcheng is in charge of the materials procurement business. Vice President Zhang Zifei is assisting Li Dong in the management of coal production and safety supervision. Vice President Wang Shumin is in charge of the power generation business and tasks on social responsibilities. Secretary to the Board Huang Qing is in charge of duties of the secretary to the Board; and Chief Financial Officer Zhang Kehui is in charge of the duties of the Chief Financial Officer.

(II) Equity incentive plan awarded to directors, supervisors and senior management during the reporting period

☐ Applicable ✔ Not applicable

II. POSITIONS OF EXISTING DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

(I) Positions held in the shareholders of the Company

Name	Name of shareholder	Position	Commencement of term of office	Expiry of term of office
Zhang Yuzhuo	Shenhua Group Corporation	Chairman	2014–05	–
Ling Wen	Shenhua Group Corporation	Director	2010–04	–
		General manager	2014–05	–
Han Jianguo	Shenhua Group Corporation	Director	2014–07	–
		Deputy general manager	2003–08	–
		Chief information officer	2009–03	–
Chen Hongsheng	Shenhua Group Corporation	External director	2012–02	–
Zhai Richeng	Shenhua Group Corporation	General manager of Financial Department	2003–01	2015–05
		Director of Property Ownership Administration	2015–06	–
Tang Ning	Shenhua Group Corporation	General manager of the division of delegated Supervisory Committee	2013–06	2015–04
Shen Lin	Shenhua Group Corporation	General manager of the division of Party Construction	2010–07	–

Name	Name of shareholder	Position	Commencement of term of office	Expiry of term of office
Li Dong	Shenhua Group Corporation	Deputy general manager	2006–08	–
		General counsel	2011–12	–
Wang Jinli	Shenhua Group Corporation	Deputy general manager	2013–07	–
Wu Xiuzhang	Shenhua Group Corporation	Deputy chief engineer	2005–01	2015–11
	China Shenhua Coal Liquefaction and Chemical Co., Ltd.	Chairman	2010–04	2015–11
Zhang Zifei	Shenhua Group Corporation	Employee representative director	2014–07	–
Wang Shumin	Beijing Guohua Power Company Limited	Chairman	2013–03	2015–11

(II) Positions held in other entities

Name	Name of other entities	Position	Commencement of term of office	Expiry of term of office
Fan Hsu Lai Tai	COSCO Pacific Limited	Independent non-executive director	2009–01	–
	China Overseas Land & Investment Limited	Independent non-executive director	2009–02	–
	China COSCO Holdings Company Limited	Independent non-executive director	2011–05	–
Gong Huazhang	Nanyang Commercial Bank (China) Limited	Independent non-executive director	2007–12	–
	Dongfang Electric Corporation Limited	External director	2009–04	2015–11
	COFCO Corporation	External director	2011–04	–
Guo Peizhang	Dongfang Electric Corporation Limited	External director	2010–12	2015–11
	China Railway Group Limited	Independent non-executive director	2014–06	–
Chen Hongsheng	SINOTRANS & CSC Holdings Co., Ltd.	External director	2011–12	–
	State Development & Investment Corp.	External director	2012–04	–

III. REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for the remuneration of directors, supervisors and senior management	The remuneration package of directors and supervisors was submitted to the general meeting for approval after consideration and approval by the Remuneration Committee and the Board, and the remuneration package of senior management was submitted to the Board for approval after consideration and approval by the Remuneration Committee
Basis for determining the remuneration of directors, supervisors and senior management	The remuneration package of relevant directors and supervisors was proposed by the Company in accordance with international and domestic practices and with reference to the remuneration of directors and supervisors of large-scale listed companies in China. The remuneration package of senior management of the Company was formulated by the Company in accordance with Provisional Measures for the Administration of the Annual Remuneration of the Senior Management.
Remuneration payable for remuneration of directors, supervisors and senior management	Please refer to "Changes in shareholding and remuneration" in this section
Total remuneration actually obtained by all directors, supervisors and senior management at the end of the reporting period	Please refer to "Changes in shareholding and remuneration" in this section

IV. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	Position held before the change	Position held after the change	Reason for the change
Wu Xiuzhang	–	Vice president	Appointed by the Board
Wang Yongcheng	–	Vice president	Appointed by the Board
Zhang Zifei	–	Vice president	Appointed by the Board
Wang Shumin	–	Vice president	Appointed by the Board

Name	Position held before the change	Position held after the change	Reason for the change
Wang Xiaolin	Executive Director and senior vice president	–	Resigned due to work change
Hao Gui	Senior vice president	–	Dismissed by the Board
Xue Jilian	Senior vice president	–	Retired due to age
Wang Pingang	Senior vice president	–	Deceased

Mr. Wu Xiuzhang resigned his position as a vice president of the Company on 23 March 2016 due to adjustment of work arrangement.

V. PUNISHMENT FROM SECURITY REGULATORY INSTITUTIONS IN THE RECENT THREE YEARS

☐ Applicable ✔ Not applicable

VI. OTHER SIGNIFICANT MATTERS

As at 31 December 2015, none of the directors, supervisors or member of the senior management had any interest or short position in the shares or underlying shares of the Company or of any its associated corporations within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong).

The securities transactions of the directors of the Company have been carried out in accordance with the "Model Code for Securities Transactions by Directors of Listed Issuers" (the "Model Code") set out in Appendix 10 of the Hong Kong Listing Rules. The Model Code is also applicable to the supervisors and senior management of the Company. The directors, supervisors or senior management have confirmed that they have fully complied with the Model Code in 2015 or during their terms of office.

All the directors and supervisors have provided relevant training records to the Company and have participated in training programs in accordance with relevant requirements by regulatory authorities. The Secretary to the Board of the Company has participated in training programs organized by a number of institutions including the stock exchanges where the shares are listed and The Hong Kong Institute of Chartered Secretaries for more than 15 hours in accordance with relevant requirements.

When considering any matters or transactions at any board meeting, the directors are required to declare any direct or indirect interests and recuse themselves where appropriate. Save for their service contracts with the Company and Ningdong Power Equity Transfer Agreement, Xuzhou Power Equity Transfer Agreement and Zhoushan Power Equity Transfer Agreement entered between Shenhua Group Corporation and the Company on 23 October 2015, none of the directors and supervisors of the Company has any material personal interests, directly or indirectly, in material contracts entered into by the Company or any of its subsidiaries in 2015 and subsisting during or at the end of the year of 2015; the directors and supervisors of the Company have confirmed that they and their associates have not entered into any connected transaction with the Company and its subsidiaries.

The Company has entered into service contracts with all of its directors and supervisors. None of the directors or supervisors has entered into or proposed to enter into any service contract with members of the Group which cannot be terminated by the Group within one year without any compensation (other than the statutory compensation). The Company has maintained appropriate liability insurance for its directors, supervisors and senior management. The permitted indemnity provisions are set out in such liability insurances.

Other than their working relationships in the Company, none of the directors, supervisors or the senior management has any financial, business or family relationship or any relationship in other material aspects with each other. For the year ended 31 December 2015, the Company had not granted any equity securities or warrants to its directors, supervisors and senior management or their respective spouses or children under the age of 18.

VII. EMPLOYEES OF THE GROUP

(I) Employees

Number of current employees of the headquarter of the Company (Number of person)	692
Number of current employees of the branches/subsidiaries of the Company (Number of person)	94,806
Total number of current employees of the Group (Number of person)	95,498
Number of retired employees in respect of which the Company and subsidiaries bore cost (Number of person)	12,185

Function

Function	Number of person
Operation and repair	55,985
Management and administration	13,372
Finance	1,620
Research and development	2,911
Technical support	12,081
Sales and marketing	2,312
Others	7,217
Total	95,498

Education Level

Education level	Number of person
Postgraduate and above	3,130
University graduate	28,202
College graduate	25,512
Specialized secondary school graduate	14,888
Graduate of technical school, high school and below	23,766
Total	95,498

(II) Remuneration policy and social welfare

The Company has formulated a remuneration policy comprising basic salary and performance assessment. The remuneration policy is competitive within the industry and is favoring the front-line employees.

In accordance with the law, the Company has established a social security system for payment of the corporate's part of the social insurance costs for social welfare protection, including employee pensions and health care benefits. In accordance with the national policy, the Company has also established a corporate annuities and supplementary medical insurance policy to supplement the basic employee pension and medical benefits. The Company has concerned about staff's production and living, and actively organized "warmth and care delivery" activities, and provided support and help for staff in need.

(III) Training program

The Company has established a training system with different levels and channels to provide the employees with appropriate training in job skills, safe production and group management etc. During 2015, the accrued capital used for training was approximately RMB0.14 billion. The number of attendances in training was approximately 2.25 million with training hours of approximately 43 hour/person for average. For details, please refer to the 2015 CSR Report of the Group.

(IV) Outsourced Work

Total number of working hours of outsourced work	Approximately 61.912 million hours
Total remuneration paid for outsourced work	RMB2.67 billion

I. CORPORATE GOVERNANCE

(I) Compliance with domestic regulatory requirements

During the reporting period, there was no material difference between the corporate governance of the Company and the relevant rules and requirements of the CSRC.

II. Compliance with the Corporate Governance Code

The Board is responsible for corporate governance of the Company. The Company has been in compliance with the requirements of corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules to establish its own system of corporate governance. As of 31 December 2015, the Company has been in full compliance with the provisions and most of the recommended best practices as specified therein. For the terms of reference of the Board and the Board Committees to perform duties under the Corporate Governance Code, please refer to the Articles of Association, Rules of Procedure of the Board and rules of procedure of the Board Committees, which have been published on the websites of the stock exchanges where the Company is listed and on the Company's website.

The convening, voting and disclosure procedures of board meetings of the Company, rules of procedure of the Board and procedures for nomination and appointment of directors are in compliance with relevant requirements. The Board is a standing decision-making body of the Company. The Articles of Association sets out the respective duties of the Chairman of the Board and the President in detail.

The Board of the Company has set out the board diversity policy and members of the Board constituted in the Company are from a variety of backgrounds, which guarantees the rationality and reasonableness of decisions made by the Board. Members of the Board are individuals from various domestic and overseas industries, including one female director. The number of non-executive directors is over half of all directors. Each director's knowledge base and field of expertise are professional and complementary in the overall board structure.

For further details of the information required to be disclosed in accordance with the requirements as set out in Appendix 14 of the Hong Kong Listing Rules, please refer to the relevant sections of this report.

II. GENERAL MEETINGS

1. Shareholders' rights

As owners of the Company, the shareholders of the Company are entitled to the rights as stipulated in laws, administrative regulations and the Articles of Association of China Shenhua. The shareholders' general meeting is the highest authority of the Company, through which shareholders can exercise their rights. The controlling shareholder takes part in the Company's operations and decisions through shareholders' general meetings and the Board.

Pursuant to Articles 68 and 74 of the Articles of Association of China Shenhua, shareholders may submit written request to the Board for the convening of extraordinary general meetings or class meetings and submit proposals to the Company at general meetings. Upon providing the Company with written evidence of the class and number of shares of the Company held, and following verification of the shareholders' identity by the Company, shareholders are entitled to inspect the relevant information of the Company or obtain the Articles of Association, the register of members, minutes of general meetings, resolutions of meetings of the Board and the supervisory committee, regular reports and financial and accounting reports, etc.

The Company discloses information in strict compliance with the listing rules of its places of listing. The Company makes its investor relations hotline, fax and email available. The Company has established an effective communication channel with shareholders through an information disclosure system and an investor reception system.

2. Convening of General Meetings during the Reporting Period

Meetings	Date
2014 Annual General Meeting	29 May 2015
1st Shareholders' Meeting of A Shares of 2015	29 May 2015
1st Shareholders' Meeting of H Shares of 2015	29 May 2015

General Meetings:

All the resolutions at the shareholder meeting mentioned above were passed. The voting results were disclosed on the website of the Hong Kong Stock Exchange on 29 May 2015 and the website of the Shanghai Stock Exchange on 30 May 2015.

The Company accepted registration of shareholders' attendance, and arranged a special session for shareholders for effective consideration of proposals in the meeting. Shareholders actively participated in such meetings and were entitled to exercise their various rights, such as the right to know, the right of speech, the right to question and the right to vote. Directors, supervisors and senior management of the Company attended the meeting. Arranging special Q&A session in the meeting enabled interactions between shareholders and the management.

The shareholders' representative, supervisors' representative, witness lawyers and the representative of Computershare Hong Kong Investor Services Limited acted as scrutineers at general meetings. The PRC legal advisor of the Company issued the legal opinion. Representatives of the auditors of the Company for 2014 were present at the Annual General Meeting and announced their audit opinions.

III. PERFORMANCE OF DUTIES OF THE BOARD

(I) Attendance at Board meetings and general meetings

		Attendance at Board meetings						Attendance at general meetings
Name of director	Independent director or not	Required attendance at Board meetings this year	Attendance in Person	Attendance by written resolution	Attendance by proxy	Absence	Absent at two meetings in a row	
Zhang Yuzhuo	No	9	9	4	0	0	No	3/3
Ling Wen	No	9	9	5	0	0	No	3/3
Han Jianguo	No	9	9	4	0	0	No	3/3
Wang Xiaolin	No	4	4	2	0	0	No	3/3
Fan Hsu Lai Tai	Yes	9	9	6	0	0	No	3/3
Gong Huazhang	Yes	9	9	4	0	0	No	3/3
Guo Peizhang	Yes	9	9	4	0	0	No	3/3
Chen Hongsheng	No	9	9	4	0	0	No	3/3

Note: Due to work arrangement, Mr. Wang Xiaolin resigned from the positions of an executive director, a member of the Safety, Health and Environment Committee and the senior vice president of the Company on 20 August 2015.

Number of Board meetings held during the year	9
including: Number of meetings held on-site	3
Number of meetings held by correspondence	4
Number of meetings held on-site with correspondence	2

In 2015, the Board of the Company convened a total of nine meetings, at which all the resolutions were passed after consideration. Details of the meetings are as follows:

No.	Name	Date	Mehods
1	The 5th meeting of the third session of the Board	16 February 2015	Correspondence
2	The 6th meeting of the third session of the Board	20 March 2015	On-site with correspondence
3	The 7th meeting of the third session of the Board	24 April 2015	On-site
4	The 8th meeting of the third session of the Board	8 May 2015	Correspondence
5	The 9th meeting of the third session of the Board	21 August 2015	On-site
6	The 10th meeting of the third session of the Board	23 October 2015	On-site with correspondence
7	The 11th meeting of the third session of the Board	25 November 2015	Correspondence
8	The 12th meeting of the third session of the Board	26 November 2015	Correspondence
9	The 13th meeting of the third session of the Board	17 December 2015	On-site

(II) Performance of duties of independent directors

During the reporting period, the Company had three independent non-executive directors, among whom Mr. Gong Huazhang is an accounting professional. The Company has received written confirmations from each of the independent non-executive directors confirming their independence. The Company is of the view that all of the independent non-executive directors are independent. The number and background of the independent directors are in compliance with the requirements of the listing rules of the places of listing. During the reporting period, the independent directors of the Company strictly complied with the requirements of relevant laws and regulations, the Articles of Association of China Shenhua, relevant rules of procedure and the independent directors system of China Shenhua. They maintained their independence of being independent directors, performed their functions of supervision, participated in the making of various important decisions of the Company and reviewed regular reports and financial reports of the Company. Therefore the independent directors of the Company played an important role in the regulated operation of the Company and protected the legitimate interests of minority shareholders.

The Company ensured that proper conditions are in place for independent directors to perform their duties and proactively adopted opinions and suggestions from independent directors. The Company formulated the independent directors system to provide, in a systematic way, guarantee for the independent directors to perform their duties, and designated departments to undertake work related to independent directors' affairs and independent board committee, assisting the independent directors in conducting research and investigation, convening meetings and expressing independent opinions.

For the attendance of independent directors at Board meetings and general meetings, please refer to the sections on the attendance at Board meetings and general meetings of the Company.

Dissenting views of independent directors on matters of the Company:

☐ Applicable ✔ Not applicable

(III) Others

Implementation of resolutions passed at the general meetings by the Board in 2015:

No.	General Meeting	Subject Matter	Status
1	2014 Annual General Meeting	To approve the profit distribution plan of the Company for the year 2014 and authorize a committee comprising of Zhang Yuzhuo, Ling Wen and Han Jianguo, all being directors of the Company, to implement the profit distribution plan	Implementation of 2014 profit distribution plan was completed in the third quarter of 2015.
2	2014 Annual General Meeting	To approve the appointment of auditors for the year 2015 and authorize a committee comprising of Zhang Yuzhuo, Ling Wen, Han Jianguo and Gong Huazhang, all being directors of the Company, to determine the remuneration of the auditors.	For details of the appointment and remuneration of auditors for the year 2015, please refer to the section "Significant Events" of this report.

No.	General Meeting	Subject Matter	Status
3	2014 Annual General Meeting	To approve a general mandate to the Board to, by reference to market conditions and in accordance with needs of the Company, issue additional A shares and H shares of the Company.	Such mandates have not been exercised during the reporting period.
4	2014 Annual General Meeting, the 2015 first class meeting of the holders of A shares, and the 2015 first class meeting of the holders of H shares	To approve a general mandate to the Board to, by reference to market conditions and in accordance with needs of the Company, repurchase A shares and H shares of the Company.	Such mandates have not been exercised during the reporting period.
5	2014 Annual General Meeting	To approve the mandate to the Board of the Company to determine the proposed issue of debt financing instruments of the Company within the limit of issuance; to delegate the mandate to the president of the Company, and the Chief Financial Officer, within the scope of this mandate for determining other matters related to such issuance and implementing specific measures upon determining the type, principal, term and use of proceeds of each issuance of the debt financing instruments by the Board of the Company.	In accordance with the mandate, the Company issued super short-term financial debentures and medium-term notes for several times during the reporting period, and one of its subsidiaries issued bonds of USD1.5 billion.

IV. THE PERFORMANCE OF DUTIES OF THE COMMITTEES UNDER THE BOARD DURING THE REPORTING PERIOD

The Company has established five committees under the Board, and the details are as follows:

	The third session	
Committee	**Chairman**	**Members**
Strategy Committee	Zhang Yuzhuo	Zhang Yuzhuo, Ling Wen, Han Jianguo
Audit Committee	Gong Huazhang	Gong Huazhang, Fan Hsu Lai Tai, Guo Peizhang, Chen Hongsheng
Remuneration Committee	Fan Hsu Lai Tai	Fan Hsu Lai Tai, Gong Huazhang
Nomination Committee	Guo Peizhang	Guo Peizhang, Zhang Yuzhuo, Fan Hsu Lai Tai
Safety, Health and Environment Committee	Guo Peizhang	Guo Peizhang, Ling Wen, Han Jianguo

Note: Due to work arrangement, Mr. Wang Xiaolin resigned from the positions as an executive director, member of the Safety, Health and Environment Committee under the Board and senior vice president of the Company on 20 August 2015.

1. Strategy Committee

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

In 2015, the Strategy Committee of the Board held two meetings to consider resolutions such as the acquisition of certain equity interests held by Shenhua Group (being the controlling shareholder), the 2016 annual capital expenditure plan of China Shenhua, all of which were approved at the meetings. All members of the Committee attended all meetings in person.

2. Audit Committee

The principal duties of the Audit Committee were: to supervise and assess the work of the external audit institutions; to guide the internal audit work; to review and provide opinions on the financial reports of the Company; to evaluate the effectiveness of risk management and internal control; to coordinate communications between the management, internal audit department and relevant departments, and the external audit institutions; other duties authorized by the Board and other issues related to the relevant laws and regulations. During the reporting period, the Audit Committee carried out its duties strictly in accordance with the Rules of Procedure of Meetings of the Audit Committee of the Board, Rules on Work of the Audit Committee of the Board and Rules on Work of Annual Reports of the Audit Committee of the Board of China Shenhua.

In 2015, the Audit Committee held nine meetings to consider resolutions such as the financial reports and internal control reports of the Company. Suggestions were made on improving the management of accounts receivable and enhancing the clearance of spare parts. All resolutions were approved at the meetings and all members of the Committee attended all meetings in person.

The Audit Committee has performed necessary procedures for the preparation of the 2015 annual report of the Company:

(1) Before the accounting firms for 2015, namely Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu ("Deloitte"), proceeded with on-site auditing, the Audit Committee had consulted with Deloitte to determine the timing of the Company's 2015 audit. On 19 October 2015, the Audit Committee reviewed the Company's plans for the audit plan for the year 2015; on 5 November 2015, the Audit Committee reviewed the internal control assessment plan for the year 2015.

(2) After Deloitte had issued its preliminary audit opinions, the Audit Committee reviewed the draft financial statements for 2015. On 25 February 2016, the Audit Committee reviewed the 2015 Assessment Report on Internal Control (Draft) and 2015 Financial Statements (Draft) of China Shenhua prepared by the Company.

(3) The Audit Committee received briefings by the management to understand the overall operation of the Company during the reporting period. On 16 March 2016, the Audit Committee received a briefing given by Dr. Zhang Kehui, the Chief Financial Officer of the Company, on the accounting policies and the preparation of the financial statements.

(4) Deloitte completed all audit procedures within the agreed time and intended to issue a standard unqualified audit report for 2015 to the Audit Committee. On 16 March 2016, the Audit Committee voted on the audited financial statements, the assessment report on internal control and the corporate social responsibility report for the year 2015 and agreed to submit such reports to the Board for consideration.

The Audit Committee discussed separately. with the external auditors and no inconsistency was found in the briefings by the management

3. Remuneration Committee

The main duties of the Remuneration Committee are to make recommendations to the Board on formulation of the remuneration plan or proposal for directors, supervisors, the president and other senior management, including but not limited to the criteria, procedures and the major systems of performance assessment, key incentive and punishment plans and systems; to examine how directors, supervisors, the president and other senior management of the Company perform their duties and carry out annual performance assessment on them; and to supervise the implementation of the remuneration system of the Company. The Remuneration Committee is delegated by the Board to determine the specific remuneration package, including non-monetary benefits, pension and compensation (including compensation for loss or termination of office or appointment) for all executive directors, supervisors, the president and other senior management, to ensure that none of the directors or any of their associates can determine their own remuneration; and to carry out other matters as authorised by the Board.

In 2015, the Remuneration Committee held two meetings to consider resolutions including the remuneration packages of directors, supervisors and senior management for the year 2014, all of which were approved at the meeting. All members of the Committee attended all the meetings in person. During the reporting period, the Remuneration Committee reviewed the remuneration management system of the Company and the remuneration level for directors, supervisors, the president and other senior management for the relevant period.

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

4. Nomination Committee

The main duties of the Nomination Committee are to formulate the board diversity policy, regularly review the structure, size and diversity of the Board, and to make recommendations to the Board with regard to any proposed changes; assess and verify the independence of independent non-executive directors; draft procedures and criteria for election and appointment of directors, the president and other senior management and make recommendations to the Board; extensively seek for qualified candidates of directors, the president and other senior management; examine the aforementioned candidates and make recommendations; nominate candidates for members of the Board Committees (other than members of the Nomination Committee and the chairman of any Board Committee); draft development plans for the president, other senior management and key reserve talents; review the board diversity policy where appropriate, and review the quantitative objectives set up by the Board to implement the board diversity policy and their progress of achievement, as well as disclose the results of review in the Corporate Governance Report annually; and carry out any other matters as authorised by the Board.

In 2015, the Nomination Committee held two meetings to consider resolutions including those in relation to the appointment of Wu Xiuzhang and three other persons as the vice presidents of the Company, all of which were approved at the meetings. All members of the Committee attended all meetings in person.

5. Safety, Health and Environment Committee

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

In 2015, the Safety, Health and Environment Committee held one meeting to consider the 2014 CSR Report, and the resolution was approved at the meeting. All members of the Committee attended the meeting in person.

V. THE SUPERVISION OPINION OF THE SUPERVISORY COMMITTEE

During the reporting period, the Supervisory Committee did not have any dissenting view over the matters supervised by the Supervisory Committee.

VI. INDEPENDENCE AND COMPETITION

China Shenhua has an independent and complete business system as well as a market-oriented self-operation capability. The Company is independent from its controlling shareholder in terms of business, personnel, assets, organization and finance.

As a transitional measure for the prevention of competition, the Company was entrusted by Shenhua Group Corporation upon the completion of relevant procedures to provide daily operation management services for existing assets and businesses of Shenhua Group. As at the end of the reporting period, the Company engaged three deputy general managers of Shenhua Group Corporation as president and senior vice presidents of the Company.

While preserving the independent and complete business system and the market-oriented self-operation capability, the Company will further regulate related party transactions, minimize possible competition and strive to maximize the interest of the shareholders.

The Company is principally engaged in the production and sale of coal and power, as well as railway, port, shipping transportation and coal-to-olefins. Currently, the major coal, power and olefins products produced by enterprises such as Shenhua Ningxia Coal Co., Ltd. and Shenhua Guoneng Group Company Limited which are the existing and continuing assets of Shenhua Group Corporation, the controlling shareholder of the Company, are similar to those produced by the Company in terms of type and quality, but each company also has its relatively independent regional markets.

The Company and Shenhua Group Corporation entered into a Non-competition Agreement in 2005. Pursuant to the agreement, Shenhua Group has committed not to compete with the Company in respect of the Company's principal businesses whether in or outside of the PRC, and granted the Company an option and pre-emptive right to acquire from Shenhua Group any potential competing business. In 2015, Shenhua Group Corporation strictly abided by its undertakings, and there was no violation of such undertakings.

On 28 June 2014, China Shenhua disclosed the Announcement on the Performance of Non-competition Undertaking: China Shenhua will commence the acquisition of 14 assets of Shenhua Group and its subsidiaries before 30 June 2019 (submitting the asset acquisition proposal to the internal competent authorities of China Shenhua for approval procedure). In October 2015, the Company completed the acquisition of the equity interests of three power companies controlled by Shenhua Group Corporation. Target assets mainly included clean coal-fired generators equipped with "ultra-low emission" technology and with high capacity.

VII. THE EXAMINATION AND EVALUATION AND THE INCENTIVE MECHANISM FOR THE SENIOR MANAGEMENT

The Company established the remuneration package of the senior management in accordance with the Provisional Measures for the Administration of the Annual Remuneration of the Senior Management of China Shenhua Energy Company Limited. The Company has adopted a performance appraisal system for senior management which combines annual appraisal of operational performance and appraisal of operational performance over the terms of office. Such annual appraisal and appraisal over the terms of office are conducted based on the letter of responsibility of operational performance signed by the Board and the management.

The remuneration of the management is determined in accordance with the Provisional Measures for the Administration of the Annual Remuneration of the Senior Management. In addition to the basic salary, the Board of the Company conducts appraisal based on the performance of the management, and a performance bonus is determined based on the results of such appraisal.

VIII. SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

✔ Applicable ☐ Not applicable

As presented in the 2015 Annual Self-assessment Report on Internal Control of the Board of the Company, no material defects were found in the internal control of financial reporting as at the base date of the Assessment Report on Internal Control, pursuant to the identification of material defects in the internal control over the financial reporting of the Company. The Board is of the opinion that the Company has maintained effective internal control over its financial reporting in all material aspects in accordance with the requirements under the Enterprise Internal Control Normative System and relevant regulations and its supplementary guidelines as well as other regulatory requirements on internal control.

Based on the identification of material defects in the internal control over non-financial reporting of the Company, no material defects were identified by the Company in the internal control over non-financial reporting as at the base date of the Assessment Report on Internal Control. Nothing that would affect the evaluation result of the effectiveness of internal control occurred from the base date of the Assessment Report on Internal Control to the date of issuance of the Assessment Report on Internal Control.

Material defects in the internal control during the reporting period:

☐ Applicable ✔ Not applicable

IX. EXPLANATION ON THE AUDIT REPORT ON INTERNAL CONTROL

Deloitte Touche Tohmatsu Certified Public Accountants LLP, engaged by the Company, has issued the standard unqualified Audit Report on Internal Control. The Audit Report on Internal Control is of the opinion that as at 31 December 2015, China Shenhua had maintained effective internal control over its financial reporting in all material aspects in accordance with the Basic Standard for Enterprise Internal Control and the relevant requirements. The above audit opinions are in line with the opinions set out in the Self-assessment Report of the Board.

Please refer to the relevant announcement disclosed by the Company on the website of the Shanghai Stock Exchange on 25 March 2016 for the 2015 Assessment Report on Internal Control and Audit Report on Internal Control.

Section X Supervisory Committee's Report

The Supervisory Committee of the Company had, based on the attitude of being responsible to all shareholders, performed their supervisory duties faithfully and carried out their work proactively and effectively to protect the lawful interests of the Company and its shareholders in accordance with the relevant requirements under the "Company Law of the People's Republic of China" and the "Articles of Association"

I. PERFORMANCE OF DUTIES OF THE SUPERVISORY COMMITTEE

During the reporting period, in compliance with the requirements of the "Articles of Association" and the "Rules of Procedures of Meetings of the Supervisory Committee", the Supervisory Committee conducted strict supervisions on the lawful operations, financial position and the performance of duties of the Board and the management of the Company.

In 2015, the Supervisory Committee held four meetings in total and all the resolutions had been approved.

Meeting	Date	Venue	Method of Meeting	Attendance of supervisors	Subject matter
The 3rd meeting of the third session of the Supervisory Committee	20 March	Beijing	On-site	All	Resolution on the 2014 annual report of the Company Resolution on the 2014 CSR report of the Company Resolution on the 2014 financial report of the Company Resolution on the 2014 profit distribution plan of the Company Resolution on the Special Report on Deposit and Actual Use of the Proceeds of the Company Resolution on the 2014 Assessment Report on Internal Control of the Company Resolution on the Supervisory Committee's report of the Company for the year 2014
The 4th meeting of the third session of the Supervisory Committee	24 April	Beijing	On-site	All	Resolution on the 2015 first quarterly report of the Company Resolution on the 2015 first quarterly financial report of the Company Resolution on the provisional use of raised funds as working capital
The 5th meeting of the third session of the Supervisory Committee	21 August	Beijing	On-site	All	Resolution on the 2015 interim report of the Company Resolution on the 2015 interim financial report of the Company Resolution on the Special Report on Deposit and Actual Use of the Proceeds of the Company
The 6th meeting of the third session of the Supervisory Committee	23 October	Beijing	On-site	All	Resolution on the 2015 third quarterly report of the Company Resolution on the 2015 third quarterly financial report of the Company

II. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE LAWFUL OPERATION OF THE COMPANY

The Supervisory Committee is of the opinion that the Board and the management of the Company have acted in strict accordance with the Company Law, the Articles of Association and the relevant regulations of the jurisdiction where the Company is listed, performed their duties with integrity and diligence and conscientiously implemented the resolutions of, and exercised the power granted by the general meetings; and that the decisions and operations are in compliance with the laws and regulations and the Articles of Association. During the reporting period, the Supervisory Committee is not aware of any act committed by the Board and the management of the Company during their performance of duties which were in breach of laws, regulations and the Articles of Association or prejudicial to the interests of the Company.

III. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE FINANCIAL POSITION OF THE COMPANY

The Supervisory Committee is of the opinion that the financial statements of the Company give an objective, true and fair view of the financial position and the operating results of the Company in all material aspects and are true and reliable with its regulated financial audit and sound internal control system.

IV. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE ACTUAL USE OF THE PROCEEDS FROM THE LATEST FUND-RAISING EXERCISE OF THE COMPANY

The Supervisory Committee is of the opinion that apart from the change of use of a portion of proceeds by the Company after performing relevant procedures, the actual use of proceeds was in line with that disclosed in the prospectus

V. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE ACQUISITIONS OR DISPOSALS OF ASSETS BY THE COMPANY

During the reporting period, the Resolution in Relation to the Acquisition of Certain Equity Interests Held by Shenhua Group (being the Controlling Shareholder) was approved at the 10th meeting of the third session of the Board of the Company on 23 October 2015. It was agreed that the Company would acquire the 100% equity interests in Ningxia Guohua Ningdong Power (寧東電力), the 100% equity interests in Guohua Xuzhou Power (徐州電力) and the 51% equity interests in Zhoushan Power (舟山電力) held by Shenhua Group, the controlling shareholder. The transaction price is fair and reasonable and no insider trading has been identified. The transactions do not prejudice the interests of shareholders and do not incur any loss of assets of the Company.

VI. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON CONNECTED TRANSACTIONS OF THE COMPANY

The Supervisory Committee is of the opinion that the connected transactions of the Company have been carried out in strict compliance with the principles of fairness, equality and openness under the statutory decision-making procedures, the connected transactions carried out are in accordance with the requirements of the listing rules, and the disclosure of information is standardized and transparent. The Supervisory Committee is not aware of any act prejudicial to the interest of the Company.

VII. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE SELF-ASSESSMENT REPORT ON INTERNAL CONTROL OF THE COMPANY

The self-assessment report on internal control of the Company has truthfully reflected the establishment and implementation of the internal control of the Company and its internal control system is sound and effective.

VIII. INDEPENDENT OPINION OF THE SUPERVISORY COMMITTEE ON THE ESTABLISHMENT AND IMPLEMENTATION OF THE MEASURES ON INSIDER MANAGEMENT

The insider management system is sound and comprehensive, effective in its implementation and able to keep all insider information confidential.

The Supervisory Committee will continue to perform its duties with due care to facilitate the standardized operation of the Company and to safeguard the lawful interests of the Company and its shareholders in strict compliance with the Company Law, the Articles of Association and the relevant laws and regulations of the PRC.

Section XI Investor Relations

In 2015, with the continued downturn in the coal market and the drastic fluctuations in the capital markets, China Shenhua, in the face of the new scenario, made proactive efforts to optimize investor relations to further improve an effective communication channel between the Company and the market.

I. KEEPING ON MAINTAINING FREQUENT COMMUNICATION AND ESTABLISHING EFFECTIVE COMMUNICATION CHANNELS

The Company has been committed to the mission of being proactive and transparent, having actively strengthened investor relations, continuously engaged in sincere and sufficient communication with investors and analysts through result presentations, roadshows, online conferences and other events. All such endeavors have resulted in communication with more than 700 analysts and fund managers, and generally speaking, The Company is able to attain the goal of "weekly on-site surveys and daily phone calls" except for during the black-out period. In particular, the Company communicated with more than 220 individuals through roadshows, more than 200 individuals through investment forums and more than 270 individuals through company visits and teleconferences and answered nearly 100 questions raised by shareholders during the online conferences.

II. HIGHLIGHTING CLEAN ENERGY STRATEGIES AND UNEARTHING INVESTMENT VALUE

Since 2015, there have been distinctly different opinions on the future of the industry, and some investors has been lacking confidence in the future development of the coal industry and the Company. In this regard, China Shenhua has proactively introduced newly-established development strategies for clean energy to the market, actively conveyed its vision of clean utilization of coal to the market, further cultivate the capital markets' positive perception of the Company and the coal industry, and spread positive energy with regard to the transition and improvement of the industry.

During its communication with investors, the Company has on one hand kept on attaching paramount significance to clean development measures including its commitment to green mining, provision of eco-friendly coal products to society and implementation of ultra-low emission for coal-fired power generation. On the other hand, the Company has identified the development pattern of the industry and thus highlighted its development potential in the future from the development perspective that takes into account the structural features of the energy in China and the industry as a whole, thereby inspiring investors' confidence.

III. FOSTERING THE PARTICIPATION OF THE COMPANY IN ALL ASPECTS OF INVESTOR RELATIONS TASKS

In 2015, the Company continued to improve its communication with the capital markets and have sufficient communication therewith pursuant to the laws and regulations. While insisting on deploying the Company's major leaders in the senior management to directly participate in investor relations campaigns in person, the Company has focused on the further involvement of each of its departments. In 2015, the finance, strategy, sales, corporate management and other departments of the Company continued to complete the collection of information and data and meanwhile, the Company engaged in face-to-face conversations with investors, which has further enhanced the Company's understanding about the demand for information about the capital markets, and ensured that further investor relations tasks can be proceeded with.

IV. CONSTANTLY OPTIMIZING INVESTOR RELATIONS AND IMPROVING EXPECTATION MANAGEMENT

In 2015, the Company constantly embarked on investor relations tasks with the focus on expectation management. The Company preliminarily determined the disclosure model of annual operating information to be "annual plan + monthly refinement + adjustments during the year", which has laid a relatively solid foundation for expectation management. At the same time, the Company streamlined work and reorganized as well as consolidated market feedbacks on a quarterly basis in order to disclose information on changes in results in a timely manner, in turn leading the synchronization between market valuation and operating results of the Company.

In 2015, by virtue of its professional investor relations services, China Shenhua was awarded the 2015 Best Investor Relations of the Energy Sector in the Greater China Award by IR Magazine in the UK.

Section XII Index to Information Disclosure

No.	Disclosure document for A Shares (published on the website of Shanghai Stock Exchange)	Date of publication
1	Announcement of China Shenhua on Mining Concessions Obtained for Coal Mines Located in Guojiawan and Qinglongsi.	2015/01/06
2	Announcement on International Credit Rating of China Shenhua	2015/01/07
3	H Share Announcement of China Shenhua	2015/01/07
4	Announcement of China Shenhua on the Approval Obtained for Phase II Construction Project of Shishi Hongshan Thermal Power Plant	2015/01/10
5	Announcement of China Shenhua on the Results of the Issuance of the First Tranche of Ultra Short-Term Financing Debentures for 2015	2015/01/10
6	H Share Announcement of China Shenhua	2015/01/15
7	Announcement of China Shenhua on the 2014 unaudited balance sheet and income statement of Shenhua Finance Company	2015/01/15
8	Announcement of China Shenhua on the Progress of the Issuance of USD-denominated Bonds	2015/01/21
9	H Share Announcement of China Shenhua	2015/01/21
10	Announcement on the Major Operating Data of China Shenhua for December 2014	2015/01/22
11	Announcement of China Shenhua on the Approval for the Zhundong Wucaiwan Power Plant (Phase II) of Shenhua Shendong Power	2015/01/29
12	Announcement of Shenhua Regarding the Progress of the Watermark Phase I Open-cut Coal Mine Project	2015/02/10
13	Announcement of China Shenhua on the Change of the Representatives of the Sponsor	2015/02/10
14	Preliminary Financial Data of China Shenhua for 2014	2015/02/11
15	Announcement of China Shenhua on the Results of the Issuance of the Second Tranche of Ultra Short-term Financing Debentures for 2015	2015/02/17
16	Announcement on the Major Operational Data of China Shenhua for January 2015	2015/02/17
17	Announcement of China Shenhua on the Completion of the 168-hour Trial Run of Generator No. 1 of the Wanzhou Port and Power Integration Project in Chongqing	2015/02/17
18	Announcement of China Shenhua on the 2015 Business Targets and Capital Expenditure Plan	2015/02/17
19	Announcement of China Shenhua on Changes in Senior Management	2015/03/12
20	Announcement on the Major Operational Data of China Shenhua for February 2015	2015/03/17
21	Announcement of China Shenhua on the Redemption of Ultra Short-term Financing Debentures at Maturity	2015/03/19
22	Highlights of the Annual Report of China Shenhua (Updated)	2015/03/21
23	Highlights of the Annual Report of China Shenhua	2015/03/21
24	Special Report and Audit Report of China Shenhua on Deposit and Actual Use of Proceeds for 2014	2015/03/21
25	Report on the Performance of Duties by the Audit Committee of China Shenhua for 2014	2015/03/21
26	Special Explanation and Independent Opinion on the Company's External Guarantee by independent non-executive directors of China Shenhua	2015/03/21
27	Announcement on Resolutions of the 3rd Meeting of the third Session of the Supervisory Committee of China Shenhua	2015/03/21
28	Announcement of China Shenhua on the Closure of the Coal-fired Generating Unit of Guohua Beijing Thermal Power Plant	2015/03/21
29	Annual Report of China Shenhua	2015/03/21
30	Announcement on Resolutions of the 6th Meeting of the third Session of the Board of China Shenhua	2015/03/21
31	Special Explanation of China Shenhua on the Appropriation of Funds by the Controlling Shareholder and Other Related Parties of the Company in 2014	2015/03/21
32	Work Report of the independent directors of China Shenhua for the Year 2014	2015/03/21
33	Special Report of China Shenhua on Deposit and Actual Use of Proceeds for 2014	2015/03/21
34	2014 Annual Financial Statement and Audit Report of China Shenhua	2015/03/21

No.	Disclosure document for A Shares (published on the website of Shanghai Stock Exchange)	Date of publication
35	2014 Assessment Report on Internal Control of China Shenhua	2015/03/21
36	2014 CSR Report of China Shenhua	2015/03/21
37	Audit Report of China Shenhua on Internal Control for 2014	2015/03/21
38	China Shenhua: Special Audit Report on Deposit and Actual Use of Proceeds of China Shenhua Energy Company Limited for 2014	2015/03/21
39	Announcement of China Shenhua the Proposed Signing of the Agreement for Persons Acting in Concert with Zhuhai Port Co., Ltd.	2015/04/04
40	Announcement of China Shenhua on the Completion of the 168-hour Trial Run of Generator No. 3 of Fujian Hongshan	2015/04/08
41	Notice of the 2014 Annual General Meeting and the 2015 First Class Meeting of the Holders of A Shares of China Shenhua	2015/04/11
42	H Share Circular of China Shenhua	2015/04/11
43	Announcement on the Major Operational Data of China Shenhua for March 2015	2015/04/21
44	Announcement of China Shenhua on Idle Proceeds Used for Temporary Replenishment of Working Capital	2015/04/25
45	Announcement of China Shenhua Regarding Online Discussion Forum for Investors	2015/04/25
46	Announcement on Resolutions of the 7th Meeting of the third Session of the Board of China Shenhua	2015/04/25
47	Announcement of China Shenhua on Adjustments to Electricity Tariffs	2015/04/25
48	Announcement on Resolutions of the 4th Meeting of the third Session of the Supervisory Committee of China Shenhua	2015/04/25
49	First Quarterly Report of China Shenhua	2015/04/25
50	China Shenhua – Audit Opinion from China International Capital Corporation Limited and China Galaxy Securities Co., Ltd. in Relation to the Idle Proceeds Used for Temporary Replenishment of Working Capital by China Shenhua Energy Company Limited	2015/04/25
51	Announcement of China Shenhua on Repayment of Idle Proceeds Used for Temporary Replenishment of Working Capital upon Expiration	2015/04/28
52	Announcement of China Shenhua on the Approval Obtained for the New Construction Project of Shengli Power Plant	2015/05/07
53	Information on the 2015 First Class Meeting of the Holders of A Shares of China Shenhua	2015/05/09
54	Announcement on Resolutions of the 8th Meeting of the third Session of the Board of China Shenhua	2015/05/09
55	Announcement of China Shenhua on the Addition of Ex Tempore Motions at the 2014 Annual General Meeting	2015/05/09
56	Information on the 2014 Annual General Meeting of China Shenhua	2015/05/09
57	Announcement of China Shenhua on the Completion of the 168-hour Trial Run of Generator No. 4 of Fujian Hongshan	2015/05/15
58	Announcement on the Major Operational Data of China Shenhua for April 2015	2015/05/19
59	Announcement of China Shenhua Regarding the Progress in Obtaining Exploration Rights of Coal Resources at Taigemiao	2015/05/29
60	Announcement of China Shenhua Regarding the Approval for the Construction of the Project of Golmud Thermal Power Plant in Qinghai	2015/05/29
61	Legal Opinion on 2014 Annual General Meeting, 2015 First Class Meeting of the Holders of A Shares and 2015 First Class Meeting of the Holders of H Shares of China Shenhua	2015/05/30
62	Announcement of China Shenhua on the Notice to Creditors in Relation to a General Mandate Obtained by the Board to Repurchase Shares of the Company	2015/05/30

No.	Disclosure document for A Shares (published on the website of Shanghai Stock Exchange)	Date of publication
63	Announcement on Resolutions of 2014 Annual General Meeting, 2015 First Class Meeting of the Holders of A Shares and 2015 First Class Meeting of the Holders of H Shares of China Shenhua	2015/05/30
64	Announcement of China Shenhua on the Change of the Representatives of the Sponsor	2015/06/02
65	Announcement of China Shenhua on Final Dividend Distribution for 2014	2015/06/06
66	Announcement of China Shenhua Regarding Judicial Investigation Against Senior Vice President Hao Gui	2015/06/08
67	Clarification Announcement of China Shenhua	2015/06/10
68	Announcement on the Major Operational Data of China Shenhua for May 2015	2015/06/16
69	Announcement of China Shenhua on the Completion of the 168-hour Trial Run of No. 3 Generator of Expansion Project of Shenwan Energy Anqing Power Plant Phase II	2015/06/16
70	Announcement of China Shenhua on the Results of the Issuance of the Third Tranche of Ultra Short-Term Financing Debentures for 2015	2015/06/18
71	Announcement of China Shenhua Regarding the Increase in Shareholding of the Controlling Shareholder in the Company	2015/07/09
72	Announcement of China Shenhua Regarding the Progress of the Watermark Phase I Open-cut Coal Mine Project	2015/07/15
73	Announcement of China Shenhua on the Unaudited Balance Sheet and Income Statement of Shenhua Finance Company for the First Half of 2015	2015/07/15
74	Announcement of China Shenhua on the Approval Obtained for the New Construction Project of Shenhua Tianming Power Plant	2015/07/16
75	Announcement on the Major Operational Data of China Shenhua for June 2015	2015/07/21
76	Preliminary Financial Data of China Shenhua for the first half of 2015	2015/07/30
77	Announcement of China Shenhua on the Completion of the 168-hour Trial Run of the Generator of Shenhua Guohua Beijing Thermal Power Project	2015/08/15
78	Announcement on the Major Operational Data of China Shenhua for July 2015	2015/08/18
79	Announcement of China Shenhua on the Resignation of Executive Director	2015/08/21
80	Announcement on Resolutions of the 9th Meeting of the third Session of the Board of China Shenhua	2015/08/22
81	Special Report of China Shenhua on Deposit and Actual Use of Proceeds for the First Half of 2015	2015/08/22
82	Half-yearly Report of China Shenhua	2015/08/22
83	Highlights of the Half-yearly Report of China Shenhua	2015/08/22
84	Announcement on Resolutions of the 5th Meeting of the third Session of the Supervisory Committee of China Shenhua	2015/08/22
85	Announcement of China Shenhua Regarding the Approval for the Construction of Shenhua Guohua Qingyuan Power Generation Project	2015/08/26
86	Announcement on the Major Operational Data of China Shenhua for August 2015	2015/09/16
87	Announcement on the Major Operational Data of China Shenhua for September 2015	2015/10/20
88	Announcement on Resolutions of the 10th Meeting of the third Session of the Board of China Shenhua	2015/10/24
89	Independent Opinion of the independent non-executive directors of China Shenhua on Connected Transactions Arising from the Acquisition by the Company of Certain Equity Interests Held by Shenhua Group (Being the Company's Controlling Shareholder)	2015/10/24

No.	Disclosure document for A Shares (published on the website of Shanghai Stock Exchange)	Date of publication
90	China Shenhua: Asset Evaluation Report for the Proposed Transfer Project of the Equity Interests in Ningxia Guohua Ningdong Power Generation Co., Ltd. held by Shenhua Group Corporation Limited	2015/10/24
91	China Shenhua: Asset Evaluation Report for the Proposed Transfer Project of the Equity Interests in Guohua Xuzhou Power Generation Co., Ltd. held by Shenhua Group Corporation Limited	2015/10/24
92	China Shenhua: Financial Statements and Audit Reports of Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. (for the period between 1 January 2015 and 30 June 2015 and for the year ended 2014)	2015/10/24
93	China Shenhua: Financial Statements and Audit Reports of Ningxia Guohua Ningdong Power Generation Co., Ltd. (for the period between 1 January 2015 and 30 June 2015 and for the year ended 2014)	2015/10/24
94	Announcement of China Shenhua on the Acquisition of Assets and Connected Transactions	2015/10/24
95	Announcement of China Shenhua Regarding Online Discussion Forum for Investors	2015/10/24
96	Announcement on Resolutions of the 6th Meeting of the third Session of the Supervisory Committee of China Shenhua	2015/10/24
97	Third Quarterly Report of China Shenhua	2015/10/24
98	Announcement of China Shenhua on the Provision of Guarantee to Investees by the Wholly-owned Subsidiary	2015/10/24
99	China Shenhua: Asset Evaluation Report for the Proposed Transfer Project of the Equity Interests in Shenhua Guohua Zhoushan (Power Generation) Co., Ltd. held by Shenhua Group Corporation Limited	2015/10/24
100	China Shenhua: Financial Statements and Audit Reports of Guohua Xuzhou Power Generation Co., Ltd. (for the period between 1 January 2015 and 30 June 2015 and for the year ended 2014)	2015/10/24
101	Announcement of China Shenhua on the Passing Away of Senior Vice President	2015/10/30
102	Announcement of China Shenhua on Early Repayment of Idle Proceeds Used for Temporary Replenishment of Working Capital	2015/11/03
103	Announcement on the Major Operational Data of China Shenhua for October 2015	2015/11/17
104	Announcement of China Shenhua on the Approval Obtained for the New Construction Project of Shenwan Lujiang Power Plant	2015/11/17
105	Announcement of China Shenhua Regarding the Progress of the Tendering for the Sumsel-1 IPP Project in Indonesia	2015/11/21
106	Announcement on Resolutions of the 11th Meeting of the third Session of the Board of China Shenhua and Changes in Senior Management	2015/11/26
107	Announcement of China Shenhua on Early Repayment of Idle Proceeds Used for Temporary Replenishment of Working Capital	2015/12/02
108	Announcement of China Shenhua on the Approval Obtained for the Project of Shenhua Guohua Huarong Power Plant	2015/12/10
109	Announcement on Resolutions of the 13th Meeting of the third Session of the Board of China Shenhua	2015/12/18
110	Announcement of China Shenhua on 2016 Annual Business Plan for Financial Derivatives	2015/12/18
111	Announcement on the Major Operational Data of China Shenhua for November 2015	2015/12/18
112	Announcement of China Shenhua Regarding the Tender Progress of Jawa-7 IPP Project in Indonesia	2015/12/29

No.	Disclosure documents for H Shares (published on the website of Hong Kong Stock Exchange)	Date of publication
1	Overseas Regulatory Announcement	2015/01/05
2	Voluntary Announcement Credit Rating of China Shenhua Energy Company Limited	2015/01/06
3	Proposed Issuance of US$ Denominated Unsecured Bonds	2015/01/06
4	Overseas Regulatory Announcement	2015/01/09
5	Overseas Regulatory Announcement	2015/01/09
6	US$500,000,000 2.500% Bonds due 2018; US$500,000,000 3.125% Bonds due 2020; US$500,000,000 3.875% Bonds due 2025	2015/01/14
7	Overseas Regulatory Announcement	2015/01/14
8	Notice of Listing on the Stock Exchange of Hong Kong Limited	2015/01/20
9	Overseas Regulatory Announcement	2015/01/20
10	Announcement on the Major Operational Data of December 2014	2015/01/21
11	Overseas Regulatory Announcement	2015/01/28
12	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 January 2015	2015/02/02
13	Overseas Regulatory Announcement	2015/02/09
14	Overseas Regulatory Announcement	2015/02/09
15	Announcement on Preliminary Financial Data for the Year 2014	2015/02/10
16	Overseas Regulatory Announcement	2015/02/10
17	Overseas Regulatory Announcement	2015/02/13
18	Overseas Regulatory Announcement	2015/02/16
19	Announcement on the Major Operational Data of January 2015	2015/02/16
20	Announcement on the 2015 Business Targets and Capital Expenditure Plan	2015/02/16
21	Monthly Return of Equity Issuer on Movements in Securities for the month ended 28 February 2015	2015/03/03
22	Notice of Board Meeting	2015/03/10
23	Voluntary Announcement Change in the Senior Management	2015/03/11
24	Announcement on the Major Operational Data of February 2015	2015/03/16
25	Overseas Regulatory Announcement	2015/03/18
26	Overseas Regulatory Announcement	2015/03/20
27	Overseas Regulatory Announcement	2015/03/20
28	Overseas Regulatory Announcement	2015/03/20
29	Overseas Regulatory Announcement	2015/03/20
30	Announcement of Annual Results for the Year Ended 31 December 2014	2015/03/20
31	2014 CSR Report	2015/03/22
32	2014 Annual Report	2015/03/22
33	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 March 2015	2015/03/31
34	Overseas Regulatory Announcement	2015/04/07
35	Overseas Regulatory Announcement	2015/04/07
36	Notification Letter and Request Form to Non Registered Holder	2015/04/10

No.	Disclosure documents for H Shares (published on the website of Hong Kong Stock Exchange)	Date of publication
37	Notification Letter and Request Form to Registered Holder	2015/04/10
38	Proposal for General Mandate to Repurchase A Shares and H Shares	2015/04/10
39	Reply Slip Class Meeting of the Holders of H Shares	2015/04/10
40	Form of proxy for 2015 First Class Meeting of the Holder of H Shares	2015/04/10
41	Notice of 2015 First Class Meeting of the Holders of H Shares	2015/04/10
42	Reply Slip Annual General Meeting	2015/04/10
43	Form of proxy for Annual General Meeting	2015/04/10
44	Notice of Annual General Meeting	2015/04/10
45	Overseas Regulatory Announcement	2015/04/10
46	Notice of Board Meeting	2015/04/14
47	Announcement on the Major Operational Data of March 2015	2015/04/20
48	Overseas Regulatory Announcement	2015/04/24
49	Overseas Regulatory Announcement	2015/04/24
50	First Quarterly Report for the Year 2015	2015/04/24
51	Announcement Regarding Adjustments to Electricity Tariffs	2015/04/24
52	Overseas Regulatory Announcement	2015/04/27
53	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 April 2015	2015/04/30
54	Overseas Regulatory Announcement	2015/05/06
55	Overseas Regulatory Announcement	2015/05/08
56	Notification Letter and Request Form to Non Registered Holder	2015/05/08
57	Notification Letter and Request Form to Registered Holder	2015/05/08
58	Second Form of Proxy for Annual General Meeting	2015/05/08
59	Supplemental Notice of Annual General Meeting	2015/05/08
60	Overseas Regulatory Announcement	2015/05/14
61	Announcement on the Major Operational Data of April 2015	2015/05/18
62	Overseas Regulatory Announcement	2015/05/28
63	Announcement Regarding the Progress in Obtaining Exploration Rights of Coal Resources at Taigemiao	2015/05/28
64	Voting Results of 2014 Annual General Meeting, 2015 First Class Meeting of the Holders of A Shares and 2015 First Class Meeting of the Holders of H Shares	2015/05/29
65	Overseas Regulatory Announcement	2015/05/29
66	Notice to Creditors in Relation to a General Mandate to Repurchase of Shares of the Company	2015/05/29
67	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 May 2015	2015/06/01
68	Overseas Regulatory Announcement	2015/06/01
69	Overseas Regulatory Announcement	2015/06/05
70	Announcement Regarding Judicial Investigation Against Senior Vice President Hao Gui	2015/06/07
71	Clarification Announcement	2015/06/09
72	Overseas Regulatory Announcement	2015/06/15
73	Announcement on the Major Operational Data of May 2015	2015/06/15
74	Overseas Regulatory Announcement	2015/06/17
75	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 June 2015	2015/06/30
76	Announcement on Increase of Shareholding in the Company by the Controlling Shareholder	2015/07/08
77	Overseas Regulatory Announcement	2015/07/14
78	Overseas Regulatory Announcement	2015/07/14
79	Overseas Regulatory Announcement	2015/07/15

No.	Disclosure documents for H Shares (published on the website of Hong Kong Stock Exchange)	Date of publication
80	Announcement on the Major Operational Data of June 2015	2015/07/20
81	Overseas Regulatory Announcement	2015/07/29
82	Announcement on Preliminary Financial Data for the First Half of 2015	2015/07/29
83	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 July 2015	2015/07/31
84	Notice of Board Meeting	2015/08/11
85	Overseas Regulatory Announcement	2015/08/14
86	Announcement on the Major Operational Data of July 2015	2015/08/17
87	Positions Held by Current Directors at the Board and the Board Committees	2015/08/20
88	Resignation of an Executive Director	2015/08/20
89	Dismissal of a Senior Vice President	2015/08/21
90	Overseas Regulatory Announcement	2015/08/21
91	Overseas Regulatory Announcement	2015/08/21
92	Announcement of Interim Results for the Six Months Ended 30 June 2015	2015/08/21
93	2015 Interim Report	2015/08/23
94	Overseas Regulatory Announcement	2015/08/25
95	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 August 2015	2015/09/01
96	Notification Letter and Request Form to Non Registered Holder	2015/09/08
97	Notification Letter and Request Form to Registered Holder	2015/09/08
98	Announcement on the Major Operational Data of August 2015	2015/09/15
99	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 September 2015	2015/09/30
100	Notice of Board Meeting	2015/10/13
101	Announcement on the Major Operational Data of September 2015	2015/10/19
102	Acquisitions of 100% Equity Interest in Ningdong Power Plant, 100% Equity Interest in Xuzhou Power Plant and 51% Equity Interest in Zhoushan Power Plant	2015/10/23
103	Third Quarterly Report for the Year 2015	2015/10/23
104	Overseas Regulatory Announcement	2015/10/23
105	Overseas Regulatory Announcement	2015/10/23
106	Overseas Regulatory Announcement	2015/10/30
107	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 October 2015	2015/11/02
108	Overseas Regulatory Announcement	2015/11/02
109	Overseas Regulatory Announcement	2015/11/16
110	Announcement on the Major Operational Data of October 2015	2015/11/16
111	Overseas Regulatory Announcement	2015/11/20
112	Overseas Regulatory Announcement	2015/11/25
113	Changes in Senior Management	2015/11/25
114	Monthly Return of Equity Issuer on Movements in Securities for the month ended 30 November 2015	2015/12/01
115	Overseas Regulatory Announcement	2015/12/01
116	Overseas Regulatory Announcement	2015/12/09
117	2016 Annual Business Plan for Financial Derivatives	2015/12/17
118	Announcement on the Major Operational Data of November 2015	2015/12/17
119	Overseas Regulatory Announcement	2015/12/17
120	Overseas Regulatory Announcement	2015/12/28
121	Monthly Return of Equity Issuer on Movements in Securities for the month ended 31 December 2015	2015/12/31

To The Shareholders Of China Shenhua Energy Company Limited

(Incorporated in The People's Republic of China with limited liability)

We have audited the consolidated financial statements of China Shenhua Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 138 to 229, which comprise the consolidated statement of financial position as at 31 December 2015, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2015, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

24 March 2016

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2015

	NOTES	Year ended 31 December	
		2015	2014
		RMB million	*RMB million* (Restated)
Revenue	6	**177,069**	253,081
Cost of sales	7	**(123,341)**	(178,109)
Gross profit		**53,728**	74,972
Selling expenses		**(584)**	(794)
General and administrative expenses		**(9,714)**	(8,835)
Other gains and losses	10	**(5,856)**	(770)
Other income		**1,659**	939
Other expenses		**(626)**	(419)
Interest income	8	**608**	803
Finance costs	8	**(5,123)**	(4,459)
Share of results of associates		**428**	410
Profit before income tax		**34,520**	61,847
Income tax expense	9	**(9,561)**	(12,784)
Profit for the year	10	**24,959**	49,063
Other comprehensive income (loss) for the year			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations		**(21)**	(18)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences		**192**	(301)
Share of other comprehensive income of associate		**(22)**	–
		170	(301)
Other comprehensive income (loss) for the year, net of income tax		**149**	(319)
Total comprehensive income for the year		**25,108**	48,744

	NOTES	Year ended 31 December 2015 RMB million	 2014 RMB million (Restated)
Profit for the year attributable to:			
Equity holders of the Company		17,649	39,301
Non-controlling interests		7,310	9,762
		24,959	49,063
Total comprehensive income for the year attributable to:			
Equity holders of the Company		17,783	38,982
Non-controlling interests		7,325	9,762
		25,108	48,744
Earnings per share *(RMB)*			
– Basic	14	0.887	1.976

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2015

	NOTES	31 December 2015 RMB million	31 December 2014 RMB million (Restated)	1 January 2014 RMB million (Restated)
Non-current assets				
Property, plant and equipment	15	339,326	292,262	272,276
Construction in progress	16	33,610	78,988	76,707
Exploration and evaluation assets	17	2,176	2,212	2,251
Intangible assets	18	2,964	1,540	1,477
Interest in associates	19	5,113	5,016	4,866
Available-for-sale investments	20	1,795	1,795	1,032
Other non-current assets	21	34,562	32,366	28,009
Lease prepayments	22	16,535	14,963	14,375
Deferred tax assets	28	2,674	2,084	1,766
Total non-current assets		438,755	431,226	402,759
Current assets				
Inventories	23	12,816	15,980	17,937
Accounts and bills receivable	24	41,019	30,850	28,016
Prepaid expenses and other current assets	25	19,351	29,308	30,336
Restricted bank deposits	26	4,611	6,271	6,648
Time deposits with original maturity over three months		916	1,275	1,292
Cash and cash equivalents	27	42,323	35,962	38,338
Total current assets		121,036	119,646	122,567
Current liabilities				
Borrowings	29	12,812	18,441	40,105
Short-term debenture	30	4,998	9,994	9,982
Accounts and bills payable	31	33,990	39,011	38,664
Accrued expenses and other payables	32	47,519	40,366	42,665
Current portion of long-term liabilities	33	203	280	311
Income tax payable		1,965	2,686	2,274
Total current liabilities		101,487	110,778	134,001
Net current assets (liabilities)		19,549	8,868	(11,434)
Total assets less current liabilities		458,304	440,094	391,325

At 31 December 2015

	NOTES	31 December 2015 RMB million	31 December 2014 RMB million (Restated)	1 January 2014 RMB million (Restated)
Non-current liabilities				
Borrowings	29	54,179	44,619	42,854
Medium-term notes	30	24,955	24,933	4,958
Bonds	30	9,651	–	–
Long-term liabilities	33	2,523	1,705	2,028
Accrued reclamation obligations	34	2,197	2,102	1,973
Deferred tax liabilities	28	878	1,165	1,302
Total non-current liabilities		94,383	74,524	53,115
Net assets		363,921	365,570	338,210
Equity				
Share capital	35	19,890	19,890	19,890
Reserves		278,178	280,808	260,223
Equity attributable to equity holders of the Company		298,068	300,698	280,113
Non-controlling interests		65,853	64,872	58,097
Total equity		363,921	365,570	338,210

The consolidated financial statements on pages 138 to 229 were approved and authorised for issue by the Board of Directors on 24 March 2016, and are signed on its behalf by:

ZHANG Yuzhuo
Chairman

HAN Jianguo
Director and President

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 31 December 2015

	Equity attributable to equity holders of the Company									
	Share capital *RMB million* *(Note 35)*	Share premium *RMB million* *(note (i))*	Capital reserve *RMB million* *(note (ii))*	Exchange reserve *RMB million*	Statutory reserves *RMB million* *(note (iii))*	Other reserves *RMB million* *(note (iv))*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 1 January 2014 as originally reported	19,890	85,001	3,612	(52)	15,031	(11,290)	164,711	276,903	57,739	334,642
Adjustments for acquisitions A subsidiaries under common control *(Note 5)*	–	–	–	–	–	3,035	175	3,210	358	3,568
At 1 January 2014 (restated)	19,890	85,001	3,612	(52)	15,031	(8,255)	164,886	280,113	58,097	338,210
Profit for the year (restated)	–	–	–	–	–	–	39,301	39,301	9,762	49,063
Other comprehensive expense for the year (restated)	–	–	–	(301)	–	(18)	–	(319)	–	(319)
Total comprehensive (expense) income for the year (restated)	–	–	–	(301)	–	(18)	39,301	38,982	9,762	48,744
Dividend declared *(Note 13)*	–	–	–	–	–	–	(18,100)	(18,100)	–	(18,100)
Appropriation of maintenance and production funds *(note (iii))*	–	–	–	–	5,996	–	(5,996)	–	–	–
Utilisation of maintenance and production funds *(note (iii))*	–	–	–	–	(5,028)	–	5,028	–	–	–
Appropriation of general reserve *(note (iii))*	–	–	–	–	72	–	(72)	–	–	–
Deemed distribution to Shenhua Group arising from acquisition of subsidiaries under common control	–	–	–	–	–	(462)	–	(462)	–	(462)
Contribution from Shenhua Group in relation to acquisition of subsidiaries under common control	–	–	–	–	–	112	–	112	–	112
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	1,079	1,079
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(4,047)	(4,047)
Others	–	–	–	–	–	53	–	53	(19)	34
At 31 December 2014 (restated)	19,890	85,001	3,612	(353)	16,071	(8,570)	185,047	300,698	64,872	365,570

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(CONTINUED)*

For the Year Ended 31 December 2015

	Equity attributable to equity holders of the Company									
	Share capital *RMB million (Note 35)*	Share premium *RMB million (note (i))*	Capital reserve *RMB million (note (ii))*	Exchange reserve *RMB million*	Statutory reserves *RMB million (note (iii))*	Other reserves *RMB million (note (iv))*	Retained earnings *RMB million*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 1 January 2015 (restated)	19,890	85,001	3,612	(353)	16,071	(8,570)	185,047	300,698	64,872	365,570
Profit for the year	–	–	–	–	–	–	17,649	17,649	7,310	24,959
Other comprehensive income (expense) for the year	–	–	–	177	–	(43)	–	134	15	149
Total comprehensive income (expense) for the year	–	–	–	177	–	(43)	17,649	17,783	7,325	25,108
Dividend declared *(Note 13)*	–	–	–	–	–	–	(14,718)	(14,718)	–	(14,718)
Appropriation of maintenance and production funds *(note (iii))*	–	–	–	–	5,381	–	(5,381)	–	–	–
Utilisation of maintenance and production funds *(note (iii))*	–	–	–	–	(3,699)	–	3,699	–	–	–
Appropriation of general reserve *(note (iii))*	–	–	–	–	250	–	(250)	–	–	–
Acquisition of non-controlling interest in a subsidiary	–	–	–	–	–	–	–	–	(4)	(4)
Acquisiton of subsidiaries under common control *(Note 5)*	–	–	–	–	–	(5,695)	–	(5,695)	–	(5,695)
Contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	2,288	2,288
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(8,628)	(8,628)
At 31 December 2015	19,890	85,001	3,612	(176)	18,003	(14,308)	186,046	298,068	65,853	363,921

Notes:

(i) 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 other reserves, transferred from Shenhua Group Corporation Limited ("Shenhua Group") in connection with the Restructuring (as defined in Note 1).

Notes: (Continued)

(iii) Statutory reserves

Statutory surplus reserve

According to the PRC Company Law and 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 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.

The statutory surplus reserve has reached 50% of the registered capital in 2009. Accordingly, no appropriation of net profit to the statutory surplus reserve has been proposed since 1 January 2010.

Statutory surplus reserve can be used to make up 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 of the Company. The statutory surplus reserve is not distributable.

Specific reserve for production and maintenance funds

Pursuant to the relevant PRC regulations, the Group is required to transfer maintain expenses, production safety expenses and relevant expenses ("production and maintenance funds") at fixed rates based on relevant bases to a specific reserve accounts. The production and maintenance funds could be utilised when expenses or capital expenditures on production maintenance and safety measures are incurred. The amount of production and maintenance funds utilised would be transferred from the specific reserve account to retained earnings.

General reserve

Pursuant to relevant regulations issued by the Ministry of Finance, the Company's subsidiary, Shenhua Finance, is required to set aside a general reserve by the end of the financial year through appropriations of profit after tax as determined in accordance with China Accounting Standards for Business Enterprises at a certain ratio of the ending balance of gross risk-bearing assets to cover potential losses against such assets.

The directors of the Company (the "Directors") have proposed appropriation to the general reserve of RMB250 million for the year ended 31 December 2015 (2014: RMB72 million).

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 2015 and 2014.

(iv) Other reserves

Other reserves mainly represents the consideration paid for acquisition of subsidiaries under common control.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Year Ended 31 December 2015

	2015 *RMB million*	2014 *RMB million* (Restated)
OPERATING ACTIVITIES		
Profit before income tax	34,520	61,847
Adjustments for:		
Depreciation and amortisation *(Note 10)*	23,990	21,343
Other gains and losses *(Note 10)*	5,856	770
Interest income	(608)	(803)
Share of results of associates	(428)	(410)
Interest expense	4,483	4,782
Fair value changes on financial instruments *(Note 8)*	6	5
Exchange loss (gain), net	649	(328)
Other income	(56)	(70)
Operating cash flows before movements in working capital	68,412	87,136
Decrease in inventories	2,214	1,658
Increase in accounts and bills receivable	(10,309)	(2,801)
Decrease (increase) in prepaid expenses and other receivables	5,116	(3,099)
(Decrease) increase in accounts and bills payable	(5,021)	403
Increase (decrease) in accrued expenses and other payables	5,754	(1,388)
Cash generated from operations	66,166	81,909
Income tax paid	(10,760)	(12,840)
NET CASH GENERATED FROM OPERATING ACTIVITIES	55,406	69,069
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, additions to the construction in progress and other non-current assets	(29,685)	(43,845)
Increase in lease prepayments	(191)	(1,306)
Proceeds from disposal of property, plant and equipment, and lease prepayments	640	735
Proceeds from disposal of an associate	3	40
Proceeds from disposal of debt securities	400	–
Proceeds from disposal of a subsidiary	–	19
Investments in financial products	(160)	–
Investments in associates	(48)	(197)
Purchase of available-for-sale investments	–	(913)
Dividend received from associates	309	357
Interest received	590	841
Investment income from debt securities	–	146
Decrease in restricted bank deposits	1,660	377
Increase in time deposits with original maturity over three months	(1,265)	(1,547)
Maturity of time deposits with original maturity over three months	1,624	1,564
Entrusted loan to a third party	–	(37)
Repayment of entrusted loans	–	30

	2015 *RMB million*	2014 *RMB million* (Restated)
NET CASH USED IN INVESTING ACTIVITIES	**(26,123)**	(43,736)
FINANCING ACTIVITIES		
Interest paid	**(5,730)**	(5,600)
Proceeds from borrowings	**26,458**	46,347
Repayments of borrowings	**(22,756)**	(65,968)
Net proceeds from short-term debentures and medium-term notes	**14,985**	39,915
Net proceeds from bonds	**9,049**	–
Repayments of short-term debentures and medium-term notes	**(20,000)**	(20,000)
Contributions from non-controlling shareholders	**2,288**	1,079
Contributions from equity holders of the Company	**–**	53
Distributions to non-controlling shareholders	**(7,343)**	(5,083)
Dividend paid to equity holders of the Company	**(14,718)**	(18,100)
Deemed distribution to Shenhua Group arising from acquisition of subsidiaries under common control	**–**	(462)
Cash paid for acquisition of a subsidiary under common control *(Note 5)*	**(5,386)**	–
Acquisition of minority interests	**(4)**	–
Deemed capital contribution in a subsidiary under common control acquired from Shenhua Group	**–**	112
Net cash used in financing activities	**(23,157)**	(27,707)
Net increase (decrease) in cash and cash equivalents	**6,126**	(2,374)
Cash and cash equivalents, at the beginning of the year	**35,962**	38,338
Effect of foreign exchange rate changes	**235**	(2)
Cash and cash equivalents, at the end of the year	**42,323**	35,962

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 coal-based power in the People's Republic of China (the "PRC"). The Group operates an integrated railway network and seaports that are primarily used to transport the Group's coal sales from its mines. The primary customers of the Group's coal sales include power plants, metallurgical and coal chemical producers to provincial/regional electric grid companies in the PRC.

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.

Effective on 31 December 2003, the coal production and power generation operations previously operated by various entities wholly-owned or controlled by Shenhua Group were restructured and managed separately (the "Restructuring"), and those assets and liabilities related to the operations and businesses that were transferred to the Company were revalued by China Enterprise Appraisal Co., Ltd., an independent valuer registered in the PRC, 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 15,000,000,000 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.

Immediate parent and ultimate controlling party

At 31 December 2015, the Directors consider the immediate parent and ultimate holding company of the Group to be Shenhua Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

In the current year, the Group has applied, for the first time, the following amendments to IFRSs that are mandatorily effective for the current year.

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to IFRSs	*Annual Improvements to IFRSs 2010-2012 Cycle*
Amendments to IFRSs	*Annual Improvements to IFRSs 2011-2013 Cycle*

The application of the amendments to IFRSs during the accounting period has had no material impact on the Group's consolidated statements and the disclosures.

New and revised IFRSs not yet effective and not early adopted

IFRS 9	*Financial Instruments* [1]
IFRS 15	*Revenue from Contracts with Customers* [1]
IFRS 16	*Lease* [2]
Amendments to IFRS 11	*Accounting for Acquisitions of Interests in Joint Operation* [3]
Amendments to IAS 1	*Disclosure Initiative* [3]
Amendments to IAS 16 and IAS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation* [3]
Amendments to IFRSs	*Annual Improvements to IFRSs 2012-2014 Cycle* [3]
Amendments to IAS 16 and IAS 41	*Agriculture: Bearer Plants* [3]
Amendments to IAS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* [4]
Amendments to IFRS 10, IFRS 12 and IAS 28	*Investment Entities: Applying the Consolidation Exception* [3]
Amendments to IAS 7	*Disclosure Initiative* [5]
Amendments to IAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses* [5]

1 Effective for annual periods beginning on or after 1 January 2018
2 Effective for annual periods beginning on or after 1 January 2019
3 Effective for annual periods beginning on or after 1 January 2016
4 Effective for annual periods beginning on or after a date to be determined
5 Effective for annual periods beginning on or after 1 January 2017

Other than as further explained below, the Directors do not anticipate that the application of the new and revised IFRSs above will have a material effect on the Group's consolidated financial statements and the disclosure.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised IFRSs not yet effective and not early adopted *(Continued)*

IFRS 9 Financial Instruments

IFRS 9 introduced new requirements, among others, for the classification and measurement of financial assets and financial liabilities as well as for derecognition, impairment for financial assets and general hedge accounting. Key requirements of IFRS 9 applicable to the Group are:

Key requirements of IFRS 9:

- All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are generally measured at fair value through other comprehensive income. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as at fair value through profit or loss is presented in profit or loss.

- In the relation to the impairment of financial assets, IFRS 9 requires an expected credit loss model, as opposed to an incurred credit loss model under IAS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Other than the available-for-sale equity investment currently measured at cost less impairment and the potential early recognition of credit losses based on the expected loss model in relation to the Group's financial assets measured at amortised cost, the Directors do not expect IFRS 9 will have a material impact on the results and financial position of the Group.

2. APPLICATION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs") *(Continued)*

New and revised IFRSs not yet effective and not early adopted *(Continued)*

IFRS 15 Revenue from Contracts with Customer

IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15.

The Directors anticipate that the application of IFRS 15 in the future may have a material impact on the amounts reported and disclosures made in the Group's consolidated financial statements. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 15 until the Group performs a detailed review.

IFRS 16 Leases

IFRS 16, which upon the effective date will supersede IAS 17 Leases, introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. Specifically, under IFRS 16, a lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. Accordingly, a lessee should recognise depreciation of the right-of-use asset and interest on the lease liability, and also classifies cash repayments of the lease liability into a principal portion and an interest portion and presents them in the statement of cash flows. Also, the right-of-use asset and the lease liability are initially measured on a present value basis. The measurement includes non-cancellable lease payments and also includes payments to be made in optional periods if the lessee is reasonably certain to exercise an option to extend the lease, or not to exercise an option to terminate the lease. This accounting treatment is significantly different from the lessee accounting for leases that are classified as operating leases under the predecessor standard, IAS 17.

In respect of the lessor accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

As disclosed in Note 39.2, total operating lease commitments for the Group as at 31 December 2015 amounted to RMB66 million, the Directors do not expect the applicable of IFRS 16 would result in significant impact on the Group's results but it is expected that these lease commitments will be required to be recognised in the consolidated statement of financial position as right-of-use assets and lease liabilities.

3. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board. They are presented in RMB and all values are rounded to the nearest million (RMB' million) except when otherwise indicated. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance ("CO").

The provisions of the new CO (Cap. 622) regarding preparation of accounts and directors' reports and audits became effective for the Company for the financial year ended 31 December 2015. Further, the disclosure requirements set out in the Listing Rules regarding annual accounts have been amended with reference to the new CO. Accordingly the presentation and disclosure of information in the consolidated financial statements for the financial year ended 31 December 2015 have been changed to comply with these new requirements. Comparative information in respect of the financial year ended 31 December 2014 are presented or disclosed in the consolidated financial statements based on the new requirements. Information previously required to be disclosed under predecessor CO or Listing Rules but not under the new CO or amended Listing Rules are not disclosed in these consolidated financial statements.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments as disclosed in Note 37.3, which have been measured at fair value at the end of each reporting period.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in the Group's consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of IFRS 2 *Share-based Payment*, leasing transactions that are within the scope of IAS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 *Inventories* or value in use in IAS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved where the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of consolidation *(Continued)*

Profit or loss and each item of other comprehensive income are attributed to equity holders of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to equity holders of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in existing subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

Business combinations

Except for business combination involving entities under common control, acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with IAS 12 *Income Taxes* and IAS 19 *Employee benefits* respectively.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value or, when applicable, on the basis specified in another IFRS.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Business combinations *(Continued)*

Merger accounting for business combination involving entities under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining businesses first came under the control of the controlling party.

The net assets of the combining businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining businesses from the earliest date presented or since the date when the combining businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the end of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating-units (or groups of cash-generating-units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit on a pro rata basis based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating-units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The requirements of IAS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group reduces its ownership interest in an associate but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate, profits and losses resulting from the transactions with the associate are recognised in the Group' consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and sales related taxes.

Revenue from the sale of goods is recognised when the goods are delivered and titles have passed, at which time all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the Group; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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.

Income from rendering of railway, port, shipping and other services is recognised upon the provision of the services.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established (provided that it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably). Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that discounts the estimated future cash inflow through the expected life of the financial asset to the discount rate of the net present value on initial recognition.

Interest income from a financial asset is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

Leasing

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the profit or loss on the straight-line basis over the lease terms.

Land using rights under operating leases are presented as lease prepayments in the consolidated statement of financial position and are initially stated at cost and subsequently charged to the profit or loss on the straight-line basis over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign currencies

Foreign currencies are translated at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. Exchange differences on monetary items are recognised in profit or loss in the period in which they arise.

For the purpose of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of exchange reserve, attributed to non-controlling interests as appropriate.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are expensed in the year in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

Retirement benefit costs

Payments to state-managed retirement benefit schemes and a supplemental defined contribution pension plan approved by the government are recognised as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from "profit before income tax" as reported in the consolidated statement of profit or loss and other comprehensive income because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary difference to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Unrecognised deferred tax assets are reassessed at the end of each reporting year and are recognised to the extent that it has become probable that future taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment

Property, plant and equipment, which consists of freehold land and buildings, mining structures and mining rights, mining related machinery and equipment, and others, held for use in the production or supply of goods or services, or for administrative purposes, are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Depreciation is recognised so as to write off the cost of items of property, plant and equipment (other than freehold land and construction in progress, which are subject to impairment assessment) less their residual values over their estimated useful lives. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Property, plant and equipment, except for freehold land, and mining structures and mining rights, are depreciated on a straight-line basis at the following rates per annum:

Category	Term for deprecation (year)
Buildings	10-50 years
Mining related machinery and equipment	5-20 years
Generators related machinery and equipment	20 years
Railway and port	30-45 years
Vessel	10-25 years
Coal chemical related machinery and equipment	10-20 years
Furniture, fixtures, motor vehicles and other equipment	5-20 years

The Directors reviewed the estimated useful lives of the assets annually based on the Group's historical experience with similar assets and taking into account anticipated technological changes.

Construction in progress intended to be used for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Such properties are classified to the appropriate categories of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property, plant and equipment, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Mining structures and mining rights

The costs of mining structures and mining rights, which include the costs of acquiring and developing mining structures and mining rights, are firstly capitalised as "construction in progress" in the year in which they are incurred and then reclassified to "Mining structures and mining rights" under property, plant and equipment when they are ready for commercial production.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, plant and equipment *(Continued)*

Mining structures and mining rights ***(Continued)***

Mining structures and mining rights are depreciated on a units-of-production basis 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.

Stripping costs incurred to develop a mine (or pit) before the production commences or to improve access to the component of the ore body during the production stage are capitalised as part of the cost of constructing the mine (or pit) and subsequently amortised over the life of the mine (or pit) on a units-of-production basis. Stripping costs and secondary development expenditure, mainly comprising costs on blasting, haulage, excavation, etc. incurred during the production stage of the ore body are charged to profit or loss as incurred.

Commercial reserves are proved and probable reserves. Changes in the commercial reserves affecting unit of production calculations are dealt with prospectively over the revised remaining reserves.

Exploration and evaluation assets

Exploration and evaluation assets comprise costs which are directly attributable to the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource:

- 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.

Expenditure during the initial exploration preparation 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.

Capitalized expenses are classified as exploration and evaluation assets depending on the nature of the assets. The exploration and evaluation assets that reach usable condition are charged or amortized over the useful life. When the project is abandoned, relevant costs that are not collectible will be immediately charged to the profit and loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 land 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.

Where rehabilitation is conducted systematically over the life of the operation, rather than at the time of closure, provision is made for the estimated outstanding continuous rehabilitation work at each reporting date and the cost is charged to the profit or loss. In case that the exploration evaluation area was abandoned or the management is of the view that it is unfeasible for commercial development, the accumulated expenditure of such area will be set off in the period when the decision is made.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Internally-generated intangible assets – research and development expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

An internally-generated intangible asset arising from development activities (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Intangible assets *(Continued)*

Internally-generated intangible assets – research and development expenditure *(Continued)*

The amount initially recognised for internally-generated intangible asset is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is recognised in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally-generated intangible asset is measured at cost less accumulated amortisation and accumulated impairment losses (if any), on the same basis as intangible assets acquired separately.

Intangible assets acquired in a business combination not under common control

Intangible assets acquired in a business combination are recognised separately from goodwill and are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets within the scope of IAS 39 are classified into the following specific categories: financial assets at fair value through profit or loss ("FVTPL"), held-to-maturity investments, loans and receivables and available-for-sale financial assets ("AFS"). The Group determines the classification of its financial assets at initial recognition based on their nature and purpose. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income is recognised on an effective interest basis for debt instruments.

The Group's financial assets include financial assets at FVTPL, loans and receivables and AFS financial assets. The subsequent measurement of financial assets depends on their classification as follows:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments *(Continued)*

Financial assets *(Continued)*

Financial assets at FVTPL

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at FVTPL. The Group's debt securities are classified as held for trading as it has been acquired for the purpose of selling in the near term. They are stated at fair values, with any gains or losses arising on remeasurement, net of interest earned, recognised in profit or loss and are included in other gains and losses line item.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Subsequent to initial recognition, loans and receivables (including accounts and bills receivable, other receivables, loans and advances to Shenhua Group and fellow subsidiaries, entrusted loans, restricted bank deposits, time deposits with original maturity over three months and cash and cash equivalents) are measured at amortised cost using the effective interest method, less any identified impairment.

Interest income is recognised by applying the effective interest rate, except for short-term receivables where the recognition of interest would be immaterial.

AFS financial assets

AFS financial assets are non-derivatives that are either designated as available-for-sale or are not classified as other categories of financial assets. The Group designated its investments in unlisted shares that are not traded in an active market as AFS financial assets.

As the unlisted equity investments do not have a quoted market price in an active market and whose fair value cannot be reliably measured, it is measured at cost less any identified impairment losses at end of each reporting period. Dividends on the unlisted equity investment are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with the policies set out for "Revenue recognition".

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments *(Continued)*

Financial assets *(Continued)*

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment by the Group at the end of each reporting period by the Group. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been affected. The objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as default or delinquency in interest and principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

For financial assets carried at amortised cost, the amount of the impairment loss recognised is the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the financial asset's original effective interest rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial instruments *(Continued)*

Financial assets *(Continued)*

Impairment of financial assets ***(Continued)***

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of accounts receivables, other receivables, loans and advances to Shenhua Group and fellow subsidiaries and entrusted loans, where the carrying amount is reduced through the use of an allowance account. When accounts receivables, other receivables, loans and advances to Shenhua Group and fellow subsidiaries and entrusted loans are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

Financial liabilities and equity instruments

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities within the scope of IAS 39 are classified as financial liabilities at fair value through profit or loss and financial liabilities at amortised cost. The Group determines the classification of its financial liabilities at initial recognition. The Group's financial liabilities including borrowings, accounts and bills payable, other payables, long-term liabilities, short-term debentures, medium-term notes and bonds, are recognised initially at fair value, net of directly attributable transaction costs (if any).

After initial recognition, financial liabilities at amortised cost are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised. The effective interest rate amortisation is included in finance costs in the profit or loss.

Deregconition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Derivative financial instruments

The Group's derivative financial instruments represent cross-currency interest rate swaps, and are initially recognised at fair value at the date when the derivative contracts are entered into, are remeasured at fair value at the end of the reporting period, with any gains or losses recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of tangible and intangible assets other than goodwill

Where an indication of impairment exists, the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. 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 the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is charged to the profit or loss as other gains and losses.

An assessment is made at the end of each reporting year as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to the profit or loss in the year in which it arises.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.1 Critical judgements in applying accounting policies

The following are critical judgements, apart from those involving estimation (see Note 4.2 below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Control over Hebei Guohua Dingzhou Power Co., Ltd. ("Dingzhou Power")

Note 43 describes that Dingzhou Power is a subsidiary of the Company although the Company has only 41% ownership interest and voting rights in Dingzhou Power. The remaining 59% of ownership interest and voting rights are owned by two shareholders that are unrelated to the Group as to 19% and 40%, respectively. Details of Dingzhou Power are set out in Note 43.

In making their judgement, the Directors considered that the other shareholders of Dingzhou Power offered the Company, for the right on appointment of the majority members of the board of directors which is the governing body of most of the relevant activities of Dingzhou Power whilst some relevant activities require shareholders' approval. The Company considers it has the practical ability to direct the relevant activities that most significantly affect Dingzhou Power's returns unilaterally. After assessment, the Directors concluded that the Company has sufficiently dominant power over the board of directors of Dingzhou Power and therefore the Company has control over Dingzhou Power.

4.2 Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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 of 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 as 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.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty *(Continued)*

Impairment losses

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 and interest in associates, the recoverable amount of the asset needs to be determined. The recoverable amount is the higher of its fair value less costs of disposal 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 cash-generating unit to which the asset belongs are discounted to their present value, which requires significant judgement relating to items such as level of sale volume, selling price, amount of operating costs and future returns. 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 cash flows 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 or lower than the amount estimated. The carrying amounts of the property, plant and equipment, construction in progress and interest in associates are disclosed in Notes 15, 16 and 19, respectively.

Depreciation

Other than the freehold land and 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 and residual value of the assets regularly 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. The carrying amounts of the property, plant and equipment is disclosed in Note 15.

Deferred tax asset

As at 31 December 2015, deferred tax assets of RMB2,674 million (2014: RMB2,084 million) have been recognised in the Group's consolidated statement of financial position. No deferred tax asset has been recognised on the tax losses of RMB5,604 million (2014: RMB3,285 million) and deductible temporary differences of RMB5,128 million (2014: RMB833 million) due to the unpredictability of future profit streams. The realisation of the deferred tax assets mainly depends on whether sufficient future profits or taxable temporary differences will be available in the future. In cases where the actual future profits generated are less or more than expected, a material reversal or further provision of deferred tax assets may arise, which will be recognised in profit or loss in the period in which such a reversal takes place.

4. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

4.2 Key sources of estimation uncertainty *(Continued)*

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 development plan of the mines, 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. The carrying amounts of the obligations are disclosed in Note 34.

5. RESTATEMENTS ARISING FROM ACQUISITION OF SUBSIDIARIES UNDER COMMON CONTROL

On 31 October 2015, the Company completed the acquisition from Shenhua Group the 100% equity interest in Ningdong Power Plant ("Ningdong Power"), 100% equity interest in Xuzhou Power Plant ("Xuzhou Power") and 51% equity interest in Zhoushan Power Plant ("Zhoushan Power") (collectively referred to as "2015 Acquisitions") for a cash consideration of RMB522 million, RMB3,997 million and RMB867 million, respectively.

During the year ended 31 December 2015, the Company has paid RMB5,386 million based on the valuation of the acquired business as at 30 June 2015 (the "Valuation Date"). The Company has to pay an additional consideration of RMB309 million to Shenhua Group, being the excess of the net assets as at the completion date of the 2015 Acquisitions over that of the Valuation Date, for the acquired business.

As the Company, Ningdong Power, Xuzhou Power and Zhoushan Power were under common control of Shenhua Group before and after the 2015 Acquisitions, the acquisitions are considered as a combination of businesses under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied, pursuant to which the consolidated financial statements of the Group have been prepared from 1 January 2015 as if Ningdong Power, Xuzhou Power and Zhoushan Power have been subsidiaries of the Company since they first came under the common control. Accordingly, the consolidated statements of financial position as at 1 January 2014 and 31 December 2014 have been restated to include the assets and liabilities of Ningdong Power, Xuzhou Power and Zhoushan Power at carrying amounts in the books of Shenhua Group and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group prior to this acquisition have been restated to include the results of operations and cash flows of Ningdong Power, Xuzhou Power and Zhoushan Power on a combined basis. The consideration paid and payable by the Company for Ningdong Power, Xuzhou Power and Zhoushan Power has been accounted for as an equity transaction in the consolidated statement of changes in equity. Respective notes to the consolidated financial statements have also been restated. All significant intra-group transactions, balances, income and expenses are eliminated on combination.

5. RESTATEMENTS ARISING FROM ACQUISITION OF SUBSIDIARIES UNDER COMMON CONTROL (CONTINUED)

As a result of 2015 Acquisitions, the relevant line items in the consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 and the consolidated statements of financial position at 31 December 2014 and 1 January 2014 have been restated as follows:

	The Group *RMB million (as previously reported)*	**Effect of 2015 Acquisitions** *RMB million (Note)*	**The Group** *RMB million* (Restated)
Consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014			
Revenue	248,360	4,721	253,081
Cost of sales	(174,843)	(3,266)	(178,109)
Gross profit	73,517	1,455	74,972
Selling expenses	(794)	–	(794)
General and administrative expenses	(8,665)	(170)	(8,835)
Other gains and losses	(749)	(21)	(770)
Other income	933	6	939
Other expenses	(417)	(2)	(419)
Interest income	804	(1)	803
Finance costs	(4,094)	(365)	(4,459)
Share of results of associates	410	–	410
Profit before income tax	60,945	902	61,847
Income tax expense	(12,562)	(222)	(12,784)
Profit for the year	48,383	680	49,063
Other comprehensive loss for the year			
Item that will not be reclassified to profit or loss:			
Remeasurement of defined benefit obligations	–	(18)	(18)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences	(301)	–	(301)
Other comprehensive income (loss) for the year	(301)	(18)	(319)
Total comprehensive income for the year	48,082	662	48,744

5. RESTATEMENTS ARISING FROM ACQUISITION OF SUBSIDIARIES UNDER COMMON CONTROL (CONTINUED)

	The Group RMB million (as previously reported)	Effect of 2015 Acquisitions RMB million (Note)	The Group RMB million (Restated)
Consolidated statement of financial position as at 31 December 2014			
Non-current assets			
Property, plant and equipment	281,514	10,748	292,262
Construction in progress	78,924	64	78,988
Exploration and evaluation assets	2,212	–	2,212
Intangible assets	1,509	31	1,540
Interest in associates	5,016	–	5,016
Available-for-sale investments	1,795	–	1,795
Other non-current assets	32,423	(57)	32,366
Lease prepayments	14,825	138	14,963
Deferred tax assets	2,042	42	2,084
Total non-current assets	420,260	10,966	431,226
Current assets			
Inventories	15,790	190	15,980
Accounts and bills receivable	29,914	936	30,850
Prepaid expenses and other current assets	29,431	(123)	29,308
Restricted bank deposits	6,271	–	6,271
Time deposits with original maturity over three months	1,275	–	1,275
Cash and cash equivalents	35,956	6	35,962
Total current assets	118,637	1,009	119,646
Current liabilities			
Borrowings	17,330	1,111	18,441
Short-term debenture	9,994	–	9,994
Accounts and bills payable	38,286	725	39,011
Accrued expenses and other payables	40,354	12	40,366
Current portion of long-term liabilities	280	–	280
Income tax payable	2,617	69	2,686
Total current liabilities	108,861	1,917	110,778

5. RESTATEMENTS ARISING FROM ACQUISITION OF SUBSIDIARIES UNDER COMMON CONTROL (CONTINUED)

	The Group *RMB million* *(as previously reported)*	Effect of 2015 Acquisitions *RMB million* *(Note)*	The Group *RMB million* (Restated)
Consolidated statement of financial position as at 31 December 2014			
Non-current liabilities			
Borrowings	38,726	5,893	44,619
Medium-term notes	24,933	–	24,933
Long-term liabilities	1,546	159	1,705
Accrued reclamation obligations	2,102	–	2,102
Deferred tax liabilities	1,130	35	1,165
Total non-current liabilities	68,437	6,087	74,524
Net assets	361,599	3,971	365,570
Equity attributable to equity holders of the Company	297,244	3,454	300,698
Non-controlling interests	64,355	517	64,872
Total equity	361,599	3,971	365,570
Consolidated statement of financial position as at 1 January 2014			
Non-current assets			
Property, plant and equipment	262,116	10,160	272,276
Construction in progress	76,065	642	76,707
Exploration and evaluation assets	2,251	–	2,251
Intangible assets	1,446	31	1,477
Interest in associates	4,866	–	4,866
Available-for-sale investments	1,032	–	1,032
Other non-current assets	28,148	(139)	28,009
Lease prepayments	14,243	132	14,375
Deferred tax assets	1,723	43	1,766
Total non-current assets	391,890	10,869	402,759

5. RESTATEMENTS ARISING FROM ACQUISITION OF SUBSIDIARIES UNDER COMMON CONTROL (CONTINUED)

	The Group *RMB million (as previously reported)*	Effect of 2015 Acquisitions *RMB million (Note)*	The Group *RMB million* (Restated)
Consolidated statement of financial position as at 1 January 2014 *(Continued)*			
Current assets			
Inventories	17,641	296	17,937
Accounts and bills receivable	27,221	795	28,016
Prepaid expenses and other current assets	30,274	62	30,336
Restricted bank deposits	6,648	–	6,648
Time deposits with original maturity over three months	1,292	–	1,292
Cash and cash equivalents	38,332	6	38,338
Total current assets	121,408	1,159	122,567
Current liabilities			
Borrowings	38,503	1,602	40,105
Short-term debenture	9,982	–	9,982
Accounts and bills payable	37,800	864	38,664
Accrued expenses and other payables	42,692	(27)	42,665
Current portion of long-term liabilities due within one year	311	–	311
Income tax payable	2,221	53	2,274
Total current liabilities	131,509	2,492	134,001
Non-current liabilities			
Borrowings	37,084	5,770	42,854
Medium-term notes	4,958	–	4,958
Long-term liabilities	1,867	161	2,028
Accrued reclamation obligations	1,973	–	1,973
Deferred tax liabilities	1,265	37	1,302
Total non-current liabilities	47,147	5,968	53,115
Net assets	334,642	3,568	338,210
Equity attributable to equity holders of the Company	276,903	3,210	280,113
Non-controlling interests	57,739	358	58,097
Total equity	334,642	3,568	338,210

Note: Effect of 2015 Acquisitions also included the effect of elimination of intra-group transactions, balances, income and expenses arising from the 2015 Acquisitions.

5. RESTATEMENTS ARISING FROM ACQUISITION OF SUBSIDIARIES UNDER COMMON CONTROL (CONTINUED)

	The Group *RMB million* *(as previously reported)*	Effect of 2015 Acquisitions *RMB million* *(Note)*	The Group *RMB million* (Restated)
Consolidated statement of cash flows for the year ended 31 December 2014			
Net cash generated from operating activities	67,511	1,558	69,069
Net cash used in investing activities	(43,163)	(573)	(43,736)
Net cash used in financing activities	(26,722)	(985)	(27,707)
Net decrease in cash and cash equivalents	(2,374)	–	(2,374)
Earnings per share *(RMB)*			
– Basic	1.945	0.031	1.976

6. REVENUE

	Year ended 31 December 2015 *RMB million*	2014 *RMB million* (Restated)
Coal revenue	**82,726**	130,546
Power revenue	**71,347**	78,288
Transportation revenue	**3,827**	4,323
Coal chemical revenue	**5,005**	5,368
	162,905	218,525
Other revenue	**14,164**	34,556
	177,069	253,081

7. COST OF SALES

	Year ended 31 December	
	2015 *RMB million*	2014 *RMB million* (Restated)
Coal purchased	17,264	43,545
Materials, fuel and power	15,816	24,109
Personnel expenses	11,874	11,417
Depreciation and amortisation	21,134	19,284
Repairs and maintenance	8,619	9,505
Transportation charges	12,193	14,369
Taxes and surcharges	5,833	4,100
Other operating costs	30,608	51,780
	123,341	178,109

8. INTEREST INCOME/FINANCE COSTS

	Year ended 31 December	
	2015 *RMB million*	2014 *RMB million* (Restated)
Interest income from:		
bank deposits	448	628
other loans and receivables	156	159
debt securities	4	16
Total interest income	608	803
Interest on:		
borrowings	3,638	5,007
short-term debenture	583	773
medium-term notes	1,311	330
bonds	310	–
Total finance costs on financial liabilities not at fair value through profit or loss	5,842	6,110
Less: amount capitalised	1,518	1,489
	4,324	4,621
Unwinding of discount	144	161
Exchange loss (gain), net	649	(328)
Fair value changes on financial instruments	6	5
Total finance costs	5,123	4,459
Net finance costs	4,515	3,656

8. INTEREST INCOME/FINANCE COSTS (CONTINUED)

Borrowing costs capitalised during the year arose on the general borrowing pools and were calculated by applying a capitalisation rate from 2.55% to 6.20% (2014: from 3.57% to 6.40%) per annum to expenditure on qualifying assets.

9. INCOME TAX

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million*
		(Restated)
Current income tax		
For the year	**10,214**	12,650
Over provision in respect of prior years	**224**	589
Deferred tax	**(877)**	(455)
	9,561	12,784

The tax charge for the year can be reconciled to the profit before income tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million*
		(Restated)
Profit before income tax	**34,520**	61,847
Tax at PRC income tax rate of 25% (2014: 25%)	**8,630**	15,461
Tax effects of:		
– different tax rates of branches and subsidiaries	**(1,235)**	(3,377)
– non-deductible expenses	**325**	250
– income not taxable	**(32)**	(248)
– share of results of associate	**(107)**	(102)
– utilisation of tax losses previously not recognised	**(24)**	(69)
– tax losses and deductible temporary difference not recognised	**1,798**	384
– additional tax in respect of prior years	**224**	589
– Others	**(18)**	(104)
Income tax expense for the year	**9,561**	12,784

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% (2014: 25%) except for Group's overseas subsidiaries and branches as well as subsidiaries operating in the western developing region of the PRC which are entitled to a preferential tax rate of 15% from 2011 to 2020.

9. INCOME TAX (CONTINUED)

The applicable tax rates of the Group's overseas subsidiaries are as follows:

	Year ended 31 December	
	2015	2014
	%	%
Australia	**30.0**	30.0
Indonesia	**25.0**	25.0
Russia	**20.0**	20.0
Hong Kong	**16.5**	16.5

During the year ended 31 December 2015 and 2014, there was no significant assessable profit and provision for profit tax for the overseas subsidiaries.

10. PROFIT FOR THE YEAR

Profit for the year has been arrived at after charging (crediting):

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million*
		(Restated)
Personnel expenses, including		
– contributions to defined contribution plans		
of RMB2,791 million (2014: RMB2,656 million)	**20,067**	20,165
Depreciation of property, plant and equipment	**21,639**	19,431
Amortisation of intangible assets, included in cost of sales	**329**	224
Amortisation of lease prepayments, included in cost of sales	**396**	370
Amortisation of other non-current assets	**1,626**	1,318
Depreciation and amortisation	**23,990**	21,343
Other gains and losses, represent		
– losses on disposal of property, plant and equipment	**83**	222
– gains on disposal of available-for-sale investments	**–**	(54)
– gains on disposal of a subsidiary	**–**	(19)
– impairment in respect of properties and equipment	**3,834**	209
– impairment in respect of construction in progress	**651**	–
– impairment of loans receivable	**2**	122
– allowance for doubtful debts	**300**	58
– write down of inventories	**950**	232
– impairment in respect of other non-current assets	**36**	–
	5,856	770
Carrying amount of inventories sold	**82,673**	132,644
Operating lease in respect of properties and equipment	**219**	355
Auditors' remuneration		
– audit service	**22**	21

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

Executive Directors' and chief executives' remuneration for the year, disclosed pursuant to the applicable Listing Rules and CO, is as follows:

	Year ended 31 December 2015				
	Fees *RMB million*	Basic salaries, housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Chief executive					
Zhang Yuzhuo *(note (i))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Executive directors					
Ling Wen *(note (ii))*	–	–	–	–	–
Han Jianguo	–	0.19	0.44	0.10	0.73
Wang Xiaolin *(note (iii))*	–	0.13	0.35	0.06	0.54
Sub-total	–	0.32	0.79	0.16	1.27
Non-executive directors					
Chen Hongsheng *(note (i))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors					
Fan Hsulaitai	0.45	–	–	–	0.45
Gong Huazhang	0.45	–	–	–	0.45
Guo Peizhang	0.45	–	–	–	0.45
Sub-total	1.35	–	–	–	1.35

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	Year ended 31 December 2015				
	Fees *RMB million*	Basic salaries, housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Supervisors					
Zhai Richeng *(note (i))*	–	–	–	–	–
Tang Ning	–	0.18	0.20	0.03	0.41
Shen Lin	–	0.41	0.36	0.08	0.85
Sub-total	–	0.59	0.56	0.11	1.26
Total					3.88

	Year ended 31 December 2014				
	Fees *RMB million*	Basic salaries, housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Chief executive					
Zhang Yuzhuo *(note (i))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Executive directors					
Ling Wen	–	0.09	0.50	0.04	0.63
Han Jianguo	–	0.50	0.64	0.10	1.24
Wang Xiaolin	–	0.49	0.55	0.09	1.13
Sub-total	–	1.08	1.69	0.23	3.00

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

	Year ended 31 December 2014				
	Fees *RMB million*	Basic salaries, housing and other allowance and benefits in kind *RMB million*	Discretionary bonuses *RMB million*	Retirement scheme contributions *RMB million*	Total *RMB million*
Non-executive directors					
Kong Dong *(note (i) and note (iii))*	–	–	–	–	–
Chen Hongsheng *(note (i))*	–	–	–	–	–
Wu Ruosi *(note (i) and note (iii))*	–	–	–	–	–
Sub-total	–	–	–	–	–
Independent non-executive directors					
Gong Huazhang	0.45	–	–	–	0.45
Fan Hsulaitai	0.45	–	–	–	0.45
Guo Peizhang	0.45	–	–	–	0.45
Sub-total	1.35	–	–	–	1.35
Supervisors					
Sun Wenjian *(note (i) and note (iii))*	–	–	–	–	–
Zhai Richeng *(note (i))*	–	–	–	–	–
Shen Lin	–	0.14	0.27	0.03	0.44
Tang Ning	–	0.43	0.47	0.09	0.99
Zhao Shibin *(note (iii))*	–	0.32	0.28	0.05	0.65
Sub-total	–	0.89	1.02	0.17	2.08
Total					6.43

Discretionary bonuses were determined by the remuneration committee in accordance with the relevant human resources policies.

11. DIRECTORS', SUPERVISORS' AND CHIEF EXECUTIVE'S EMOLUMENTS (CONTINUED)

Notes:

(i) The emoluments of these directors and supervisors were borne by Shenhua Group during the years ended 31 December 2015 and 2014.

(ii) The emolument of Mr. Ling Wen was borne by Shenhua Group during the year ended 31 December 2015.

(iii) Mr. Wang Xiaolin resigned as executive director of the Group on 20 August 2015.
Mr. Kong Dong resigned as non-executive director of the Group on 22 August 2014.
Mr. Wu Ruosi resigned as non-executive director of the Group on 21 November 2014.
Mr. Sun Wenjian resigned as supervisor of the Group on 22 August 2014.
Mr. Zhao Shibin resigned as supervisor of the Group on 22 August 2014.

Except for those emoluments of directors or supervisors whose emoluments were borne by Shenhua Group, the executive directors' and supervisors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Company and the Group.

The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

12. INDIVIDUALS WITH THE HIGHEST EMPLOYEES' EMOLUMENTS

Of the five individuals with the highest emoluments within the Group, one (2014: two) was director of the Company whose emolument is disclosed in Note 11. The emoluments of the remaining four (2014: three) individuals were as follows:

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million*
Basic salaries, housing and other allowances and benefits in kind	**1.75**	1.37
Discretionary bonuses	**1.38**	1.68
Retirement scheme contributions	**0.36**	0.26
	3.49	3.31

Their emoluments were within the following band:

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million*
HK$500,001 to HK$1,000,000	**1**	–
HK$1,000,001 to HK$1,500,000	**3**	3

13. DIVIDENDS

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million*
Dividend approved and paid during the year:		
2014 final – RMB0.74 (2014: 2013 final of RMB0.91) per ordinary share	**14,718**	18,100

Subsequent to the end of the reporting period, a final dividend in respect of the year ended 31 December 2015 of RMB0.32 (final dividend in respect of the year ended 31 December 2014: RMB0.74) per ordinary share has been proposed by the Directors of the Company and is subject to approval by the shareholders in the following general meeting.

14. EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit attributable to ordinary equity holders of the Company of RMB17,649 million (2014: RMB39,301 million) and the number of shares in issue during the year of 19,890 million shares (2014: 19,890 million shares).

No diluted earnings per share is presented as there were no potential ordinary shares in existence during both years.

15. PROPERTY, PLANT AND EQUIPMENT

	Land and buildings RMB million	Mining structures and mining rights RMB million	Mining related machinery and equipment RMB million	Generators, related machinery and equipment RMB million	Railway and port RMB million	Vessels RMB million	Coal chemical related machinery and equipment RMB million	Furniture, fixtures, motor vehicles and other equipment RMB million	Total RMB million
COST									
At 1 January 2014 (restated)	49,724	29,991	62,029	136,295	86,682	4,746	12,078	13,657	395,202
Exchange adjustment	(91)	–	–	7	–	–	–	–	(84)
Additions	199	313	1,048	189	5,508	97	608	311	8,273
Transferred from construction in progress	6,350	310	3,732	5,617	10,667	2,117	354	3,714	32,861
Transferred from lease prepayments	341	–	–	–	–	–	–	–	341
Transferred from intangible asset	–	–	–	–	–	–	–	23	23
Disposals or write-off	(275)	(40)	(2,034)	(569)	(387)	(721)	(33)	(207)	(4,266)
Transferred to construction in progress, for overall technical enhancement	–	–	–	(2,705)	–	–	–	–	(2,705)
At 31 December 2014 (restated)	56,248	30,574	64,775	138,834	102,470	6,239	13,007	17,498	429,645
Exchange adjustment	(66)	–	–	123	–	–	–	–	57
Additions	249	362	576	287	699	–	6	52	2,231
Transferred from construction in progress	20,720	172	970	29,075	18,348	903	122	205	70,515
Disposals or write-off	(174)	(232)	(281)	(517)	(283)	(289)	(15)	(39)	(1,830)
At 31 December 2015	76,977	30,876	66,040	167,802	121,234	6,853	13,120	17,716	500,618
DEPRECIATION AND IMPAIRMENT									
At 1 January 2014 (restated)	13,032	7,685	28,300	39,799	23,754	411	2,127	7,818	122,926
Exchange adjustment	–	–	–	1	–	–	–	–	1
Charge for the year	1,967	1,114	5,211	6,234	2,645	246	657	1,357	19,431
Transferred from lease prepayments	9	–	–	–	–	–	–	–	9
Transferred from intangible asset	–	–	–	–	–	–	–	2	2
Impairment losses	4	–	1	178	18	–	–	8	209
Disposals or write-off	(159)	(36)	(1,756)	(424)	(318)	(538)	(17)	(143)	(3,391)
Transferred to construction in progress, for overall technical enhancement	–	–	–	(1,804)	–	–	–	–	(1,804)
At 31 December 2014 (restated)	14,853	8,763	31,756	43,984	26,099	119	2,767	9,042	137,383

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings *RMB million*	Mining structures and mining rights *RMB million*	Mining related machinery and equipment *RMB million*	Generators, related machinery and equipment *RMB million*	Railway and port *RMB million*	Vessels *RMB million*	Coal chemical related machinery and equipment *RMB million*	Furniture, fixtures, motor vehicles and other equipment *RMB million*	Total *RMB million*
Exchange adjustment	–	–	–	23	–	–	–	–	23
Charge for the year	1,930	1,339	4,234	7,900	4,343	290	688	915	21,639
Impairment losses *(note (i))*	462	9	273	1,697	929	–	458	6	3,834
Disposals or write-off	(94)	(205)	(244)	(508)	(242)	(252)	(13)	(29)	(1,587)
At 31 December 2015	17,151	9,906	36,019	53,096	31,129	157	3,900	9,934	161,292
Carrying values									
At 31 December 2015	59,826	20,970	30,021	114,706	90,105	6,696	9,220	7,782	339,326
At 31 December 2014 (restated)	41,395	21,811	33,019	94,850	76,371	6,120	10,240	8,456	292,262
At 1 January 2014 (restated)	36,692	22,306	33,729	96,496	62,928	4,335	9,951	5,839	272,276

Notes:

(i) Impairment loss

Impairment loss for cash-generating units

In view of the extended decline in coal prices in 2015, which is considered as an impairment indicator, the Directors performed impairment assessment on certain cash-generating units within the Group's coal and railway segments, which results have been adversely affected and considering each subsidiary as a cash-generating unit ("CGU"). The recoverable amount is determined based on discounted cash flow model covering the shorter of economic and legal useful life, and pre-tax discount rate ranging from 8.07% to 11.87%. Cash flows beyond the five-year approved management's budgets are prepared based on zero growth rate.

As a result of the impairment assessment, the Directors recognised an impairment loss of RMB1,378 million and RMB876 million in 2015 against the non-current assets in coal and railway segments, respectively, including an impairment loss of RMB651 million on coal construction in progress. The impairment charge is recorded within "other gains and losses" in profit or loss.

Impairment loss for individual assets

The Group has been upgrading its power plants in 2015 for energy conservation and environment protection which rendered certain non-current asset obsolete. Besides, pursuant to the Notice to Close Coal-fired Generators at Guohua Beijing Thermal Power Plant (Jing Fa Gai [2015] No. 510) issued by Beijing Municipal Commission of Development and Reform, the coal-fired generators at Guohua Beijing Thermal Power Plant was discontinued from power generation in March 2015. Both events are impairment indicators.

The Company assessed the recoverable amounts of those non-current assets and generators which belong to power segment and as a result the carrying amount of the machineries and the generators was written down by RMB985 million and RMB595 million, respectively, to their recoverable amount as at 31 December 2015, with such impairment losses recorded in "other gains or losses" in profit or loss. The estimates of recoverable amount were based on the machines' and generators' fair values less costs of disposal, using market comparison approach by reference to recent sales price of similar assets within the same industry, adjusted for differences such as remaining useful lives. The fair value on which the recoverable amount is based on is categorised as a Level 3 measurement.

15. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(ii) The Group's freehold land with a carrying amount of RMB1,047 million (2014: RMB1,088 million) are located in Australia.

(iii) The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB9,690 million as at 31 December 2015 (2014: RMB8,284 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

(iv) As at 31 December 2015, bank loans secured by the assets with carrying amount of RMB1,174 million (2014: RMB1,270 million).

16. CONSTRUCTION IN PROGRESS

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million* (Restated)
At the beginning of the year	**78,988**	76,707
Additions	**29,674**	34,261
Transferred from property, plant and equipment for overall technical enhancement	**–**	901
Transferred to property, plant and equipment	**(70,515)**	(32,861)
Transferred to intangible assets	**(1,493)**	–
Transferred to lease prepayments	**(2,263)**	(45)
Disposal	**(228)**	–
Impairment losses *(Note 15 (i))*	**(651)**	–
Impairment write-off	**98**	25
At the end of the year	**33,610**	78,988

As at 31 December 2015, the Group is in the process of obtaining requisite permits of certain of its construction in progress from the relevant government authorities. The Directors are of the opinion that the Group will be able to obtain the requisite permits in due course.

17. EXPLORATION AND EVALUATION ASSETS

The movement of the exploration and evaluation assets is as follows:

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million*
Balance at the beginning of the year	**2,212**	2,251
Exchange adjustments	**(119)**	(168)
Additions	**83**	129
At the end of the year	**2,176**	2,212

18. INTANGIBLE ASSETS

The movement of intangible assets, mainly licenses, software and franchises, is as follows:

	Year ended 31 December	
	2015	2014
	RMB million	*RMB million*
		(Restated)
Balance at the beginning of the year	**1,540**	1,477
Exchange adjustment	**5**	(1)
Additions	**255**	309
Transferred from construction in progress	**1,493**	–
Amortisation	**(329)**	(224)
Transferred to property, plant and equipment	**–**	(21)
At the end of the year	**2,964**	1,540

19. INTEREST IN ASSOCIATES

	31 December 2015	31 December 2014
	RMB million	*RMB million*
Unlisted shares, at cost	**3,184**	3,139
Share of net assets	**1,929**	1,877
	5,113	5,016

19. INTEREST IN ASSOCIATES (CONTINUED)

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

Name of associate	Type of legal entity	Proportion of ownership interest and voting power held by the Group 31 December 2015 %	31 December 2014 %	Principal activities
Shendong Tianlong Group Co., Ltd.	Limited company	20	20	Coal production
Zhejiang Zheneng Jiahua Power Co., Ltd.	Limited company	20	20	Generation and sale of electricity
Sichuan Guangan Power Co., Ltd.	Limited company	20	20	Generation and sale of electricity
Guohua (Hebei) Renewables Co., Ltd.	Limited company	25	25	Generation and sale of electricity
Tianjin Yuanhua Shipping Co., Ltd.	Limited company	44	44	Provision of transportation service
Inner Mongolia Yili Chemical Industry Co., Ltd.	Limited company	25	25	Production and sale of chemicals

20. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments represent investment in unlisted equity securities issued by private entities incorporated in the PRC. They are measured at cost less impairment at end of the reporting period because the range of reasonable fair value measurement is significant and the probabilities of the various estimates cannot be reasonably assessed that the Directors are of the opinion that their fair values cannot be measured reliably.

21. OTHER NON-CURRENT ASSETS

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Prepayments in connection with construction work, equipment purchases and others *(note (i))*	8,493	9,760
Prepayment for mining projects	8,000	8,000
Long-term receivable	2,500	2,500
Loans to Shenhua Group and fellow subsidiaries *(note (ii))*	11,473	7,212
Long-term entrusted loans *(note (iii))*	627	627
Goodwill	987	987
Others	2,482	3,280
	34,562	32,366

Notes:

(i) At 31 December 2015, the Group had prepayments to fellow subsidiaries amounting to RMB28 million (2014: RMB84 million).

(ii) The loans to Shenhua Group and fellow subsidiaries bear interest at rates ranging from 4.28% to 4.41% per annum (2014: 5.04% to 5.54% per annum) and are receivable within two to ten years.

(iii) The Group has long-term entrusted loan to an associate through a PRC state-owned bank, which bears interest at rates 6.15% per annum (2014: 6.40% per annum) and are receivable within two years.

22. LEASE PREPAYMENTS

Lease prepayments represent land use rights paid to the PRC's government authorities. The Group is in the process of applying for the title certificates of certain land use rights with an aggregate carrying amount of RMB2,247 million as at 31 December 2015 (2014: RMB1,477 million), of which RMB1,136 million were newly acquired in 2015. The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

23. INVENTORIES

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Coal	3,152	4,353
Materials and supplies	7,982	9,900
Others *(note)*	1,682	1,727
	12,816	15,980

Note: Others mainly represent properties held for sale and properties under development.

24. ACCOUNTS AND BILLS RECEIVABLE

	31 December 2015 RMB million	31 December 2014 RMB million (Restated)
Accounts receivable		
– Shenhua Group and fellow subsidiaries	3,049	2,613
– Associates	770	328
– Third parties	19,745	21,747
	23,564	24,688
Less: allowance for doubtful debts	(194)	(54)
	23,370	24,634
Bills receivable		
– Shenhua Group and fellow subsidiaries	41	16
– Associates	162	–
– Third parties	17,446	6,200
	17,649	6,216
	41,019	30,850

Bills receivable were issued by PRC banks and are expiring within six months. As at 31 December 2015, the bills receivable with the carrying amounts of RMB36 million (2014: RMB1,086 million) pledged to secure bills payable.

As at December 2015, the Group has no bills receivable (2014: RMB200 million) pledged to secure bank borrowing.

The following is an analysis of accounts receivable by age, net of allowance for doubtful debts, presented based on the date of delivery of goods or services which approximated the revenue recognition date:

	31 December 2015 RMB million	31 December 2014 RMB million (Restated)
Less than one year	21,756	24,311
One to two years	1,401	267
Two to three years	162	55
More than three years	51	1
	23,370	24,634

24. ACCOUNTS AND BILLS RECEIVABLE *(Continued)*

The movement of allowance for doubtful debts was as follows:

	Year ended 31 December	
	2015 *RMB million*	2014 *RMB million* (Restated)
At the beginning of the year	54	48
Impairment loss recognised	140	8
Written off	–	(2)
At the end of the year	194	54

The aging analysis of accounts receivable that are past due but not impaired are as follows:

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Less than one year	5,942	6,365
One to two years	1,401	267
Two to three years	162	55
More than three years	51	1
	7,556	6,688

Receivables that were not overdue or unimpaired 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, which the Group does not hold any collateral over these balances. Based on past experience, the management believes that no impairment 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.

Included in accounts receivable are the following amounts denominated in foreign currencies are set out below:

	31 December 2015 *RMB million*	31 December 2014 *RMB million*
United States Dollars ("USD")	215	332
European Dollars ("EUR")	119	–

24. ACCOUNTS AND BILLS RECEIVABLE *(Continued)*

Transfers of financial assets

As at 31 December 2015, the Group endorsed bills receivable amounting to RMB2,478 million (2014: RMB5,461 million) to suppliers to settle the accounts payable of same amounts and discounted bills receivables amounting to RMB229 million (2014: RMB170 million) to banks. In accordance to the relevant laws in the PRC, the holders of the bills receivable have a right of recourse against the Group if the issuing banks default payment. In the opinion of the Directors, the Group has transferred substantially all the risks and rewards of ownership relating to these bills receivable, and accordingly derecognised the full carrying amounts of the bills receivable and associated accounts payables, in case of bills receivable endorsed to suppliers and recognised the cash received, in case of bills receivables discounted to banks.

The maximum exposure to loss from the Group's continuing involvement, if any, in the endorsed and discounted bills receivable equals to their carrying amounts. In the opinion of the Directors, the fair values of the Group's continuing involvement in the derecognised bills receivable are not significant.

25. PREPAID EXPENSES AND OTHER CURRENT ASSETS

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Financial assets at FVTPL		
— Derivative financial instruments	12	43
— Debt securities	–	399
— Investments in financial products	160	–
	172	442
Prepaid expenses and deposits	7,889	9,573
Loans and advances to Shenhua Group and fellow subsidiaries *(note)*	3,645	9,922
Amounts due from associates	378	92
Advances to staff	–	1
Deductible VAT and other tax	4,483	4,695
Other receivables	2,784	4,583
	19,351	29,308

Note: As at 31 December 2015, the Group had loans to Shenhua Group and fellow subsidiaries amounting to RMB3,217 million (2014: RMB9,557 million), which bear interest at rates ranging from 4.14% to 5.04% per annum (2014: 5.04% to 5.40% per annum). The remaining balances are unsecured, interest-free and have no fixed terms of repayment.

26. RESTRICTED BANK DEPOSITS

Restricted bank deposits as at 31 December 2015 represent statutory deposit reserves at The People's Bank of China ("PBOC"), collaterals for bills payable and collaterals related to the operating of mines and ports.

27. CASH AND CASH EQUIVALENTS

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

Included in cash and cash equivalents are the following amounts denominated in foreign currencies are set out below:

	31 December 2015 *RMB million*	31 December 2014 *RMB million*
USD	220	4
Hong Kong Dollars ("HKD")	1	1
Indonesian Rupiah	3	11
EUR	27	21

28. DEFERRED TAXATION

For the purpose of the presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purpose.

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Deferred tax assets	2,674	2,084
Deferred tax liabilities	(878)	(1,165)
	1,796	919

The following are the major deferred tax assets and liabilities recognised and movements thereon during the current and prior year:

	At 1 January 2015 *RMB million*	(Charged) credited in profit or loss *RMB million*	At 31 December 2015 *RMB million*
Allowances, primarily for receivables and inventories	304	113	417
Property, plant and equipment	4	423	427
Lease prepayments	(175)	4	(171)
Tax losses carried forward	200	184	384
Tax allowable expenses not yet incurred	(329)	267	(62)
Unrealised profits from sales within the Group	730	(172)	558
Accrued salaries and other expenses not yet paid	140	30	170
Others	45	28	73
Net deferred tax assets	919	877	1,796

28. DEFERRED TAXATION *(CONTINUED)*

	At 1 January 2014 *RMB million* (Restated)	(Charged) credited in profit or loss *RMB million*	At 31 December 2014 *RMB million* (Restated)
Allowances, primarily for receivables and inventories	245	59	304
Property, plant and equipment	(132)	136	4
Lease prepayments	(189)	14	(175)
Tax losses carried forward	237	(37)	200
Tax allowable expenses not yet incurred	(519)	190	(329)
Unrealised profits from sales within the Group	548	182	730
Accrued salaries and other expenses not yet paid	229	(89)	140
Others	45	–	45
Net deferred tax assets	464	455	919

At the end of the reporting period, the Group have unused tax losses of RMB7,141 million (31 December 2014: RMB4,086 million) and unrecognised deductible temporary differences of RMB 5,128 million (2014: RMB 833 million) available for offset against future profits. A deferred tax assets has been recognised in respect of RMB1,537 million (31 December 2014: RMB801 million) of such losses. No deferred tax assets has been recognised in respect of the remaining RMB5,604 million (31 December 2014: RMB3,285 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of RMB356 million (31 December 2014: RMB454 million) that will expired in 2016.

29. BORROWINGS

An analysis of the Group's borrowings is as follows:

	31 December 2015 ***RMB million***	31 December 2014 *RMB million* (Restated)
Current borrowings:		
Short-term bank and other borrowings	**6,435**	12,957
Current portion of long-term borrowings	**6,377**	5,484
	12,812	18,441
Non-current borrowings:		
Long-term borrowings, less current portion	**54,179**	44,619
	66,991	63,060
Secured	**11,594**	9,820
Unsecured	**55,397**	53,240
	66,991	63,060

29. BORROWINGS *(CONTINUED)*

The Group's short-term borrowings are unsecured and bear interest at rates ranging from 3.92% to 5.35% per annum (2014: 2.43% to 6.50% per annum).

The exposure of the long-term borrowings and the contractual maturity dates:

Within one year	**6,377**	5,484
More than one year, but not exceeding two years	**6,472**	6,961
More than two years, but not exceeding five years	**15,599**	13,944
More than five years	**32,108**	23,714
	60,556	50,103

The Group's long-term borrowings comprise:

		31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Loans from banks and other institutions			
Renminbi denominated	Interest rates ranging from 1.08% to 6.55% per annum with maturities through 3 December 2035	**57,555**	45,096
USD denominated	Interest rates at LIBOR+0.7% per annum with maturities through 20 November 2018	**484**	2,348
Japanese Yen ("JPY") denominated	Interest rates ranging from 1.80% to 2.60% per annum with maturities through 20 March 2031	**2,448**	2,561
EUR denominated	Interest rate at 2.85% per annum with maturities through 22 June 2017	**69**	98
		60,556	50,103
Less: current portion of long-term borrowings		**6,377**	5,484
		54,179	44,619

As at 31 December 2015, the Group had entrusted loans from Shenhua Group and fellow subsidiaries amounting to RMB7,424 million (2014: RMB8,513 million).

Certain borrowings are secured over certain property, plant and equipment with a carrying amount of RMB1,174 million (2014: RMB1,270 million) (see Note 15), inter-group long-term receivable of RMB1,245 million (2014: Nil) where were fully eliminated against relevant payables in the consolidated financial statement, bills receivables of RMB Nil (2014: RMB200 million) (see Note 24), certain future power revenue to be generated by the Group and a guarantee by a non-controlling shareholder of a subsidiary.

29. BORROWINGS *(CONTINUED)*

Included in borrowings are the following amounts denominated foreign currencies are set out below:

	31 December 2015 *RMB million*	31 December 2014 *RMB million*
USD	484	953
JPY	2,448	2,561
EUR	69	98

30. DEBENTURES, MEDIUM-TERM NOTES AND BONDS

On 11 September 2013, the Company was granted approvals to issue unsecured short-term debentures up to a maximum outstanding amount of RMB20,000 million and unsecured medium-term debentures up to a maximum outstanding amount of RMB25,000 million. Both are available for issuance under the similar terms at the Company's decision, for the purpose of repayment of the borrowings and replenishment of working capital, before 11 September 2015.

On 16 June 2014, the Company issued short-term debentures bearing interest rate of 4.73% per annum with proceeds of approximately RMB10,000 million, and were paid together with accrued interest on 14 March 2015.

On 6 January 2015, the Company issued short-term debentures bearing interest rate of 4.55% per annum with proceeds of approximately RMB5,000 million, and were paid together with accrued interest on 4 October 2015.

On 10 February 2015, the Company issued short-term debentures bearing interest rate of 4.39% per annum with proceeds of approximately RMB5,000 million, and were paid together with accrued interest on 8 November 2015.

On 11 June 2015, the Company issued short-term debentures bearing interest rate of 3.40% per annum with proceeds of approximately RMB5,000 million, and payable together with accrued interest on 7 February 2016.

The effective interest rate of the short-term debentures as at 31 December 2015 is 3.42% (2014: 4.74%) per annum.

On 7 November 2013, the Company issued medium-term notes with proceeds of approximately RMB5,000 million and are repayable on 11 November 2018. The notes bear interest rate of 5.49% per annum, repayable annually. The effective interest rate is 5.69% per annum.

On 19 August 2014, the Company issued medium-term notes with proceeds of approximately RMB10,000 million and are payable on 21 August 2017. The notes bear interest rate of 5.10% per annum, repayable annually. The effective interest rate is 5.17% per annum.

On 16 September 2014, the Company issued medium-term notes with proceeds of approximately RMB10,000 million and are payable on 18 September 2017. The notes bear interest rate of 5.04% per annum, repayable annually. Its effective interest rate is 5.11% per annum.

30. DEBENTURES, MEDIUM-TERM NOTES AND BONDS *(CONTINUED)*

On 20 January 2015, China Shenhua Overseas Capital Company Limited ("Shenhua Overseas Capital") issued Dollar bonds with proceeds of approximately RMB3,061 million and are payable on 19 January 2018. The bonds bear interest rate of 2.50% per annum, repayable semi-annually. Its effective interest rate is 2.84% per annum.

On 20 January 2015, Shenhua Overseas Capital issued Dollar bonds with proceeds of approximately RMB3,061 million and are payable on 19 January 2020. The bonds bear interest rate of 3.13% per annum, repayable semi-annually. Its effective interest rate is 3.35% per annum.

On 20 January 2015, Shenhua Overseas Capital issued Dollar bonds with proceeds of approximately RMB3,061 million and are payable on 19 January 2025. The bonds bear interest rate of 3.88% per annum, repayable semi-annually. Its effective interest rate is 4.10% per annum.

The net proceeds of the Dollar bonds issued is mainly used for the repayment of loans of subsidiaries.

31. ACCOUNTS AND BILLS PAYABLE

	31 December 2015 ***RMB million***	31 December 2014 *RMB million* (Restated)
Accounts payable		
– Shenhua Group, an associate of Shenhua Group and fellow subsidiaries	**1,847**	2,167
– Associates	**398**	357
– Third parties	**29,272**	32,100
	31,517	34,624
Bills payable	**2,473**	4,387
	33,990	39,011

As at 31 December 2015, certain bills payable were secured by bills receivable held by the Group (see Note 24).

The following is an aging analysis of accounts payable, presented based on invoice date:

	31 December 2015 ***RMB million***	31 December 2014 *RMB million* (Restated)
Less than one year	**25,585**	30,198
One to two years	**3,922**	7,253
Two to three years	**3,305**	958
More than three years	**1,178**	602
	33,990	39,011

31. ACCOUNTS AND BILLS PAYABLE *(CONTINUED)*

Included in accounts and bills payable are the following amounts denominated in foreign currencies are set out below:

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
USD	413	361
EUR	179	85
HKD	1	1
Great British Pounds ("GBP")	18	15

32. ACCRUED EXPENSES AND OTHER PAYABLES

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Accrued staff wages and welfare benefits	3,397	3,364
Accrued interest payable	784	789
Taxes payable other than income tax	3,571	3,699
Dividends payable	2,786	1,501
Receipts in advances	3,624	4,384
Deposits from Shenhua Group and fellow subsidiaries *(note (i))*	24,500	18,752
Other accrued expenses and payables *(note (ii))*	8,857	7,877
	47,519	40,366

Notes:

(i) As at 31 December 2015, deposits from Shenhua Group and fellow subsidiaries bore interest at 0.42% to 1.62% per annum (2014: 0.42% to 1.62% per annum).

(ii) Other accrued expenses and payables of the Group and the Company include:

	31 December 2015 *RMB million*	31 December 2014 *RMB million*
Amounts due to Shenhua Group and fellow subsidiaries	1,862	968
Amounts due to associates	44	38
	1,906	1,006

The above balances are unsecured, interest-free and has no fixed terms of repayment.

33. LONG-TERM LIABILITIES

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Payables for acquisition of mining rights *(note (i))*	**1,263**	1,527
Deferred income *(note (ii))*	**1,213**	212
Defined benefit plans	**171**	156
Others	**79**	90
	2,726	1,985
Analysed for reporting purpose as:		
Current liabilities	**203**	280
Non-current liabilities	**2,523**	1,705
	2,726	1,985

Note:

(i) The balances mainly represent payables for acquisition of mining rights which are to be settled over the period of production 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 in the acquisition agreements.

(ii) Deferred income mainly represents grants provided by several local governments in the PRC to encourage the construction of non-current assets.

34. ACCRUED RECLAMATION OBLIGATIONS

	Year ended 31 December 2015 RMB million	2014 RMB million
At the beginning of the year	2,102	1,973
Accretion expense	137	156
Decrease	(42)	(27)
At the end of the year	2,197	2,102

35. SHARE CAPITAL

	31 December 2015 RMB million	31 December 2014 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

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

36. CAPITAL RISK 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 2015 was 35% (2014: 34%).

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.

37. FINANCIAL INSTRUMENTS

37.1 Categories of financial instruments

The carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are set out as follows:

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Financial assets		
– Available-for-sale investments	1,795	1,795
– Loans and receivables (including cash and cash equivalents)	112,701	99,989
– Debt securities	–	399
– Derivative financial instruments	12	43
– Investments in financial products	160	–
Financial liabilities		
– Amortised cost	182,172	170,808

37.2 Financial risk management objectives and policies

The Group's major financial instruments include accounts and bills receivable, loans and advances to/deposits from/amounts due to Shenhua Group and fellow subsidiaries, amounts due from/to associates, other receivables, accounts and bills liabilities, borrowings, short-term debentures, medium-term notes and bonds. Details of the financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate and currency risks), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

37.2 Financial risk management objectives and policies *(Continued)*

Market risk

(i) Currency risk

The functional currency of most of the group entities is RMB in which most of the transactions are denominated. However, certain of the Group's borrowings, receivables, bank balances and payables are denominated in foreign currencies. The Group entered into cross currency interest rate swaps with bank with good reputation in respect of its certain interest payments of borrowings denominated in JPY in order to mitigate the risk from the fluctuation of JPY against RMB, and the carrying amounts are set out in Note 29.

The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

	Liabilities		Assets	
	31 December		31 December	
	2015	2014	2015	2014
	RMB million	*RMB million*	*RMB million*	*RMB million*
USD	897	1,314	435	336
JPY	2,448	2,561	–	–
Other currencies	267	199	150	33

Sensitivity analysis

The following table details the Group's sensitivity to a 10% increase or decrease in exchange rate of each foreign currency against RMB, while all other variables are held constant. The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the end of the reporting period.

	USD		JPY		Other currencies	
	Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2015	2014	2015	2014	2015	2014
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
(Decrease) increase in profit for the year:						
– if RMB weakens against foreign currencies	(35)	(73)	(184)	(192)	(9)	(12)
– if RMB strengthens against foreign currencies	35	73	184	192	9	12

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

37.2 Financial risk management objectives and policies *(Continued)*

Market risk *(Continued)*

(ii) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate loan and receivables, borrowings, short-term debenture, medium-term notes and bonds (Notes 25, 29 and 30). The Group has entered into cross currency interest rate swaps to hedge against its exposures to changes in fair values of its certain interest payments of borrowings (see Note 29).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate borrowings and variable-rate loans and receivables (see Notes 29 and 21). Other than the concentration of interest rate risk related to the movements in London Interbank Offered Rate and the loan interest published by the PBOC, the Group has no significant concentration of interest rate risk.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for variable-rate borrowings and variable-rate loans and receivables at the end of the reporting period. No sensitivity analysis has been presented for the exposure to interest rates for bank balances as the management of the Group considers that, taking into account that the fluctuation in interest rates on bank balances is minimal, the impact of profit or loss for the year is insignificant.

The analysis is prepared assuming variable-rate borrowings and variable-rate loans and receivables outstanding at the end of the reporting period were outstanding for the whole year.

If interest rates had been 100 basis points (2014: 100 basis points) higher/lower and all other variables were held constant, the Group's profit for the year ended 31 December 2015 would decrease/increase by RMB223 million (2014: increase/decrease by RMB146 million).

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

37.2 Financial risk management objectives and policies *(Continued)*

Credit risk

As at 31 December 2015, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group is arising from:

- the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position;
- the Group's continuing involvement in the derecognised bills receivables equal to their carrying amounts as disclosed in Note 24; and
- the amount of contingent liability in relation to the financial guarantees provided by the Group's as disclosed in Note 39.3.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt on regular basis and at the end of the reporting period to ensure that adequate impairment losses are made for irrecoverable amounts. In respect of the risk arising from the provision of financial guarantees, the management of the Group continuously monitors the credit quality and financial conditions of the guaranteed parties that the Group issued financial guarantee contracts in favor of to ensure that the Group will not suffer significant credit losses as a result of the failure of the guaranteed parties on the repayment of the relevant loans. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with good reputation.

Other than concentration of credit risk on liquid funds which are deposited with several banks with good reputation, the Group does not have any other significant concentration of credit risk. Accounts receivables consist of a large number of customers, which spread across diverse industries and located in the PRC.

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligation as they fall due. The 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.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

37.2 Financial risk management objectives and policies *(Continued)*

Liquidity risk *(Continued)*

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

	31 December 2015						
	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial liabilities							
Accounts and bills payable, accrued expenses, other payables and long-term liabilities		74,602	265	532	535	75,934	75,577
Borrowings variable interest rate	4.98	13,936	9,199	21,107	39,946	84,188	61,311
Borrowings fixed interest rate	3.66	2,239	594	1,321	2,440	6,594	5,680
Debentures, notes and bonds	4.45	6,614	21,266	12,320	3,757	43,957	39,604
		97,391	31,324	35,280	46,678	210,673	182,172

	31 December 2014 (Restated)						
	Weighted average interest rate	On demand or less than 1 year	1–2 years	2–5 years	More than 5 years	Total undiscounted cash flows	Total carrying amount
	%	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Financial liabilities							
Accounts and bills payable, accrued expenses, other payables and long-term liabilities		71,574	279	552	649	73,054	72,821
Borrowings variable interest rate	5.57	15,721	5,191	12,756	26,278	59,946	45,855
Borrowings fixed interest rate	4.41	7,522	5,723	3,151	3,206	19,602	17,205
Debentures and notes	5.03	11,644	1,289	26,184	–	39,117	34,927
		106,461	12,482	42,643	30,133	191,719	170,808

Saved as discussed above, the Group also makes use of banks and financial institutions facilities as one of the effective sources of liquidity.

The maximum liability of financial guarantees issued by the Group is disclosed in Note 39.3.

37. FINANCIAL INSTRUMENTS *(CONTINUED)*

37.3 Fair value measurements

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

As of 31 December 2015, the Group has cross currency interest rate swaps, investments in financial products and debt securities which are measured at fair value of RMB12 million (2014: RMB43 million), RMB160 million (2014: nil) and nil (2014: RMB399 million), respectively.

	At 31 December 2015 *RMB million*	At 31 December 2014 *RMB million*	Fair value hierarchy	Valuation technique(s) and key input(s)
Financial asset:				
Cross currency interest rate swaps classified as derivate financial instruments	12	43	Level 2	Discounted cash flow. Future cash flows are estimated based on forward exchange rates and interest rates from observable yield curves at the end of the reporting period and contracted exchange rate and interest rate discounted at a rate that reflects the credit risk of various counterparties.
Investments in financial products	160	–	Level 2	Quoted price by banks.
Debt securities	–	399	Level 1	Quoted price in an active market.

Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values:

	At 31 December 2015		At 31 December 2014	
	Carrying amount *RMB million*	Fair value *RMB million*	Carrying amount *RMB million*	Fair value *RMB million*
Financial liabilities:				
Fixed rate bank borrowings	4,020	4,387	14,670	15,202
Fixed rate medium-term notes	24,955	26,008	24,933	25,290
Fixed rate bonds	9,651	9,660	–	–

The fair value of fixed rate bank borrowings above in the Level 2 category is measured using discounted cash flow method where the future cash flows are estimated based on the contract and discounted at a rate that reflects the credit risk of various relevant counter parties.

The fair values of medium-term notes and bonds are included in the Level 1 category, which have been derived from the quoted prices (unadjusted) in an active market.

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 chief operating decision maker ("CODM"), including president, senior vice president and chief financial officer, for the purposes of resource allocation and performance assessment, the Group has presented the following six (2014:six) reportable segments. No operating segments have been aggregated to form the following reportable segments.

(1) Coal operations – which produce coal from surface and underground mines, and the sale of coal to external customers, the power operations segment and the coal chemical operations segment. The Group sells its coal under long-term supply contracts, which allow periodical price adjustments, and at spot market.

(2) Power operations – which use coal from the coal operations segment and external suppliers, wind power, water power and gas power to generate electric power for the sale to coal operations segment and external customers. 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.

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

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

(5) Shipping operations – which provide shipment transportation services to the power operations segment, the coal operations segment and external customers. The rates of freight charges billed to the power operations segment, the coal operations segment and external customers are consistent.

(6) Coal chemical operations – which use coal from the coal operations segment to first produce methanol and further process into polyethylene and polypropylene, together with other by-products, for sale to external customers.

38.1 Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's CODM monitors the results attributable to each reportable segment based on profit before income tax ("reportable segment profit"). Segment profit represents the profit earned by each segment without allocation of head office and corporate items. Inter-segment sales are primarily charged at prevailing market rate which are the same as those charged to external customers. The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 3.

38. SEGMENT AND OTHER INFORMATION *(CONTINUED)*

38.1 Segment results *(Continued)*

Information regarding the Group's reportable segments as provided to the Group's CODM for the purposes of resource allocation and assessment of segment performance for the years ended 31 December 2015 and 2014 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Segment total	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	RMB million	*RMB million* (Restated)	*RMB million*	*RMB million* (Restated)	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million* (Restated)
Revenue from external customers	93,502	161,409	72,768	79,792	3,420	3,222	317	299	541	1,300	5,547	5,878	176,095	251,900
Inter-segment revenue	27,956	30,685	285	358	23,812	27,404	3,452	3,877	1,461	1,734	3	2	56,969	64,060
Reportable segment revenue	121,458	192,094	73,053	80,150	27,232	30,626	3,769	4,176	2,002	3,034	5,550	5,880	233,064	315,960
Reportable segment profit	5,883	25,465	17,628	19,502	9,862	14,663	868	1,344	48	341	342	1,142	34,631	62,457
Including:														
Interest expenses	1,320	1,025	2,048	1,824	637	240	473	432	103	57	275	275	4,856	3,853
Depreciation and amortisation	9,280	8,085	8,477	7,992	3,887	3,260	922	800	285	242	903	825	23,754	21,204
Share of results of associates	24	59	391	307	–	–	7	11	–	–	–	–	422	377
Impairment loss	3,076	261	1,819	222	879	16	–	–	–	–	–	–	5,774	499

38.2 Reconciliations of reportable segment revenue, segment profit and other items of profit or loss for the years ended 31 December 2015 and 2014

	Reportable segment amounts		Unallocated head office and corporate items		Elimination of inter-segment amounts		Consolidated	
	2015	2014	2015	2014	2015	2014	2015	2014
	RMB million	*RMB million* (Restated)	*RMB million*	*RMB million* (Restated)	*RMB million*	*RMB million* (Restated)	*RMB million*	*RMB million* (Restated)
Revenue	233,064	315,960	1,838	2,075	(57,833)	(64,954)	177,069	253,081
Profit before income tax	34,631	62,457	(215)	368	104	(978)	34,520	61,847
Interest expenses	4,856	3,853	2,483	2,911	(2,871)	(1,982)	4,468	4,782
Depreciation and amortization	23,754	21,204	236	139	–	–	23,990	21,343
Share of results of associates	422	377	6	33	–	–	428	410
Impairment loss	5,774	499	(1)	122	–	–	5,773	621

38. SEGMENT AND OTHER INFORMATION *(CONTINUED)*

38.3 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, exploration and evaluation assets, intangible assets, interest in associates, 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 exploration and evaluation assets, intangible assets, other non-current assets and interest in associates.

	Revenue from external customers		Specified non-current assets	
	Year ended 31 December 2015 ***RMB million***	Year ended 31 December 2014 *RMB million* (Restated)	**31 December 2015** ***RMB million***	31 December 2014 *RMB million* (Restated)
Domestic markets	**175,129**	247,848	**414,513**	411,710
Overseas markets	**1,940**	5,233	**5,173**	5,298
	177,069	253,081	**419,686**	417,008

38.4 Major customers

Revenue from any individual customer of the Group does not exceed 10% of the Group's revenue. Certain of the Group's customers are government-related 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 RMB132,736 million (2014: RMB161,190 million) of the Group's revenue.

38. SEGMENT AND OTHER INFORMATION *(CONTINUED)*

38.5 Other information

Certain other information of the Group's segments for the years ended 31 December 2015 and 2014 is set out below:

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2015	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014	**2015**	2014
	RMB million	*RMB million* (Restated)	***RMB million***	*RMB million* (Restated)	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million*	***RMB million***	*RMB million* (Restated)	***RMB million***	*RMB million* (Restated)	***RMB million***	*RMB million* (Restated)
Coal purchased	**17,264**	43,545	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**17,264**	43,545
Cost of coal production	**40,098**	42,163	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(9,318)**	(10,109)	**30,780**	32,054
Cost of coal transportation	**38,488**	43,423	**–**	–	**12,570**	12,844	**1,886**	1,790	**1,176**	1,294	**–**	–	**–**	–	**(39,320)**	(42,998)	**14,800**	16,353
Power cost	**–**	–	**48,965**	55,539	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(8,299)**	(10,212)	**40,666**	45,327
Cost of coal chemical production	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**4,182**	3,745	**–**	–	**(300)**	(368)	**3,882**	3,377
Others	**11,643**	32,386	**823**	978	**2,025**	1,898	**140**	205	**584**	1,276	**538**	500	**196**	210	**–**	–	**15,949**	37,453
Total cost of sales	**107,493**	161,517	**49,788**	56,517	**14,595**	14,742	**2,026**	1,995	**1,760**	2,570	**4,720**	4,245	**196**	210	**(57,237)**	(63,687)	**123,341**	178,109
Profit (loss) from operations *(note (iii))*	**6,433**	26,049	**18,810**	20,933	**10,070**	14,298	**1,350**	1,729	**133**	361	**649**	1,410	**808**	1,209	**(596)**	(1,267)	**37,657**	64,722
Additions to non-current assets *(note (i))*	**7,001**	8,653	**19,805**	18,173	**6,529**	14,869	**1,387**	1,533	**138**	1,097	**531**	794	**35**	337	**–**	–	**35,426**	45,456
Total assets *(note (ii))*	**246,972**	245,452	**229,773**	212,231	**124,661**	122,033	**22,303**	21,974	**8,189**	8,247	**12,564**	13,529	**348,720**	343,060	**(433,391)**	(415,654)	**559,791**	550,872
Total liabilities *(note (ii))*	**(115,814)**	(115,876)	**(131,373)**	(118,995)	**(61,284)**	(59,965)	**(10,950)**	(9,917)	**(2,363)**	(2,449)	**(5,593)**	(7,007)	**(185,478)**	(175,444)	**316,985**	304,351	**(195,870)**	(185,302)

Notes:

(i) Non-current assets exclude financial instruments and deferred tax assets.

(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.

(iii) Profit (loss) from operation is calculated as revenue minus cost of sales, selling expenses, general and administrative expenses and impairment loss.

39. COMMITMENTS AND CONTINGENT LIABILITIES

39.1 Capital commitments

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

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Contracted for but not provided		
– Land and buildings	26,623	29,800
– Equipment	21,170	25,145
	47,793	54,945

39.2 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, 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:

	31 December 2015 *RMB million*	31 December 2014 *RMB million*
Within one year	46	40
After one year but within five years	17	25
After five years	3	9
	66	74

39.3 Financial guarantees issued

At 31 December 2015, the Group had issued certain guarantees in respect of certain banking facilities granted to an entity which the Group held less than 20% equity interest. The maximum amount guaranteed is RMB197 million (2014: RMB200 million).

39.4 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.

39. COMMITMENTS AND CONTINGENT LIABILITIES *(CONTINUED)*

39.5 Environmental contingencies

To date, the Group has not incurred any significant expenditure 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 regulatory bodies, however, have 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.

40. EMPLOYEE BENEFITS PLAN

In addition to a minimal defined benefit plan operated by its subsidiary, the Group participates, in line with the regulations of the PRC, mainly 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. In addition, as approved by the government, the Group makes contribution to a supplemental defined contribution pension plan for its employees. The fund is managed by a qualified fund manager. 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 2015 were RMB2,791 million (2014: RMB2,656 million).

41. RELATED PARTY TRANSACTIONS

41.1 Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group

The Group is controlled by Shenhua Group and has significant transactions and relationships with Shenhua Group, an associate of Shenhua Group and subsidiaries of Shenhua Group ("fellow subsidiaries"). 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.

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

41.1 Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group *(Continued)*

The Group had the following transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group that were carried out in the normal course of business during both years except for the 2015 Acquisitions as detailed in Note 5:

		2015 *RMB million*	2014 *RMB million* (Restated)
Interest income	(i)	819	1,010
Income from entrusted loans	(ii)	39	43
Interest expense	(iii)	290	364
Purchases of ancillary materials and spare parts	(iv)	1,385	2,255
Mining service income	(v)	812	1,262
Ancillary and social services	(vi)	585	173
Transportation service income	(vii)	189	360
Transportation service expense	(viii)	–	–
Sale of coal	(ix)	4,188	4,839
Purchase of coal	(x)	3,697	8,117
Property leasing	(xi)	48	42
Repairs and maintenance services expense	(xii)	7	47
Coal export agency expense	(xiii)	4	8
Purchase of equipment and construction work	(xiv)	1,753	2,477
Sale of coal chemical product	(xv)	3,104	2,288
Other income	(xvi)	2,365	4,150
Granting of loans from Shenhua Finance	(xvii)	9,082	18,527
Repayment of loans from Shenhua Finance	(xviii)	11,159	18,411
Granting of entrusted loan	(xix)	–	–
Repayment of entrusted loan	(xx)	–	30
Receipt of deposits by Shenhua Finance	(xxi)	5,748	(1,964)
Loans from Shenhua Group	(xxii)	2,235	1,747
Repayment of loans from Shenhua Group	(xxiii)	3,324	6,772

(i) Interest income represents interest earned from loans to Shenhua Group and fellow subsidiaries. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

41.1 Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group *(Continued)*

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

(iii) Interest expense represents interest incurred from deposits placed and loans from Shenhua Group and fellow subsidiaries. The applicable interest rate is determined in accordance with the prevailing interest rates published by the PBOC.

(iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies related to the Group's operations from fellow subsidiaries.

(v) Mining service income represents income earned from coal mining services to fellow subsidiaries.

(vi) 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 Shenhua Group, fellow subsidiaries and associates of the Group.

(vii) Transportation service income represents income earned from Shenhua Group and fellow subsidiaries in respect of coal transportation services.

(viii) Transportation service expense represents expense related to coal transportation service provided by a fellow subsidiary of Shenhua Group and associates of the Group.

(ix) Sale of coal represents income from sale of coal to fellow subsidiaries.

(x) Purchase of coal represents coal purchased from associates of the Group and fellow subsidiaries.

(xi) Property leasing represents rental paid or payable in respect of properties leased from fellow subsidiaries.

(xii) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by fellow subsidiaries and an associate of the Group.

(xiii) Coal export agency expense represents expense related to coal export agency services provided by a fellow subsidiary.

(xiv) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by fellow subsidiaries.

(xv) Sale of coal chemical product represents income from sale of coal chemical product to fellow subsidiaries.

(xvi) 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, financial service income, etc.

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

41.1 Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group *(Continued)*

(xvii) Granting of loans from Shenhua Finance represents loans granted by Shenhua Finance to fellow subsidiaries.

(xviii) Repayment of loans from Shenhua Finance represents loans repaid by fellow subsidiaries to Shenhua Finance.

(xix) Granting of entrusted loan represents an entrusted loan granted to an associate of the Group.

(xx) Repayment of entrusted loan represents an entrusted loan repaid by an associate of the Group.

(xxi) Receipt of deposits by Shenhua Finance represents net deposits received by Shenhua Finance from Shenhua Group and fellow subsidiaries.

(xxii) Loans obtained by the Group from Shenhua Group and fellow subsidiaries.

(xxiii) Repayment of loans from Shenhua Group and fellow subsidiaries by the Group.

The Directors are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions.

The Group entered into a number of agreements with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, 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 an associate of Shenhua Group and fellow subsidiaries. Pursuant to the agreement, an associate of Shenhua Group and fellow subsidiaries provide the Group 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 Group provides fellow subsidiaries 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.

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

41.1 Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group *(Continued)*

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

(iii) The Group, through Shenhua Finance, has entered into a financial services agreement with Shenhua Group and fellow subsidiaries. Pursuant to the agreement, Shenhua Finance provides financial services to Shenhua Group and fellow subsidiaries. The interest rate for the deposits with Shenhua Finance from Shenhua Group and fellow subsidiaries 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 Shenhua Group and fellow subsidiaries should not be higher than the highest limit published by the PBOC for the same type of loan. The above interest rates should be determined by reference to the rate charged by normal commercial banks in the PRC for comparable deposits and loans on normal commercial terms. 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 fellow subsidiaries for leasing of certain properties to each other. No rent is payable by the Group before fellow subsidiaries obtains the relevant property ownership certificate. The rental charges are based on comparable market rates. If fellow subsidiaries 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 favorable than other third party.

(v) The Group has entered into a land leasing agreement with fellow subsidiaries. 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 a fellow subsidiary. The fellow subsidiary is appointed as a non-exclusive export agent of the Group 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 coal exported.

(vii) The Group entered into an agency agreement for the sale of coal with fellow subsidiaries. The Group is appointed as the exclusive sales agent of fellow subsidiaries 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 fellow subsidiaries under which the Group has been granted the right to use certain trademarks. Fellow subsidiaries 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.

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

41.1 Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group *(Continued)*

Amounts due from/to Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group:

	Note	**31 December 2015** *RMB million*	31 December 2014 *RMB million* (Restated)
Accounts and bills receivable	24	**3,959**	2,957
Prepaid expenses and other current assets	25	**4,023**	10,413
Other non-current assets	21	**12,128**	7,923
Total amounts due from Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associates of the Group		**20,110**	21,293
Borrowings	29	**7,424**	8,513
Accounts payable	31	**2,245**	2,524
Accrued expenses and other payables	32	**26,406**	19,758
Total amounts due to Shenhua Group, an associate of Shenhua Group and fellow subsidiaries, and associates of the Group		**36,075**	30,795

Other than those disclosed in Notes 21, 25, 29 and 32, amounts due from/to Shenhua Group, an associate of Shenhua Group, fellow subsidiaries, and associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

41.2 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 and retirement scheme contributions.

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

	2015 *RMB million*	2014 *RMB million*
Short-term employee benefits	**8**	13
Post-employment benefits	**1**	1
	9	14

Total remuneration is included in "personnel expenses" as disclosed in Note 10.

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

41.3 Contributions to post-employment benefit plans

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments and a supplemental defined contribution pension plan approved by the government for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 40.

41.4 Transactions with other government-related entities in the PRC

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influence by the PRC government ("government-related entities").

Other than those transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associate of the Group as disclosed above, the Group conducts business with other government- related 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 government-related. The Group has established its pricing policies in respect of sale of goods and provision of services, and approval process for purchases of products and services. Such policies and approval process apply to all counter-parties regardless of whether the counterparty is government-related or not.

41. RELATED PARTY TRANSACTIONS *(CONTINUED)*

41.4 Transactions with other government-related 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 government -related entities require disclosure:

Transactions with other government – related entities, including state-controlled banks in the PRC

	2015 *RMB million*	2014 *RMB million* (Restated)
Coal revenue	**63,347**	91,360
Power revenue	**69,389**	69,830
Transportation costs	**10,427**	13,321
Interest income	**448**	628
Interest expenses (including amount capitalised)	**5,696**	5,907

Balances with other government-related entities, including state-controlled banks in the PRC

	31 December 2015 *RMB million*	31 December 2014 *RMB million* (Restated)
Accounts and bills receivable	**16,606**	17,439
Prepaid expenses and other current assets	**1,396**	1,878
Cash and time deposits at banks	**43,233**	37,223
Restricted bank deposits	**4,611**	6,271
Borrowings	**59,567**	54,547
Accrued expenses and other payables	**2,725**	4,534

42. EVENTS AFTER THE REPORTING PERIOD

On 24 March 2016, the Board of Directors proposed a final dividend of RMB0.32 per ordinary share totaling RMB6,365 million to the equity holders of the Company. Further details are disclosed in Note 13.

43. SUBSIDIARIES

The Company's subsidiaries are unlisted. Details of the Company's material subsidiaries at the end of the reporting period are set out below:

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31 December 2015 %	31 December 2014 %	
Shenhua Sales Group Co., Ltd.	PRC	Limited company	RMB1,705 million	100	100	Trading of coal
Shenwan Energy Co., Ltd.	PRC	Limited company	RMB4,696 million	51	51	Trading of coal
Shenhua Shendong Coal Group Co., Ltd.	PRC	Limited company	RMB4,690 million	100	100	Trading of coal; provision of integrated services
Shenhua Zhunge'er Energy Co., Ltd.	PRC	Limited company	RMB7,102 million	58	58	Coal mining and development; generation and sale of electricity
Shenhua Baorixile Energy Industrial Co., Ltd.	PRC	Limited company	RMB1,169 million	57	57	Coal mining; provision of transportation services
Shenhua Beidian Shengli Energy Co., Ltd.	PRC	Limited company	RMB2,532 million	63	63	Coal mining; provision of transportation services
Shanxi Guohua Jinjie Energy Co., Ltd.	PRC	Limited company	RMB2,278 million	70	70	Generation and sale of electricity; coal mining and development
Shenhua Guohua International Power Co., Ltd.	PRC	Limited company	RMB4,010 million	70	70	Generation and sale of electricity
Shenhua Shendong Power Co., Ltd.	PRC	Limited company	RMB3,024 million	100	100	Generation and sale of electricity
Guangdong Guohua Yuedian Taishan Power Co., Ltd.	PRC	Limited company	RMB4,670 million	80	80	Generation and sale of electricity
Zhejiang Guohua Zheneng Power Generation Co., Ltd.	PRC	Limited company	RMB3,255 million	60	60	Generation and sale of electricity
Suizhong Power Co., Ltd. *(note (i))*	PRC	Limited company	RMB4,029 million	65	65	Generation and sale of electricity
Hebei Guohua Cangdong Power Co., Ltd.	PRC	Limited company	RMB1,834 million	51	51	Generation and sale of electricity

43. SUBSIDIARIES *(CONTINUED)*

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting rights held by the Group		Principal activities
				31 December 2015 %	31 December 2014 %	
Dingzhou Power *(note (ii))*	PRC	Limited company	RMB1,561 million	41	41	Generation and sale of electricity
Guohua Taicang Power Co., Ltd.	PRC	Limited company	RMB2,000 million	50	50	Generation and sale of electricity
Shenhua Sichuan Energy Co., Ltd.	PRC	Limited company	RMB2,152 million	51	51	Generation and sale of electricity; trading of coal
Shenhua Fujian Energy Co., Ltd.	PRC	Limited company	RMB2,098 million	100	100	Generation and sale of electricity
Shuohuang Railway Development Co., Ltd.	PRC	Limited company	RMB5,880 million	53	53	Provision of transportation services
Shenhua Zhunchi Railway Co., Ltd.	PRC	Limited company	RMB4,710 million	85	85	Provision of transportation services
Shenhua Huanghua Harbour Administration Co., Ltd.	PRC	Limited company	RMB4,113 million	70	70	Provision of harbour and port services
Shenhua Zhonghai Shipping Co., Ltd.	PRC	Limited company	RMB5,180 million	51	51	Provision of transportation services
Shenhua Baotou Company Coal Chemical Co., Ltd.	PRC	Limited company	RMB5,132 million	100	100	Coal chemical
Shenhua Railway Transpotation Co., Ltd.	PRC	Limited company	RMB4,701 million	100	100	Provision of transportation
Shenhua Finance Co., Ltd. ("Shenhua Finance")	PRC	Limited company	RMB5,000 million	100	100	Provision of financial services

43. SUBSIDIARIES *(CONTINUED)*

Name of the subsidiary	Place of incorporation and operation	Type of legal entity	Particulars of registered capital	Proportion of ownership interest and voting rights held by the Group 31 December 2015 %	31 December 2014 %	Principal activities
China Shenhua Overseas Development & Investment Co., Ltd.	Hong Kong	Limited company	HKD4,500 million	100	100	Investment holding
Shenhua Australia Holding Pty Ltd.	Australia	Limited company	AUD400 million	100	100	Coal mining and development; generation and sale of electricity
Shenhua Watermark Coal Pty Ltd.	Australia	Limited company	AUD350 million	100	100	Coal mining and development; generation and sale of electricity
PT GH EMM Indonesia	Indonesia	Limited company	USD63 million	70	70	Coal mining and development; generation and sale of electricity
Shenhua Baoshen Railway Group Co., Ltd.	PRC	Limited company	RMB10,000 million	100	100	Provision of transportation services
(Tianjin) Finance Lease Co., Ltd.	PRC	Limited company	RMB1,000 million	51	–	Provision of financial lease services
Shenhua Zhunneng Resources Development & Utilization Co., Ltd.	PRC	Limited company	RMB500 million	100	100	Comprehensive utilization of inferior coal resources
Xuzhou Power *(note 5)*	PRC	Limited company	RMB1,790 million	100	–	Generation and sale of electricity
Zhoushan Power *(note 5)*	PRC	Limited company	RMB755 million	51	–	Generation and sale of electricity

The above table lists subsidiaries of the Group which, in the opinion of the Directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the Directors, result in particulars of excessive length.

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 obtained the control over Dingzhou Power through its right to appoint majority members of the board of directors, details of which are set out in Note 4.1.

43. SUBSIDIARIES *(CONTINUED)*

Details of non-wholly owned subsidiaries that have material non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

Name of the subsidiary	Place of incorporation and operation	Proportion of ownership interest and voting rights held by non-controlling interests		Profit allocated to non-controlling interests		Accumulated non-controlling interests	
		31 December 2015 %	31 December 2014 %	Year ended 2015 RMB million	31 December 2014 RMB million	31 December 2015 RMB million	31 December 2014 RMB million (Restated)
Shenwan Energy Co., Ltd.	PRC	49	49	594	435	3,787	3,119
Shenhua Zhunge'er Energy Co., Ltd.	PRC	42	42	505	692	10,027	9,357
Shenhua Baorixile Energy Industrial Co., Ltd.	PRC	43	43	275	360	1,860	1,654
Hebei Guohua Cangdong Power Co., Ltd.	PRC	49	49	405	523	1,485	1,551
Dingzhou Power	PRC	59	59	575	595	1,955	1,726
Shenhua Sichuan Energy Co., Ltd.	PRC	49	49	72	72	1,588	1,499
Shuohuang Railway Development Co., Ltd.	PRC	47	47	2,388	2,879	12,343	13,080
Shenhua Zhonghai Shipping Co., Ltd.	PRC	49	49	18	131	2,870	2,899
Guangdong Guohua Yuedian Taishan Power Co., Ltd.	PRC	20	20	335	451	1,625	1,700
Shenhua Huanghua Harbour. Administration Co., Ltd.	PRC	30	30	156	257	2,610	2,746
Shenhua Guohua International Power Co., Ltd.	PRC	30	30	183	440	3,168	3,253
Zhejiang Guohua Zheneng Power Generation Co., Ltd.	PRC	40	40	647	751	2,381	2,409
Individually immaterial subsidiaries with non-controlling interests						45,699	44,993
						65,853	64,872

43. SUBSIDIARIES *(CONTINUED)*

Details of non-wholly owned subsidiaries that have material non-controlling interests (Continued)

	Shenwan Energy Co., Ltd.		Shenhua Zhunge'er Energy Co., Ltd.		Shenhua Baorixile Energy Industrial Co., Ltd.		Hebei Guohua Cangdong Power Co., Ltd.	
	31 December 2015 RMB million	31 December 2014 RMB million	31 December 2015 RMB million	31 December 2014 RMB million	31 December 2015 RMB million	31 December 2014 RMB million	31 December 2015 RMB million	31 December 2014 RMB million
Current assets	1,062	731	11,680	9,748	1,976	1,982	1,047	1,332
Non-current assets	12,437	10,909	18,181	18,991	4,885	4,872	6,183	6,286
Current liabilities	3,001	1,672	5,695	5,839	2,557	2,535	3,266	3,518
Non-current liabilities	2,769	3,602	427	447	18	156	934	935
Equity	7,729	6,366	23,739	22,453	4,286	4,163	3,030	3,165

	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2015 RMB million	2014 RMB million	2015 RMB million	2014 RMB million	2015 RMB million	2014 RMB million	2015 RMB million	2014 RMB million
Revenue	5,859	4,898	9,234	10,233	2,972	3,789	4,092	5,036
Expenses	4,174	3,875	7,948	8,554	2,082	2,853	2,998	3,617
Profit and total comprehensive income for the year	1,212	888	1,196	1,647	634	836	826	1,068
Dividend paid to non-controlling interests	–	–	–	–	254	448	471	377
Net cash inflow (outflow) from operating activities	2,394	1,435	956	2,950	390	(159)	1,063	1,540
Net cash (outflow) inflow from investing activities	(1,457)	(2,853)	(962)	(2,946)	(295)	(97)	171	(429)
Net cash (outflow) inflow from financing activities	(942)	1,389	(3)	12	(54)	151	(1,234)	(1,314)
Net cash (outflow) inflow	(5)	(29)	(9)	16	41	(105)	–	(203)

43. SUBSIDIARIES *(CONTINUED)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

	Dingzhou Power		Shenhua Sichuan Energy Co., Ltd.		Shuohuang Railway Development Co., Ltd.		Shenhua Zhonghai Shipping Co., Ltd.	
	31 December 2015 *RMB million*	31 December 2014 *RMB million*	31 December 2015 *RMB million*	31 December 2014 *RMB million*	31 December 2015 *RMB million*	31 December 2014 *RMB million*	31 December 2015 *RMB million*	31 December 2014 *RMB million*
Current assets	929	857	1,343	2,031	7,475	6,967	1,436	1,315
Non-current assets	5,568	5,437	4,457	4,295	29,320	27,847	6,803	7,066
Current liabilities	2,072	2,251	598	1,486	8,571	4,359	383	1,964
Non-current liabilities	1,139	1,117	1,961	1,737	2,117	2,483	1,999	500
Total equity	3,286	2,926	3,241	3,103	26,107	27,972	5,857	5,917

	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2015 *RMB million*	2014 *RMB million*	2015 *RMB million*	2014 *RMB million*	2015 *RMB million*	2014 *RMB million*	2015 *RMB million*	2014 *RMB million*
Revenue	4,099	4,451	1,594	1,986	13,386	15,912	2,002	3,381
Expenses	2,780	3,108	1,449	1,895	7,234	7,928	1,971	3,080
Profit and total comprehensive income for the year	967	1,008	147	160	5,051	6,140	36	267
Dividend paid to non-controlling interests	540	597	2	2	3,457	75	529	–
Net cash inflow from operating activities	1,197	1,327	463	656	4,484	3,739	472	699
Net cash (outflow) inflow from investing activities	(212)	(54)	(766)	293	(2,010)	(2,249)	(393)	(2,335)
Net cash (outflow) inflow from financing activities	(985)	(1,273)	(394)	(171)	(2,653)	(1,147)	(88)	1,558
Net cash inflow (outflow)	–	–	(697)	778	(179)	343	(9)	(78)

43. SUBSIDIARIES *(CONTINUED)*

Details of non-wholly owned subsidiaries that have material non-controlling interests *(Continued)*

	Guangdong Guohua Yuedian Taishan Power Co., Ltd.		Shenhua Huanghua Harbour Administration Co., Ltd.		Shenhua Guohua International Power Co., Ltd.		Zhejiang Guohua Zheneng Power Generation Co., Ltd.	
	31 December 2015 *RMB million*	31 December 2014 *RMB million*	31 December 2015 *RMB million*	31 December 2014 *RMB million*	31 December 2015 *RMB million*	31 December 2014 *RMB million*	31 December 2015 *RMB million*	31 December 2014 *RMB million*
Current assets	1,310	1,869	1,661	1,332	3,677	3,017	1,251	2,202
Non-current assets	12,004	12,688	14,366	14,268	18,340	19,862	10,527	10,817
Current liabilities	4,913	5,559	1,698	1,898	9,291	9,645	3,230	4,305
Non-current liabilities	278	500	5,630	4,548	2,167	2,392	2,595	2,691
Total equity	8,123	8,498	8,699	9,154	10,559	10,842	5,953	6,023

	Year ended 31 December		Year ended 31 December		Year ended 31 December		Year ended 31 December	
	2015 *RMB million*	2014 *RMB million*	2015 *RMB million*	2014 *RMB million*	2015 *RMB million*	2014 *RMB million*	2015 *RMB million*	2014 *RMB million*
Revenue	7,607	9,455	2,780	3,120	10,758	12,596	7,275	9,194
Expenses	5,300	6,446	2,022	1,990	10,728	9,765	5,111	6,660
Profit and total comprehensive income for the year	1,677	2,253	520	858	609	1,465	1,618	1,877
Dividend paid to non-controlling interests	410	420	455	–	115	83	676	753
Net cash inflow from operating activities	2,832	3,376	719	1,251	1,860	4,048	2,687	2,460
Net cash (outflow) inflow from investing activities	(230)	(380)	1,434	(1,709)	(470)	(612)	25	(396)
Net cash (outflow) inflow from financing activities	(2,600)	(2,999)	(2,180)	403	(1,344)	(3,453)	(2,712)	(2,063)
Net cash inflow (outflow)	2	(3)	(27)	(55)	46	(17)	–	1

44. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY

	NOTES	**31 December 2015** *RMB million*	31 December 2014 *RMB million*
Non-current assets			
Property, plant and equipment		**55,404**	55,756
Construction in progress		**3,469**	9,408
Intangible assets		**1,780**	127
Investments in subsidiaries		**127,264**	115,497
Investments in associates		**1,065**	1,065
Available-for-sale investments		**1,647**	1,647
Other non-current assets		**31,796**	50,539
Lease prepayments		**3,245**	2,728
Deferred tax assets		**58**	–
Total non-current assets		**225,728**	236,767
Current assets			
Inventories		**4,436**	5,416
Accounts and bills receivable		**19,385**	16,131
Prepaid expenses and other current assets		**64,923**	55,704
Restricted bank deposits		**649**	267
Time deposits with original maturity over three months		**9,500**	10,480
Cash and cash equivalents		**20,414**	25,448
Total current assets		**119,307**	113,446
Current liabilities			
Borrowings		**9,038**	14,246
Short-term debenture		**4,998**	9,994
Accounts and bills payable		**8,693**	10,297
Accrued expenses and other payables		**57,364**	52,806
Current portion of long-term liabilities		**200**	236
Income tax payable		**630**	835
Total current liabilities		**80,923**	88,414
Net current assets		**38,384**	25,032
Total assets less current liabilities		**264,112**	261,799

44. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

	NOTES	**31 December 2015** *RMB million*	31 December 2014 *RMB million*
Non-current liabilities			
Borrowings		**3,872**	4,008
Medium-term notes		**24,955**	24,933
Long-term liabilities		**1,115**	1,150
Accrued reclamation obligations		**1,156**	1,106
Deferred tax liabilities		**–**	265
Total non-current liabilities		**31,098**	31,462
Net assets		**233,014**	230,337
Equity			
Share capital	35	**19,890**	19,890
Reserves		**213,124**	210,447
Total equity		**233,014**	230,337

	Share premium *RMB million*	**Statutory reserves** *RMB million*	**Capital and other reserves** *RMB million*	**Retained earnings** *RMB million*	**Total** *RMB million*
At 1 January 2014	85,001	13,836	1,628	111,865	212,330
Profit for the year	–	–	–	16,164	16,164
Total comprehensive income for the year	–	–	–	16,164	16,164
Dividend declared *(Note 13)*	–	–	–	(18,100)	(18,100)
Appropriation of maintenance and production funds	–	4,701	–	(4,701)	–
Utilisation of maintenance and production funds	–	(3,991)	–	3,991	–
Others	–	–	53	–	53
At 31 December 2014	85,001	14,546	1,681	109,219	210,447

44. INFORMATION ABOUT THE FINANCIAL POSITION OF THE COMPANY *(CONTINUED)*

	Share premium *RMB million*	Statutory reserves *RMB million*	Capital and other reserves *RMB million*	Retained earnings *RMB million*	Total *RMB million*
Profit for the year	–	–	–	17,395	17,395
Total comprehensive income for the year				17,395	17,395
Dividend declared *(Note 13)*	–	–	–	(14,718)	(14,718)
Appropriation of maintenance and production funds	–	4,281	–	(4,281)	–
Utilisation of maintenance and production funds	–	(2,840)	–	2,840	–
At 31 December 2015	85,001	15,987	1,681	110,455	213,124

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

At 31 December 2015, the aggregate amount of retained earnings determined in accordance with the China Accounting Standards for Business Enterprises available for distribution to equity holders of the Company was RMB104,992 million (2014: RMB103,614 million).

Section XIV Documents Available for Inspection

Documents Available for Inspection	The annual report for the year 2015 signed by the chairman The financial statements signed and sealed by the chairman, the Chief Financial Officer and the General Manager of the Financial Department The original copies of all documents sealed by the accounting firm and signed and sealed by the certified public accountant The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period The annual report for the year 2015 published on the Shanghai Stock Exchange and the Hong Kong Stock Exchange

Zhang Yuzhuo, Chairman
Approved by the Board for submission on: 24 March 2016

Section XV Signing Page for Opinions

Pursuant to Article 68 of the Securities Law of the People's Republic of China and Article 14 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No. 2 – The Contents and Formats of Annual Report (Revised edition 2015) of the CSRC, having fully understood and reviewed the 2015 Annual Report of the Company, the Board and all directors are of the opinion that information disclosed in the 2015 Annual Report of the Company is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the content thereof.

Directors

(Zhang Yuzhuo)

(Ling Wen)

(Han Jianguo)

(Fan Hsu Lai Tai)

(Gong Huazhang)

(Guo Peizhang)

(Chen Hongsheng)

Supervisors

(Zhai Richeng)

(Tang Ning)

(Shen Lin)

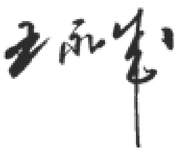
Senior Management

(Han Jianguo)

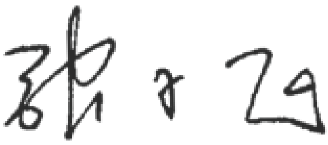
(Li Dong)

(Wang Jinli)

(Wu Xiuzhang) (Note)

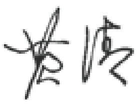


(Wang Yongcheng)



(Zhang Zifei)

(Wang Shumin)



(Huang Qing)

(Zhang Kehui)

China Shenhua Energy Company Limited
24 March 2016

Note: Mr. Wu Xiuzhang resigned his position as a vice president of the Company on 23 March 2016 due to adjustment of work arrangement.

Section XVI Summary of Major Financial Information for the Recent Five Years

The finance information below is from the financial statement prepared by the Group in accordance with International Financial Reporting Standards.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	For the year ended 31 December				
	2011 *RMB Million* *(Restated*)*	2012 *RMB Million* *(Restated*)*	2013 *RMB Million* *(Restated*)*	2014 *RMB Million* *(Restated*)*	**2015** ***RMB Million***
Revenue	215,689	259,385	289,230	253,081	**177,069**
Cost of sales	(136,881)	(178,407)	(206,359)	(178,109)	**(123,341)**
Gross profit	78,808	80,978	82,871	74,972	**53,728**
Selling expenses	(1,149)	(881)	(1,031)	(794)	**(584)**
General and administrative expenses	(6,888)	(8,458)	(9,285)	(8,835)	**(9,714)**
Other gains and losses	(333)	(474)	(888)	(770)	**(5,856)**
Other income	458	1,242	534	939	**1,659**
Other expenses	(904)	(494)	(382)	(419)	**(626)**
Interest income	979	776	758	803	**608**
Finance costs	(3,638)	(3,568)	(3,321)	(4,459)	**(5,123)**
Share of results of associates	346	477	588	410	**428**
Profit before income tax	67,679	69,598	69,844	61,847	**34,520**
Income tax	(14,062)	(11,116)	(13,912)	(12,784)	**(9,561)**
Profit for the year	53,617	58,482	55,932	49,063	**24,959**
Profit for the year attributable to:					
Equity holders of the Company	46,652	50,264	45,706	39,301	**17,649**
Non-controlling interests	6,965	8,218	10,226	9,762	**7,310**
Earnings per share (RMB)					
– Basic	2.346	2.527	2.298	1.976	**0.887**

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	As at 31 December				
	2011 *RMB Million* *(Restated*)*	2012 *RMB Million* *(Restated*)*	2013 *RMB Million* *(Restated*)*	2014 *RMB Million* *(Restated*)*	**2015** ***RMB Million***
Total non-current assets	321,893	369,573	402,759	431,226	**438,755**
Total current assets	112,741	114,753	122,567	119,646	**121,036**
Total assets	434,634	484,326	525,326	550,872	**559,791**
Total current liabilities	95,351	109,377	134,001	110,778	**101,487**
Total non-current liabilities	63,318	58,679	53,115	74,524	**94,383**
Total liabilities	158,669	168,056	187,116	185,302	**195,870**
Net assets	275,965	316,270	338,210	365,570	**363,921**
Equity attributable to equity holders of the Company	235,797	266,013	280,113	300,698	**298,068**
Non-controlling interests	40,168	50,257	58,097	64,872	**65,853**
Total equity	275,965	316,270	338,210	365,570	**363,921**

* The above financial data of the Group for 2011, 2012, 2013 and 2014, was restated in accordance with Note 5 of the consolidated financial statements.

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