



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)

Confidence



Strategy



Innovation

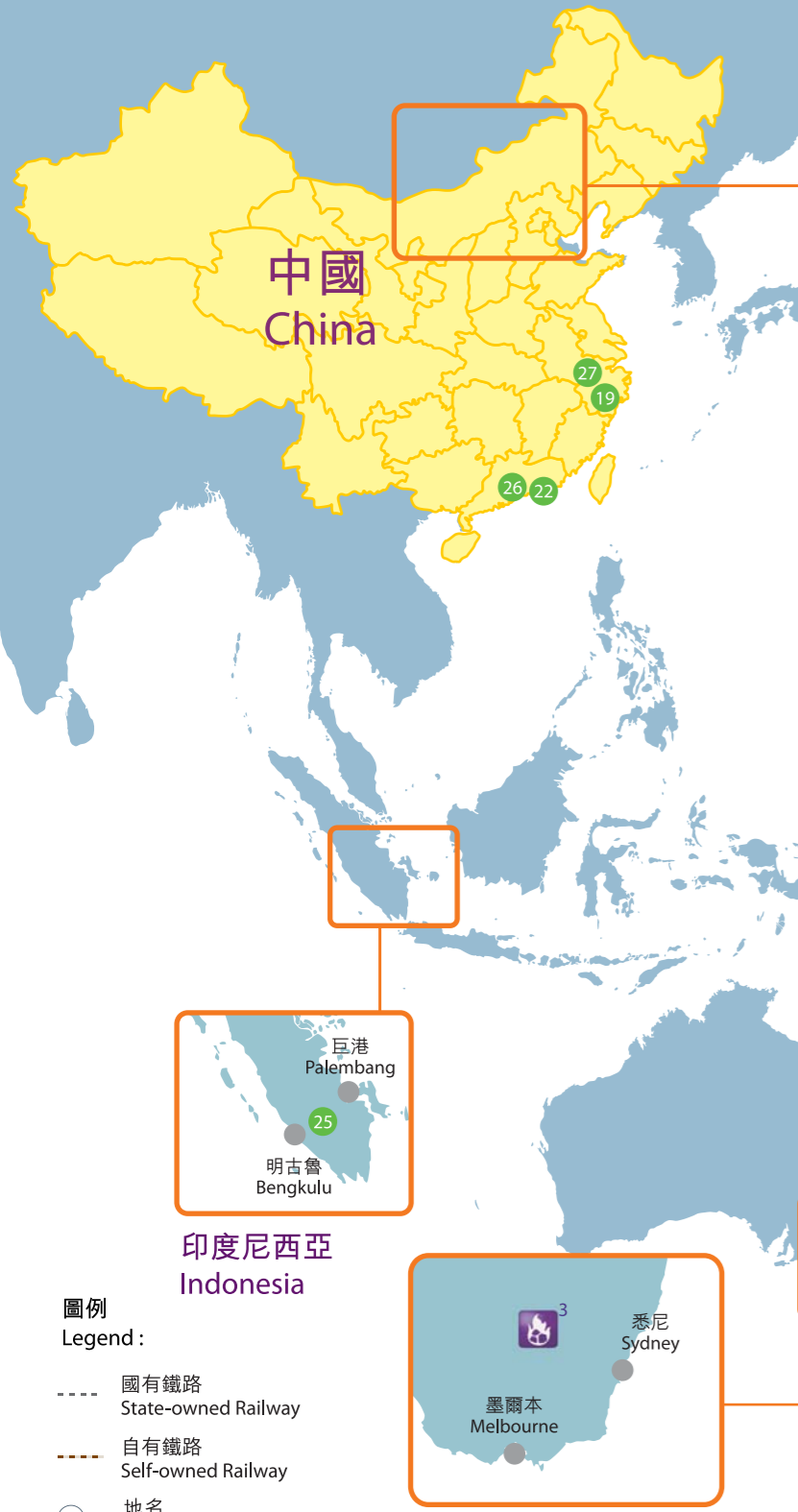


Responsibility



資產分佈圖

Asset Distribution Diagram



圖例 Legend:

- 國有鐵路 State-owned Railway
- - - - - 自有鐵路 Self-owned Railway
- 地名 Place
- ⚓ 港口 Port



煤礦 Coal Mines

1. 神東礦區 Shendong Mines
2. 萬利礦區 Wanli Mines
3. 准格爾礦區 Zhunge'er Mines
4. 勝利礦區 Shengli Mines



擬開發煤礦項目 Planned Coal Project

1. 新街項目 Xinjie Project
2. 榆神項目 Yushen Project
3. 沃特馬克項目 Watermark Project
4. 塔本陶勒蓋項目 Tavan Tolgoi Project



鐵路 Railway

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



擬開發鐵路項目 Planned Railway Project

1. 巴准綫 Bazhun Railway
2. 府准綫 Fuzhun Railway
3. 榆襄綫 Yuxiang Railway



港口 Port

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



電廠 Power

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

註：於2009年6月30日之分佈圖，僅做示意。
Note: This map as at 30 June 2009 is for illustrative purpose only.



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Important Notice

The board of directors, 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 jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.

All directors of the Company have attended the meeting of the board of directors.

The interim financial report in this interim report is unaudited. KPMG has issued a review report on the interim financial report of the Company in accordance with the Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity”. All financial data disclosed in this interim report is based on financial information prepared in accordance with International Financial Reporting Standards, unless otherwise specified.

There is no appropriation of the Company’s funds for non-operational use by any controlling shareholders or its subsidiaries.

There is no violation of decision-making procedures by the Company in providing external guarantees.

Dr. Zhang Xiwu, Chairman of the Company, Ms. Zhang Kehui, Chief Financial Officer, and Mr. Hao Jianxin, General Manager of the Financial Department of the Company, warrant the authenticity and completeness of the interim financial report contained in this interim report.

There are certain forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policy and economy, which are subject to risks, uncertainties and assumptions. Actual outcome may differ materially from the above-mentioned forward-looking statements. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.

Company Profile

- Statutory Chinese Name: 中國神華能源股份有限公司
Abbreviation: 中國神華
English Name: China Shenhua Energy Company Limited
Abbreviation: China Shenhua / CSEC
- Legal Representative: Zhang Xiwu
- The Secretary to the Board of Directors: Huang Qing
Tel: (8610) 5813 3399
Fax: (8610) 8488 2107
E-mail: 1088@csec.com
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Representative of Securities Affairs: Chen Guangshui
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Fax: (8610) 8488 2107
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Office Address: 12th Floor, Zhouji Tower, 16 Ande Road, Dongcheng District, Beijing
Postal Code: 100011
Internet Website: <http://www.csec.com> or <http://www.shenhuachina.com>
E-mail: 1088@csec.com
- Newspapers for Information Disclosure: China Securities Journal, Shanghai Securities News and Securities Times (all for A shares)
Internet website designated by China Securities Regulatory Commission for publishing A shares half-year report: <http://www.sse.com.cn>
Internet website designated by Hong Kong Stock Exchange for publishing H shares interim report: <http://www.hkex.com.hk>
The above reports are available at: 11th Floor, Zhouji Tower, 16 Ande Road, Dongcheng District, Beijing
- A shares Listed on: Shanghai Stock Exchange
Stock Short Name for A shares: 中國神華
Stock Code for A shares: 601088
Listing Date: 9 October 2007

H shares listed on: Hong Kong Stock Exchange
Stock Short Name for H shares: CHINA SHENHUA
Stock Code for H shares: 01088
Listing Date: 15 June 2005
- Date of first business registration: 8 November 2004
Location of first business registration: Beijing
Date of change in business registration: 17 June 2009
Location of change in business registration: Beijing
Registration Number of Corporate Business Licence: 100000000039286
Tax Registration Number: Jing Shui Zheng Zi No. 110101710933024
Organization Code: 71093302-4

Company Profile

8. PRC Auditor
KPMG Huazhen
Address: 8th Floor, Office Tower E2, Oriental Plaza,
1 East Chang An Avenue, Beijing

International Auditor
KPMG
Address: 8th Floor, Prince's Building,
10 Chater Road Central, Hong Kong
9. Joint Company Secretaries
Huang Qing, Ng Chai Ngee (Hong Kong practising
solicitor)
10. Authorised Representatives
Ling Wen, Huang Qing
11. Investor Contacts
Investor Relations Department, China Shenhua
Energy Company Limited
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Postal Code: 100011
Tel: (8610) 5813 3399 or (8610) 5813 3355
Fax: (8610) 8488 2107
E-mail: ir@csec.com or 1088@csec.com
12. PRC Legal Advisor
King & Wood
Address: 40th Floor, Office Tower A, Beijing
Fortune Plaza, 7 Dongsanhuan Zhonglu,
Chaoyang District, Beijing

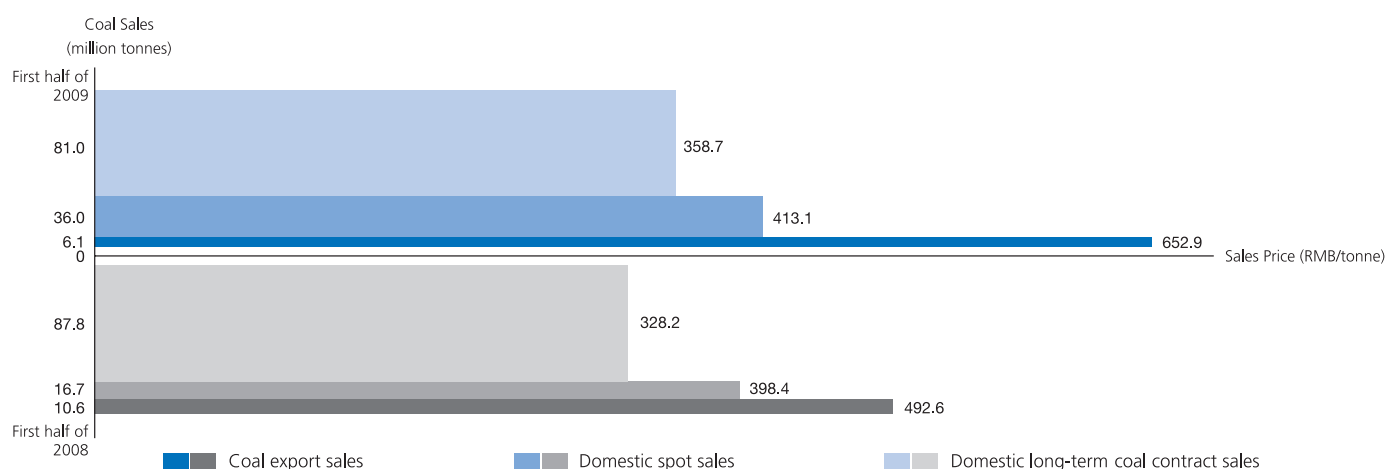
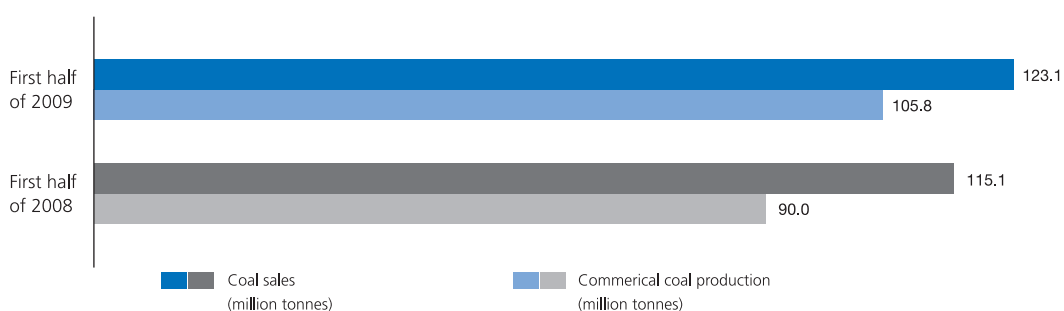
Hong Kong Legal Advisor
Herbert Smith
Address: 23rd Floor, Gloucester Tower, 15
Queen's Road, Central, Hong Kong
13. Hong Kong Representative Office
Address: Room B, 60th Floor, Bank of China
Tower, 1 Garden Road, Central, Hong
Kong
14. Domestic Share Registrar and Transfer Office
China Securities Depository and Clearing Corporation
Limited Shanghai Branch
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Lu Jia Zui Dong Lu, Pudong New Area,
Shanghai

Hong Kong Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
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Hong Kong
15. Principal Bankers
Industrial and Commercial Bank of China Limited
China Construction Bank Limited
Bank of China Limited
Bank of Communications Co., Ltd.

Results Highlights

Operational		For the six months ended		Percentage change %
		2009	30 June 2008	
Commercial coal production	(Million tonnes)	105.8	90.0	17.6
Coal sales	(Million tonnes)	123.1	115.1	7.0
Of which: Export	(Million tonnes)	6.1	10.6	(42.5)
Turnover of self-owned railway transportation	(Billion tonne km)	67.9	62.5	8.6
Seaborne coal	(Million tonnes)	79.0	68.4	15.5
Of which: Huanghua Port	(Million tonnes)	38.7	41.5	(6.7)
Shenhua Tianjin Coal Dock	(Million tonnes)	11.4	10.5	8.6
Gross power generation	(Billion kwh)	43.49	47.40	(8.2)
Total power output dispatch	(Billion kwh)	40.34	44.16	(8.7)

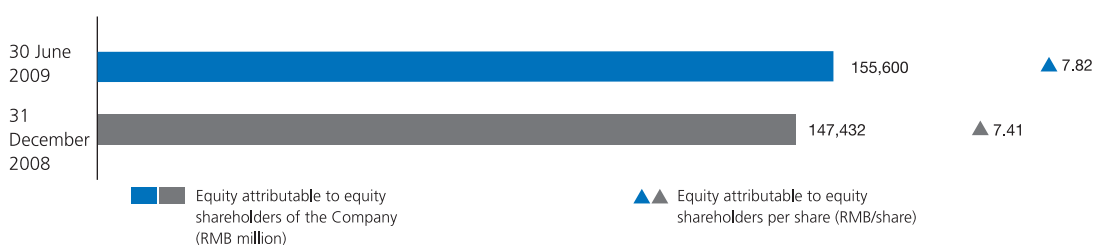
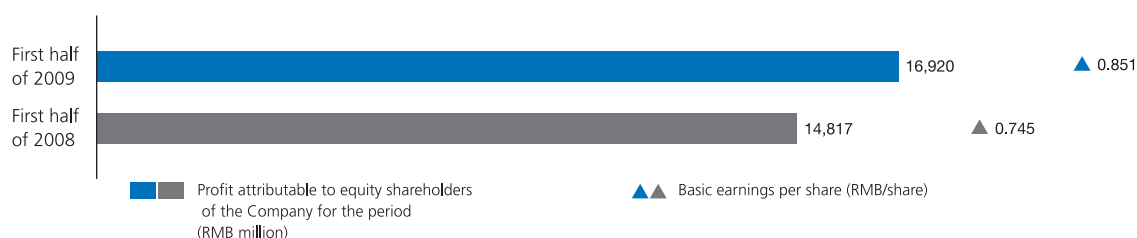
		As at 30 June 2009	As at 31 December 2008	Percentage change %
Recoverable coal reserve (under PRC standard)	(100 million tonnes)	113.73	114.57	(0.7)
Marketable coal reserve (under JORC standard)	(100 million tonnes)	70.38	71.39	(1.4)



Results Highlights

Financial		For the six months ended 30 June		Percentage change %
		2009	2008	
Revenues	(RMB million)	57,083	49,282	15.8
Profit for the period	(RMB million)	19,155	16,746	14.4
Profit attributable to equity shareholders of the Company for the period	(RMB million)	16,920	14,817	14.2
Basic earnings per share	(RMB)	0.851	0.745	14.2

		As at	As at	Percentage change %
		30 June 2009	31 December 2008	
Total assets	(RMB million)	288,295	275,540	4.6
Total liabilities	(RMB million)	107,417	103,797	3.5
Total equity	(RMB million)	180,878	171,743	5.3
Of which: Equity attributable to equity shareholders of the Company	(RMB million)	155,600	147,432	5.5
Equity attributable to equity shareholders per share	(RMB)	7.82	7.41	5.5



In this report:

- The “Group”, “Company”, “China Shenhua”, “we”, “us” or “our” each refers to China Shenhua Energy Company Limited, a joint stock limited company established in the PRC on 8 November 2004, and unless otherwise specified in the context, includes all of its subsidiaries;
- Coal production figures are quoted in tonnes of commercial coal, unless otherwise specified;
- All prices are quoted exclusive of value-added tax, unless otherwise specified;
- All financial indicators are denominated in RMB, unless otherwise specified;
- All relevant terms and definitions used in this report are contained in the definitions section of this report; and
- This report is prepared in Chinese and English respectively. In case of any discrepancies, the Chinese version shall prevail.

Chairman's Statement



Zhang Xiwu
Chairman

Dear Shareholders,

As a series of economic policies introduced by the State were implemented, the Chinese economy has shown positive changes since the second quarter of 2009. With the signs of rebounding industrial production, growth in investment, increase in consumption and recovery of exports, the economy of the PRC is gradually recovering to a better growth trend. The GDP growth in China has increased from 6.8% in the fourth quarter of last year and 6.1% in the first quarter of this year to 7.9% in the second quarter of this year. With the joint efforts of all staff of our Company, China Shenhua, being the world's largest integrated energy listed company in terms of coal production and coal sales, has overcome the impact of the international financial crisis, achieved major financial and operating targets as scheduled and realized higher growth in profitability in times of adversity. On behalf of the board of directors of our Company, I am delighted to present the interim report for the first half of 2009 and report to the shareholders on the Company's performance for the period.

Achieving remarkable results in times of adversity

In the first half of 2009, China Shenhua achieved rapid growth in its operating results with major indicators as follows:

- ◆ Revenues were RMB57.083 billion, representing a year-on-year increase of RMB7.801 billion or 15.8%.
- ◆ Profit attributable to equity shareholders of the Company for the period was RMB16.920 billion, representing a year-on-year increase of RMB2.103 billion or 14.2%.
- ◆ Net cash generated from operating activities was RMB27.637 billion, representing a year-on-year increase of RMB7.074 billion or 34.4%.

Chairman's Statement

- ◆ Earnings per share was RMB0.851, representing a year-on-year increase of RMB0.106 or 14.2%.

In the first half of 2009, the coal segment produced 105.8 million tonnes of commercial coal and realized coal sales of 123.1 million tonnes, representing a year-on-year increase of 15.8 million tonnes and 8.0 million tonnes or 17.6% and 7.0% respectively. The proportion of self-produced coal in total sales volume for the first half of 2009 further increased to 84.7%, representing a year-on-year increase of 7.3 percentage points. The Company's backbone mines have strengthened their efforts in production technology, successive mining and extraction, the commissioning of new mines and mining faces, equipment maintenance and upgrade of production techniques, which further increased the coal production volume; and the production capacity of the Bu'ertai mine and Haerwusu mine was released substantially. Meanwhile, the coal segment achieved progress in new project construction according to schedule, in particular focusing on the preliminary preparation for the exploration of coal resources in Yulin project of Shaanxi Province, and Xinjie project of Inner Mongolia Autonomous Region, as well as on the exploration and environment assessment of the Watermark project in Australia.

For the first half of 2009, the fatality rate per million tonne of raw coal production of the Company was 0.017, thereby maintaining the leading level of safety production in the coal industry in the PRC. The Company has maintained its leading position in coal reserve among its peers of the world. As at 30 June 2009, by reference to the PRC mining standard, China Shenhua had a recoverable coal reserve of 11,373 million tonnes; by reference to the international prevailing JORC standard, China Shenhua had a marketable coal reserve of 7,038 million tonnes.

In face of significant fluctuations in the demand from downstream industries, the Company endeavoured to develop coal sales market, reinforced strategic cooperation with major customers and stepped up efforts in developing metallurgy, chemical and construction material customers as well as independent power generation enterprises. Meanwhile, coal prices, coal sources, coal quality and logistics were optimized and sales were pursued in a flexible and prudent manner. As at the end of the first quarter in 2009, the Company had achieved the target of entering into domestic long-term sales contracts for the whole year. The results of major coal sales of the Company for the first half of 2009 are as follows:

- ◆ The average coal sales price reached RMB389.2 per tonne, representing a year-on-year increase of 10.1%.
- ◆ Domestic long-term seaborne coal contract price reached RMB442.0 per tonne, representing a year-on-year increase of 7.8%.
- ◆ Domestic seaborne coal sales volume was 72.9 million tonnes, representing a year-on-year increase of 25.9% and accounting for 59.2% of the total sales volume of the Company and approximately 33% of the coastal seaborne coal market share in the PRC.
- ◆ Coal sales volume to the top five external customers of the Company was 15.3 million tonnes, representing a year-on-year increase of 25.4% and accounting for 12.4% of the total sales volume of the Company.

Chairman's Statement

The transportation segment endeavoured to improve the management level of existing railway and port facilities, enhance dispatching coordination and continue to strengthen transportation capacity and efficiency. The total turnover of railway transportation for the first half of this year reached 86.8 billion tonne km, representing a year-on-year increase of 17.0%. The sales volume of seaborne coal reached 79.0 million tonnes, representing a year-on-year increase of 15.5%. While engaged in coal transportation, the transportation segment was active in developing new businesses. During the reporting period, empty returning trains were utilized to transport ores of approximately 450,000 tonnes for third parties, creating a new point of profit growth for the Group. Meanwhile, the transportation segment and the railway authority established a coordination mechanism of regular meetings on a monthly basis to enhance the systematic deployment of railway transportation capacity as well as to improve efficiency and to save costs. In addition, the Huanghua Port capacity expansion and improvement project was approved and a new dedicated coal berth with 50,000-tonne capacity will be built.

Given a decline in domestic power demand, the power segment strengthened efforts in power marketing in the first half of 2009. Gross power generation for the first half year reached 43.49 billion kwh, representing a year-on-year decrease of 8.2%. The total power output dispatch reached 40.34 billion kwh, representing a year-on-year decrease of 8.7%, which had largely achieved the half-yearly operation target. Since the second quarter of this year, the running load of coal-fired generators of the power segment turned stable and increased gradually, reversing the unfavourable situation of declining rate of power generation load since the fourth quarter of last year. Meanwhile, the Company actively took measures to develop clean energy, such as wind power. The Company's wind power business generated 20 million kwh in the first half of 2009 and realized profit for the first time.

While performing well in business operations, the Company started the campaign of "increasing production and saving costs, increasing income and cutting expenses" to strengthen internal management by enhancing cost controls over major expenditures such as equipment procurement, investment management, capital management and the management of various expenses in order to cut expenditure and enhance the profitability of the Company.

Chairman's Statement

Pursue scientific development, rebuild Shenhua and double aggregate economic output within five years

In order to cope with the difficulties caused by the international financial crisis and achieve sustainable development of the Company, after serious considerations, the Company put forward the new target and new strategy of "pursuing scientific development, rebuilding Shenhua and doubling aggregate economic output within five years". Through the clear statement of this rational and practicable development strategy, the Company will be facilitated to turn challenges into opportunities, further reinforce its management, adjust product mix and expand its business scope and strength. To achieve this goal, we uphold four concepts, namely "confidence, strategy, innovation and responsibility":

- ◆ We have confidence in achieving this goal. Our confidence comes from the successful integrated business model established by the Company for years, the sufficient funds and rich resource reserves, advanced production technologies and processes and management level, the tradition of diligence, the spirit of striving for excellence and effective marketing strategies.
- ◆ To achieve this goal, we have put forward the detailed items and schedule of a five-year development plan; we have identified a long-term vision in the future for the Company: to build China Shenhua into a large-scale integrated energy company with clean energy and low carbon economy as its operating philosophy, with coal and power as its foundation, and with railways and ports as its support.
- ◆ To achieve this goal, we will also reform and innovate continuously. We will strengthen innovative management in various aspects of corporate governance structure, modes of management and control, safe and effective integrated operation standard, information service, resources consolidation, brand operation and the establishment of an effective incentive and restraint mechanism so as to realize the inter-segmental synergies, comprehensive cooperation, resources sharing and low operating costs among businesses of the Company.
- ◆ To achieve this goal, we also need to enhance our sense of mission and responsibility continuously, actively cooperate with local authorities to achieve win-win results and be enthusiastic in public welfare work so as to gradually develop a model for making contribution to society with China Shenhua characteristics. Meanwhile, we will step up efforts in propelling the construction of the "Felicity Project" for our employees to enhance their sense of belonging.

Chairman's Statement

Keep striving to achieve the full year target

Looking ahead to the second half of the year, the central government decides to continuously implement the macroeconomic policy of "maintaining growth, adjusting structures, facilitating reforms and benefiting people's livelihood", so as to facilitate steady and relatively rapid development of the economy. It is anticipated that the domestic coal demand and supply will be largely in balance during the second half of the year. Meanwhile, power demand may gradually increase with the growth of the macroeconomy. It is expected the Company's major operating indicators for the second half of the year will continue to maintain the growth trend in the first half of the year. It is expected that the Company may outperform the core operating target fixed at the beginning of the year. Thus, the board of directors and the senior management of the Company will endeavour to achieve the following tasks in the second half of 2009:

- ◆ Continue to increase the production volume of self-produced coal, endeavour to make progress in the planning, design and construction of the energy base in North Shaanxi Province and the Xinjie mine area in Inner Mongolia;
- ◆ Reinforce efforts in market development, establish a solid foundation for building a large sales system, stabilize and increase the contract fulfillment rate with major customers continuously, adjust product mix and sales structure, and increase the proportion of sales to key customers;
- ◆ Enhance the transportation capacity of railways, commission the operation of trains with loading capacity of 10,000 tonnes, improve seaborne capacity at ports, and further enhance transportation capacity of our transportation system;
- ◆ Strive to improve the operating efficiency of power plants, seize market share, increase power generation and power output dispatch, and proceed with the commissioning of new generators;
- ◆ Strengthen technological advancement and innovation of the Company, facilitate the progress of information service, energy saving and discharge reduction;
- ◆ Proceed with the Company's "double increase and double saving" campaign to enhance the management on controllable costs.

Looking into the future, the board of China Shenhua and I will lead all our staff to achieve the full year operation target, implement our development strategy and create new value for the shareholders in a confident, well-prepared and firm manner.

Zhang Xiwu

Chairman

Beijing, PRC

28 August 2009

Directors' Report

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Highlights of the Company's Operating Results for the First Half of 2009

Business Data Master Table				
		The first half of 2009	The first half of 2008	Percentage change %
Commercial coal production (million tonnes)		105.8	90.0	17.6
Coal sales (million tonnes)		123.1	115.1	7.0
Of which: Export (million tonnes)		6.1	10.6	(42.5)
Turnover of self-owned railway transportation (billion tonne km)		67.9	62.5	8.6
Seaborne coal (million tonnes)		79.0	68.4	15.5
Of which: Huanghua Port (million tonnes)		38.7	41.5	(6.7)
Shenhua Tianjin Coal Dock (million tonnes)		11.4	10.5	8.6
Gross power generation (billion kwh)		43.49	47.40	(8.2)
Total power output dispatch (billion kwh)		40.34	44.16	(8.7)

Coal Reserve Table				
		As at 30 June 2009	As at 31 December 2008	Percentage change %
Recoverable coal reserve				
(under PRC Standard)	(100 million tonnes)	113.73	114.57	(0.7)
Of which: Shendong Mines	(100 million tonnes)	70.29	70.75	(0.7)
Zhunge'er Mines	(100 million tonnes)	26.33	26.51	(0.7)
Wanli Mines	(100 million tonnes)	5.53	5.68	(2.6)
Shengli Mines	(100 million tonnes)	11.58	11.63	(0.4)
Marketable coal reserve				
(under JORC Standard)	(100 million tonnes)	70.38	71.39	(1.4)
Of which: Shendong Mines	(100 million tonnes)	39.59	40.22	(1.6)
Zhunge'er Mines	(100 million tonnes)	19.30	19.49	(1.0)
Wanli Mines	(100 million tonnes)	3.02	3.16	(4.4)
Shengli Mines	(100 million tonnes)	8.47	8.52	(0.6)
Coal resource				
		178.78	179.96	(0.7)
Of which: Shendong Mines	(100 million tonnes)	119.67	120.41	(0.6)
Zhunge'er Mines	(100 million tonnes)	28.11	28.29	(0.6)
Wanli Mines	(100 million tonnes)	9.90	10.10	(2.0)
Shengli Mines	(100 million tonnes)	21.10	21.16	(0.3)

Coal Sales Analysis Table				
	The first half of 2009 million tonnes	Proportion of domestic sales %	The first half of 2008 million tonnes	Percentage change %
Domestic sales	117.0	100.0	104.5	12.0
By contract type				
Long-term contract	81.0	69.2	87.8	(7.7)
Spot market sales	36.0	30.8	16.7	115.6
By transportation mode				
Minemouth	10.1	8.6	10.5	(3.8)
Direct arrival (along railway line)	34.0	29.1	36.1	(5.8)
Seaborne (port FOB)	72.9	62.3	57.9	25.9
By customers				
External customers	99.6	85.1	84.8	17.5
The Group's power segment	17.4	14.9	19.7	(11.7)
By region				
Northern China	49.2	42.0	43.4	13.4
Eastern China	45.5	38.9	41.7	9.1
Southern China	19.7	16.8	15.5	27.1
Northeast China	1.0	0.9	3.6	(72.2)
Others	1.6	1.4	0.3	433.3
By usage				
Thermal coal	87.3	74.6	85.7	1.9
Metallurgy	3.4	2.9	2.8	21.4
Chemical (coal slurry)	3.7	3.2	2.4	54.2
Others	22.6	19.3	13.6	66.2
	The first half of 2009 million tonnes	Proportion of export sales %	The first half of 2008 million tonnes	Percentage change %
Export sale	6.1	100.0	10.6	(42.5)
Total export	6.1	100.0	10.6	(42.5)
South Korea	2.1	34.4	4.2	(50.0)
China Taiwan	1.8	29.5	2.6	(30.8)
Japan	1.8	29.5	2.7	(33.3)
Others	0.4	6.6	1.1	(63.6)
Total sales	123.1		115.1	7.0

Breakdown of Coal Production			
	The first half of 2009 million tonnes	The first half of 2008 million tonnes	Percentage change %
Shendong Mines	63.2	58.1	8.8
Bulianta	11.3	10.4	8.7
Daliuta-Huojitu	9.9	9.2	7.6
Yujialiang	8.4	8.3	1.2
Shangwan	6.7	6.4	4.7
Halagou	6.4	5.8	10.3
Baode (Kangjatan)	5.9	6.0	(1.7)
Shigetai	4.8	4.7	2.1
Wulanmulun	3.1	2.5	24.0
Jinjie	5.8	3.5	65.7
Others	0.9	1.3	(30.8)
Zhunge'er Mines	18.8	12.4	51.6
Heidaigou	11.8	12.2	(3.3)
Ha'erwusu	7.0	0.2	3400.0
Wanli Mines	18.5	14.4	28.5
Bu'ertai	4.5	1.7	164.7
Wanli No.1 mine	5.1	4.5	13.3
Liuta mine	2.7	2.6	3.8
Cuncaota No.1 mine	1.5	1.1	36.4
Cuncaota No.2 mine	1.9	2.2	(13.6)
Tanggonggou mine	2.6	1.9	36.8
Others	0.2	0.4	(50.0)
Shengli Mines	5.3	5.1	3.9
Total	105.8	90.0	17.6

Breakdown of Power Business			
	The first half of 2009	The first half of 2008	Percentage change %
Total coal-fired installed capacity at the end of the period (MW)	18,634	17,591	5.9
Average coal-fired installed capacity for the period (MW)	358	352	1.7
Equity installed capacity (MW)	10,924	10,569	3.4
Average utilization hours of coal-fired units (hours)	2,358	2,795	(15.6)
Equivalent usable index ^{Note 1} (%)	87.6	89.4	decreased by 1.8 percentage points
Standard coal consumption rate per unit of power generation (g/kwh)	310	309	0.3
Standard coal consumption rate per unit of power output dispatch (g/kwh)	334	332	0.6
Thermal coal consumption (million tonnes)	19.2	20.9	(8.1)
Shenhua coal ratio (%)	94.3	94.7	decreased by 0.4 percentage point

Breakdown of Railway Business			
	The first half of 2009 billion tonne km	The first half of 2008 billion tonne km	Percentage change %
Turnover indicators			
Self-owned railways	67.9	62.5	8.6
Shenshuo Railway	17.7	15.7	12.7
Shuohuang-Huangwan Railway	39.8	38.3	3.9
Dazhun Railway	7.3	5.5	32.7
Baoshen Railway	3.1	3.0	3.3
State-owned railways	18.9	11.7	61.5
Total turnover	86.8	74.2	17.0

Breakdown of Port Business			
	The first half of 2009 million tonnes	The first half of 2008 million tonnes	Percentage change %
Self-owned ports			
Huanghua Port	38.7	41.5	(6.7)
Shenhua Tianjin Coal Dock	11.4	10.5	8.6
Third-party ports			
Qinhuangdao Port	19.8	8.7	127.6
Tianjin Port	7.7	7.3	5.5
Others	1.4	0.4	250.0
Total	79.0	68.4	15.5

Note 1: Equivalent usable index is the data obtained from Guohua Power Branch in the power segment and does not include other power plants.

Highlights of the Company's Financial Results for the First Half of 2009

Consolidated statement of comprehensive income			
	The first half of 2009	The first half of 2008	Percentage change
	RMB million	RMB million	%
Revenues	57,083	49,282	15.8
Less: Cost of revenues	28,619	24,842	15.2
Selling, general and administrative expenses	3,419	2,501	36.7
Other operating expenses, net	313	331	(5.4)
Profit from operations	24,732	21,608	14.5
Less: Net finance costs	923	1,471	(37.3)
Plus: Investment income	-	2	(100.0)
Share of profits less losses of associates	375	316	18.7
Profit before income tax	24,184	20,455	18.2
Less: Income tax	5,029	3,709	35.6
Profit for the period	19,155	16,746	14.4
Equity shareholders of the Company	16,920	14,817	14.2
Minority interests	2,235	1,929	15.9
Other comprehensive income	347	126	175.4
Total comprehensive income for the period	19,502	16,872	15.6
Equity shareholders of the Company	17,265	14,889	16.0
Minority interests	2,237	1,983	12.8
Basic earnings per share (RMB/share)	0.851	0.745	14.2

Breakdown of revenues			
	The first half of 2009	The first half of 2008	Percentage change
	RMB million	RMB million	%
Revenues	57,083	49,282	15.8
Coal revenue	42,175	34,112	23.6
Power revenue	13,526	13,587	(0.4)
Transportation revenue	932	912	2.2
Sub-total	56,633	48,611	16.5
Other revenues	450	671	(32.9)
Total operating revenues	57,083	49,282	15.8

Breakdown of cost of revenues			
	The first half of 2009	The first half of 2008	Percentage change
	RMB million	RMB million	%
Coal purchased from third parties	6,060	6,885	(12.0)
Materials, fuel and power	3,863	3,257	18.6
Personnel expenses	2,613	2,213	18.1
Depreciation and amortisation	4,971	4,455	11.6
Repairs and maintenance	2,179	1,651	32.0
Transportation charges ^{Note 1}	4,387	3,203	37.0
Others	4,546	3,178	43.0
Total cost of revenues	28,619	24,842	15.2

Statement of cash flows from operating activities			
	The first half of 2009	The first half of 2008	Percentage change
	RMB million	RMB million	%
Profit before income tax	24,184	20,455	18.2
Adjustments for:			
Depreciation and amortisation	5,457	4,699	16.1
Impairment losses on property, plant and equipment	238	150	58.7
Net loss on disposal of property, plant and equipment	134	57	135.1
Investment income	-	(2)	(100.0)
Interest income	(602)	(349)	72.5
Share of profits less losses of associates	(375)	(316)	18.7
Net interest expense	1,620	1,802	(10.1)
Loss/(gain) on remeasurement of derivative financial instruments to fair value	230	(50)	(560.0)
Unrealised foreign exchange (gain)/loss	(359)	14	(2,664.3)
Decrease/(increase) in accounts and bills receivable	1,572	(284)	(653.5)
Increase in inventories	(963)	(1,055)	(8.7)
(Increase)/decrease in prepaid expenses and other assets	(450)	528	(185.2)
Increase in accounts and bills payable	698	81	761.7
Increase/(decrease) in accrued expenses and other payables, long-term payables and accrued reclamation obligations	1,944	(172)	(1,230.2)
Interest received	602	349	72.5
Interest paid	(2,142)	(2,110)	1.5
Income tax paid	(4,151)	(3,234)	28.4
Net cash generated from operating activities	27,637	20,563	34.4

Note 1: Transportation charges refer to the charges paid to third parties under all business segments.

Breakdown of Sales Price of Coal					
	The first half of 2009		The first half of 2008		Percentage change in sales price
	Sales volume million tonnes	Sales price RMB/tonne	Sales volume million tonnes	Sales price RMB/tonne	
Domestic sales	117.0	375.4	104.5	339.4	10.6
Long-term contract sales	81.0	358.7	87.8	328.2	9.3
Minemouth	6.6	99.1	8.0	98.2	0.9
Direct arrival (along railway line)	25.0	263.0	29.5	251.3	4.7
Seaborne (FOB)	49.4	442.0	50.3	410.2	7.8
Spot market sales	36.0	413.1	16.7	398.4	3.7
Minemouth	3.5	162.1	2.5	168.5	(3.8)
Direct arrival (along railway line)	9.0	380.6	6.6	347.3	9.6
Seaborne (FOB)	23.5	462.9	7.6	518.7	(10.8)
Export sales	6.1	652.9	10.6	492.6	32.5
Total	123.1	389.2	115.1	353.5	10.1
Of which: Coal sales to internal power segment	17.4	330.0	19.7	333.8	(1.1)
Coal sales to external customers	105.7	398.9	95.4	357.6	11.5

Breakdown of cost of revenues							
	The first half of 2009			The first half of 2008			Percentage change in unit cost
	Cost RMB million	Quantity million tonnes	Unit cost RMB/tonne	Cost RMB million	Quantity million tonnes	Unit cost RMB/tonne	
Coal business							
Coal purchased from third parties	6,060	18.8	322.3	6,885	26.0	264.8	21.7
Production cost of self-produced coal	9,034	104.3	86.6	6,612	89.1	74.2	16.7
Materials, fuel and power	1,769	104.3	17.0	1,320	89.1	14.8	14.9
Personnel expenses	1,169	104.3	11.2	939	89.1	10.5	6.7
Repairs and maintenance	677	104.3	6.5	602	89.1	6.8	(4.4)
Depreciation and amortisation	1,813	104.3	17.3	1,424	89.1	16.0	8.1
Others	3,606	104.3	34.6	2,327	89.1	26.1	32.6
Transportation cost ^{Note 2}	8,234	123.1	66.9	6,313	115.1	54.8	22.1
Power business							
Cost of power sales	10,260	40.34	254.3	10,417	44.16	235.9	7.8
Materials, fuel and power	6,910	40.34	171.3	7,097	44.16	160.7	6.6
Personnel expenses	581	40.34	14.4	553	44.16	12.5	15.2
Repairs and maintenance	507	40.34	12.6	509	44.16	11.5	9.6
Depreciation and amortisation	1,953	40.34	48.4	1,866	44.16	42.3	14.4
Others	309	40.34	7.6	392	44.16	8.9	(14.6)

Note 2: In the above table, transportation cost refers to the transportation cost through third party railways and ports incurred by the Company and the costs incurred by the railway and port segments in the coal business of the Company, including relevant materials, fuel and power, personnel expenses, share of depreciation and amortisation and others. This transportation cost does not include the cost incurred in the provision of services for generating revenues in railway and port segments from external parties.

Directors' Report

A. Management discussion and analysis

(I) Overview

In the first half of 2009, the Company established the development strategy to “pursue scientific development, rebuild Shenhua and double aggregate economic output within five years”. Reacting positively to the negative impact caused by the global financial crisis, all staff of the Company launched the campaign of “double increases and double savings”, made solid progress in the construction of the “Five Types of Enterprises” and promoted the overall co-ordinated development of the coal, power, railway and port segments and hence achieved the expected goal in respect of key production and operational indicators.

Profitability of the Company was further enhanced and corporate value was further improved. Pursuant to the International Financial Reporting Standards, revenues of the Group for the first half of 2009 were RMB57.083 billion (First half of 2008: RMB49.282 billion), representing a year-

on-year increase of 15.8%; profit attributable to equity shareholders of the Company for the period was RMB16.920 billion (First half of 2008: RMB14.817 billion), representing a year-on-year increase of 14.2%. Basic earnings per share of the Group was RMB0.851 (First half of 2008: RMB0.745), representing a year-on-year increase of 14.2%. As at 30 June 2009, equity attributable to equity shareholders per share was RMB7.82 (31 December 2008: RMB7.41), representing an increase of 5.5%. The Group's return on total assets¹ for the first half of 2009 was 6.6%. Return on net assets² as at the end of the period was 10.9% (30 June 2008: 10.9%); EBITDA³ was RMB30.189 billion (First half of 2008: RMB26.307 billion), representing a year-on-year increase of 14.8%. As at 30 June 2009, the Group's total debt to equity ratio⁴ was 28.2%, representing a decrease of 2.0 percentage points as compared to 30.2% as at 31 December 2008.

- 1 Return on total assets is calculated on the basis of profit for the period and the total assets as at the end of the period.
- 2 Return on net assets as at the end of the period is calculated on the basis of equity attributable to equity shareholders of the Company at the end of the period and the profit attributable to equity shareholders of the Company for the period.
- 3 EBITDA is a method for the management to assess the performance of the Company. Its definition is profit for the period plus net finance costs, income tax and depreciation and amortization, and net of investment income and share of profits less losses from associates. The EBITDA presented herein by the Company is providing additional information to investors with regard to business performance and because the management of the Company considers EBITDA is popularly used by securities analysts, investors and other parties concerned as a criterion for the evaluation of the performance of mining companies, which is

believed to be helpful to investors. You should not take it as an alternative indicator for profit of the relevant accounting period to evaluate results performance, nor should it be taken as an alternative indicator for cash flows generated from operating activities to evaluate liquidity. The calculation of EBITDA by the Company may be different from those used by other companies; therefore comparability may be limited. In addition, EBITDA is not intended to be the basis for free cash flows that may be used at the discretion of the management, because it does not reflect cash requirements for such items as interest expenses, tax payment and repayment of debts, etc.

- 4 Total debt to equity ratio = $\frac{\text{long-term interest bearing debts} + \text{short-term interest bearing debts (including bills payable)}}{\text{long-term interest bearing debts} + \text{short-term interest bearing debts (including bills payable)} + \text{total equity}}$

Directors' Report

(II) Management review on operating results by business segment

1. Coal Segment

(1) Coal Sales

In the first half of 2009, the Company's sales team endeavored to overcome the negative impact caused by the financial crisis and strengthened its marketing efforts. Benefiting from the good reputation of Shenhua brand and stable product quality of Shenhua coal, the sales team focused on its expansion into the markets of metallurgy, chemicals, construction materials and independent power generation enterprises, and completed the goal of entering into domestic long-term sales contracts for the full year. In addition, the Company continued to strengthen its cooperation with large customers and entered into strategic cooperation agreements with key customers, thereby improving the bargaining power and the influence of Shenhua brand in the market. For the first half of 2009, the coal sales of the Company was 123.1 million tonnes (First half of 2008: 115.1 million tonnes), representing a year-on-year increase of 7.0%. Weighted average coal sales price was RMB389.2/tonne (First half of 2008: RMB353.5/tonne), representing a year-on-year increase of 10.1%.

a Domestic Sales

Domestic coal sales volume of the Company was 117.0 million tonnes for the first half of 2009 (First half of 2008: 104.5 million tonnes), representing a year-on-year increase of 12.0%. The percentage of domestic sales over total sales volume increased from 90.8% to 95.0%. Average price for domestic sales increased by 10.6% from RMB339.4/tonne to RMB375.4/tonne.

Domestic sales volume under long-term contracts was 81.0 million tonnes (First half of 2008: 87.8 million tonnes), representing a year-on-year decrease of 7.7%. During the same period, the percentage of domestic sales volume under long-term contracts to the total domestic sales volume decreased from 84.0% to 69.2%, and the sales price increased by 9.3% from RMB328.2/tonne to RMB358.7/tonne.

Domestic spot sales volume was 36.0 million tonnes (First half of 2008: 16.7 million tonnes), representing a year-on-year increase of 115.6%. During the same period, the percentage of domestic spot sales volume to the total domestic sales volume increased from 16.0% to 30.8%, and the sales price increased by 3.7% from RMB398.4/tonne to RMB413.1/tonne. The increase in spot sales volume was mainly due to more spot coal purchases from certain domestic power plants during the first quarter of the year.

The domestic sales volume of seaborne coal was 72.9 million tonnes (First half of 2008: 57.9 million tonnes), representing a year-on-year increase of 25.9%. During the same period, the percentage of the domestic sales volume of seaborne coal to the total domestic sales volume increased from 55.4% to 62.3%, while the sales price increased by 5.7% from RMB424.4/tonne to RMB448.8/tonne.

For the first half of 2009, the national coal transshipment volume for domestic trading through PRC ports reached 215 million tonnes, from which it was estimated that the market share of China Shenhua in the coastal seaborne coal market of the PRC was approximately 33%.

Directors' Report

A breakdown of the Company's average domestic sales price for the first half of 2009 is as follows:

	The first half of 2009 RMB/tonne	The first half of 2008 RMB/tonne	Year-on- year change for first half %
Average domestic sales price	375.4	339.4	10.6
(By sales type)			
Domestic long-term contract sales	358.7	328.2	9.3
Domestic spot sales	413.1	398.4	3.7
(By sales location)			
Minemouth	120.9	114.8	5.3
Direct arrival	294.1	268.9	9.4
Seaborne	448.8	424.4	5.7
(By customers)			
External customers (domestic sales)	383.4	340.7	12.5
Power segment	330.0	333.8	(1.1)

For the first half of 2009, the sales volume of the Company to the top five domestic coal customers was 15.3 million tonnes, which accounted for 13.1% of the total domestic sales volume. Of which, the sales volume to the largest customer was 5.6 million tonnes, which accounted for 4.8% of the total domestic sales volume. The top five domestic coal customers were either power generation companies or fuel companies.

For the first half of 2009, the volume of domestic coal sales to external customers by the Company was 99.6 million tonnes (First half of 2008: 84.8 million tonnes), representing a year-on-year increase of 17.5%. The sales of coal to internal power segment of the Company is a part of the Group's unique and integrated operation model.

For the first half of 2009, coal sales to the Group's power segment decreased by 11.7% to 17.4 million tonnes (First half of 2008: 19.7 million tonnes). Coal sales to internal power segment of the Company were mainly under long-term contract sales. The Company implemented in principle the same pricing model for customers of the same sales type and at the same delivery location. Thus, the internal power segment would not obtain a more favorable price in comparison with external customers of the same type and at the same delivery location. The reason why the sales price to external customers may be higher than the sales price to our power segment was mainly due to the fact that the delivery location and sales type for external customers were mostly seaborne coal sales and spot sales.

Directors' Report

b Export Sales

As a result of downturn of economy in the regions or countries where our key export customers were located, the coal export volume of the Company was 6.1 million tonnes for the first half of 2009 (First half of 2008: 10.6 million tonnes), decreased by 42.5% year-on-year. During the same period, the ratio of export sales to total coal sales decreased from 9.2% to 5.0%. In the first half of 2009, the coal export sales price was RMB652.9/tonne (First half of 2008: RMB492.6/tonne), increasing by 32.5% year-on-year. Major factors affecting the export coal price included: (1) positive factor: benefiting from the performance of some export contracts entered into in 2008 with high prices, the effective settlement price for exports in the first quarter of 2009 was RMB694.2/tonne; (2) negative factor:

the effective settlement price for exports in the second quarter of 2009 decreased to RMB580.4/tonne.

In the first half of 2009, the sales volume of the Company to the top five coal export customers was 4.0 million tonnes, which accounted for 65.6% of the total export volume. Of which, the sales volume to the largest customer was 1.0 million tonnes, which accounted for 16.4% of total export sales volume. The top five coal export customers were power generation companies, chemical companies and metallurgical companies.

Directors' Report

(2) Operating Results of the Coal Segment

Operating results of the coal segment of the Company before elimination on consolidation for the first half of 2009 were as follows:

Coal segment	Revenues RMB million	Cost of revenues RMB million	Profit from operations RMB million	Profit from operations/ average total assets during the reporting period %
First half of 2009	48,268	(28,621)	17,180	16.1
	Increase/decrease in revenues over the same period of last year %	Increase/decrease in cost of revenues over the same period of last year %	Margin of profit from operations %	Increase/decrease in margin of profit from operations over the same period of last year
	17.6	13.9	35.6	Increased by 0.7 percentage point

a Revenues in coal segment

Benefiting from the growth in coal sales volume and prices, revenues in coal segment of the Group before elimination on consolidation for the first half of 2009 were RMB48.268 billion (First half of 2008: RMB41.058 billion), representing a year-on-year increase of 17.6%.

b Cost of revenues in coal segment

In the first half of 2009, cost of revenues in coal segment of the Group before elimination on consolidation was RMB28.621 billion (First half of 2008: RMB25.123 billion), representing a year-on-year increase of 13.9%. Cost of revenues mainly comprises the cost of coal purchased from third parties, cost of coal production and cost of coal transportation.

For the first half of 2009, cost of coal purchased from third parties was RMB6.060 billion (First half of 2008: RMB6.885 billion), representing a year-on-year decrease of 12.0%. In the first half of 2009, the volume of coal purchased from third parties amounted to 18.8 million tonnes (First half of 2008: 26.0 million tonnes), decreasing by 27.7% year-on-year. Cost of sales per tonne of coal purchased from third parties was RMB322.3/tonne (First half of 2008: RMB264.8/tonne), increasing by 21.7% year-on-year but decreasing by 4.4% as compared with the unit cost per tonne of coal purchased from third parties of RMB337.2/tonne for the whole year of 2008. In face of the international financial crisis, the Company adjusted its sales strategy in the first half of 2009 aiming to ensure the smooth sales of its self-produced coal and then conduct sales by purchasing coal from third parties, thereby improving the Company's market share and gross profit margin.

Directors' Report

	For the six months ended 30 June						
	2009			2008			
	Cost RMB million	Volume million tonnes	Unit cost RMB/ tonne	Cost RMB million	Volume million tonnes	Unit cost RMB/ tonne	Percentage change in unit cost %
Coal purchased from third parties	6,060	18.8	322.3	6,885	26.0	264.8	21.7
Production cost of self-produced coal	9,034	104.3	86.6	6,612	89.1	74.2	16.7
Materials, fuel and power	1,769	104.3	17.0	1,320	89.1	14.8	14.9
Personnel expenses	1,169	104.3	11.2	939	89.1	10.5	6.7
Repairs and maintenance	677	104.3	6.5	602	89.1	6.8	(4.4)
Depreciation and amortization	1,813	104.3	17.3	1,424	89.1	16.0	8.1
Others	3,606	104.3	34.6	2,327	89.1	26.1	32.6

For the first half of 2009, unit production cost of self-produced coal by the coal segment was RMB86.6/tonne (First half of 2008: RMB74.2/tonne), representing a year-on-year increase of 16.7%. The change was mainly due to the following reasons:

- (i) Materials, fuel and power was RMB17.0/tonne (First half of 2008: RMB14.8/tonne), representing a year-on-year increase of 14.9%. The increase was mainly due to the following factors:
- (a) the increase in the production volume from high-cost mines such as Haerwusu, Jinjie coal mine and Bu'ertai which resulted in higher unit cost;
- (b) the Company had more thin coal seams mining and top caving coal mining at Shendong Mines so as to improve the recovery rate, which led to an increase in consumables such as materials; and

- (c) the two increases in power tariffs by NDRC in July and August 2008 resulted in an increase in electricity cost.
- (ii) Personnel expenses were RMB11.2/tonne (First half of 2008: RMB10.5/tonne), representing a year-on-year increase of 6.7%. The increase was mainly due to an increase in the number of employees in the mining areas; and the increase in employees' wages due to the business growth of the Company.
- (iii) Repairs and maintenance were RMB6.5/tonne (First half of 2008: RMB6.8/tonne), representing a year-on-year decrease of 4.4%. The decrease was mainly due to the relatively lower repair and maintenance expenses in the first half of the year as most of the Company's equipment are scheduled for overhaul in the second half of the year.

Directors' Report

- (iv) Depreciation and amortization were RMB17.3/tonne (First half of 2008: RMB16.0/tonne), representing a year-on-year increase of 8.1%. The increase was mainly due to the increase in depreciation in the current period as a result of the additional equipment purchased in the second half of 2008 for newly operated coal mines.
- (v) Others amounted to RMB34.6/tonne (First half of 2008: RMB26.1/tonne), representing a year-on-year increase of RMB8.5/tonne or 32.6%. The increase was mainly due to the following factors:
 - (a) Mining engineering expenses were RMB7.9/tonne, representing a year-on-year increase of RMB3.6/tonne and accounting for 42.4% of the increase in others per unit. The increase was mainly due to the increase in mining engineering work as a result of the complicated geographical structures of some mines in the area of Wanli Mines, and the increase in stripping volume as a result of the rapid increase in the output of the Haerwusu mines.
 - (b) Resources compensation fees and environmental expenses were RMB3.3/tonne, representing a year-on-year increase of RMB1.4/tonne and accounting for 16.5% of the increase in others per unit.
 - (c) Coal selection expenses were RMB6.1/tonne, representing a year-on-year increase of RMB0.5/tonne and accounting for 5.9% of the increase in others per unit. The increase was mainly due to the increase in output of low calory coal and the increase in coal selection rate.

c Profit from operations in coal segment

For the first half of 2009, profit from operations of the Group's coal segment before elimination on consolidation was RMB17.180 billion (First half of 2008: RMB14.347 billion), representing a year-on-year increase of 19.7%. During the same period, margin of profit from operations of the coal segment increased from 34.9% to 35.6% on a year-on-year basis.

2. Railway Segment

(1) Business progress of the railway segment

By making full use of the integrated transportation system consisting of self-owned railways and ports, China Shenhua resolved the general problem of transportation bottleneck faced by other domestic coal producers and enjoyed a unique competitive advantage in the coal industry. By leveraging on the five self-owned railways, the Company may continuously transport coal to ports for sale to domestic and overseas markets and may also have sufficient capacity to adjust the sales volume of coal so as to seize more market share in the targeted coastal regions and provide customers with steady and sufficient supply of coal products.

The Company owns and operates five railways, including Shuohuang Railway, Shenshuo Railway, Dazhun Railway, Baoshen Railway and Huangwan Railway, with an aggregate length of approximately 1,367 km. Of which, Shenshuo-Shuohuang Railway is one of China's two major railways for the coal transportation from the western regions to the eastern regions. In the first half of 2009, the turnover of self-owned railway transportation of the Company was 67.9 billion tonne km (First half of 2008: 62.5 billion tonne km), representing a year-on-year increase of 8.6%. The turnover of self-owned railway transportation accounted for 78.2% of the total turnover, which was lower than 84.2% in the first half of 2008.

Directors' Report

In the first half of 2009, Shenshuo Railway improved its transportation capacity by means of deployment of locomotives. The successful commissioning of Jinjie coal mine outbound railway created favorable conditions for seaborne sales of Jinjie coal. Baoshen Railway actively resolved the difficulty involving C80 wagon usage and

loading, and thereby maximizing the utilization of Shenhua's coal loading base. Shuohuang Railway launched the two-way transportation business between Dongdagu of Tianjin and Shuohuang Railway, which further developed its transportation resources and increased its transportation revenue.

(2) Operating Results of the Railway Segment

a Revenues in railway segment

Operating results of the railway segment of the Company before elimination on consolidation for the first half of 2009 were as follows:

Railway segment	Revenues RMB million	Cost of revenues RMB million	Profit from operations RMB million	Profit from operations/ average total assets during the reporting period %
First half of 2009	9,630	(4,527)	4,850	12.2
	Increase/decrease in revenues over the same period of last year %	Increase/decrease in cost of revenues over the same period of last year %	Margin of profit from operations %	Increase/decrease in margin of profit from operations over the same period of last year
	9.8	24.7	50.4	Decreased by 5.1 percentage points

Directors' Report

For the first half of 2009, revenues of the Group's railway segment before elimination on consolidation were RMB9.630 billion (First half of 2008: RMB8.770 billion), representing a year-on-year increase of 9.8%. Revenues from internal transportation of coal in the railway segment were RMB8.717 billion (First half of 2008: RMB7.850 billion), representing a year-on-year increase of 11.0%, accounting for 90.5% of revenues in railway segment. Meanwhile, some railways of the Group utilized their surplus transportation capacity to provide transportation service to third parties so as to earn transportation revenue.

b Cost of revenues in railway segment

In the first half of 2009, cost of revenues of the Group's railway segment was RMB4.527 billion (First half of 2008: RMB3.630 billion), representing a year-on-year increase of 24.7%. The change was mainly attributable to the increases in unit transportation cost and transportation volume.

Unit transportation cost of the railway segment was RMB0.067/tonne km (First half of 2008: RMB0.057/tonne km), representing a year-on-year increase of 17.5%. The increase was mainly due to the following reasons:

- (i) The two increases of power tariffs by the NDRC in July and August 2008 resulted in an increase in electricity cost, which was the key factor leading to the increase in unit transportation cost.
- (ii) The recruitment of additional employees in the railway segment and the increase in staff wages as a result of the Company's business growth.
- (iii) The increase of certain equipment and technical upgrade of existing equipment in preparation for the launching of heavy-duty trains with loading capacity above 10,000 tonnes for Shenshuo Railway; the increase of locomotives at Shuohuang Railway and the repairment of certain wagons where overhaul is required.

c Profit from operations in railway segment

For the first half of 2009, profit from operations of the Group's railway segment before elimination on consolidation was RMB4.850 billion (First half of 2008: RMB4.868 billion), representing a year-on-year decrease of 0.4%. During the same period, margin of profit from operations of the railway segment decreased from 55.5% to 50.4% on a year-on-year basis.

Directors' Report

3. Port Segment**(1) Operating results of the port segment**

Operating results of the port segment of the Company before elimination on consolidation for the first half of 2009 were as follows:

Port segment	Revenues RMB million	Cost of revenues RMB million	Profit from operations RMB million	Profit from operations/ average total assets during the reporting period %
First half of 2009	997	(704)	260	2.5
	Increase/decrease in revenues over the same period of last year %	Increase/decrease in cost of revenues over the same period of last year %	Margin of profit from operations %	Increase/decrease in margin of profit from operations over the same period of last year
	0.4	4.6	26.1	Increased by 3.7 percentage points

Directors' Report

a Revenues in port segment

For the first half of 2009, revenues of the Group's port segment before elimination on consolidation were RMB0.997 billion (First half of 2008: RMB0.993 billion), representing a year-on-year increase of 0.4%. Of which, revenues from internal coal transportation in the port segment were RMB0.932 billion (First half of 2008: RMB0.966 billion), representing a year-on-year decrease of 3.5%, which accounted for 93.5% of revenues in port segment.

b Cost of revenues in port segment

For the first half of 2009, cost of revenues of the Group's port segment was RMB0.704 billion (First half of 2008: RMB0.673 billion), representing a year-on-year increase of 4.6%. Of which, cost of revenues of the Group's port segment for internal coal transportation amounted to RMB0.654 billion (First half of 2008: RMB0.652 billion), representing a year-on-year increase of 0.3%.

Unit cost of internal coal transportation of the port segment was RMB13.1/tonne (First half of 2008: RMB12.5/tonne), representing a year-on-year increase of 4.8%. The change was mainly due to :

- (i) the increase in unit depreciation and amortization as a result of the commencement of operation of the fourth loading and unloading line of Shenhua Tianjin Coal Dock and the dumper at Huanghua Port;
- (ii) the increase in the number of employees, wages and bonus; and
- (iii) the increase in sea area utilization fee, shipping channel measurement fee and navigation mark maintenance fee at Huanghua Port.

c Profit from operations in port segment

For the first half of 2009, profit from operations of the Group's port segment was RMB0.260 billion (First half of 2008: RMB0.222 billion), representing a year-on-year increase of 17.1%. During the same period, margin of profit from operations of the port segment increased from 22.4% to 26.1% on a year-on-year basis.

4. Power Segment

(1) Business Progress of the Power Segment

In the first half of 2009, the nationwide power generation was 1,644.2 billion kwh, representing a year-on-year decrease of 1.7%, the growth rate decreased by 14.6 percentage points on a year-on-year basis. Of which, coal-fired power generation amounted to 1,339.2 billion kwh, representing a year-on-year decrease of 4.8%, the growth rate decreased by 16.5 percentage points on a year-on-year basis. The average utilization hours of coal-fired power equipment amounted to 2,236 hours, representing a year-on-year decrease of 312 hours. Given the negative impact of financial crisis on the region where the power segment located was more serious than other regions (especially in developed coastal areas), the development and power generation of the Company decreased more significantly than the national average level, thus the Company encountered harsher conditions. Under such difficult market conditions, the Company's power segment managed to achieve its operation target for the first half of the year by focusing on its power marketing efforts and strengthening its internal management.

Directors' Report

The Company's power segment achieved the following results in the first half of 2009:

- As at 30 June 2009, the Company had total installed capacity and equity installed capacity of 18,634 MW and 10,924 MW respectively. The equity installed capacity accounted for 58.6% of the total installed capacity and the average unit installed capacity was 358 MW;
- In the first half of 2009, gross power generation of the Group's coal-fired generators was 43.19 billion kwh, representing a year-on-year decrease of 4.12 billion kwh or 8.7%; the total power output dispatch of coal-fired generators was 40.05 billion kwh, representing a year-on-year decrease of 4.02 billion kwh or 9.1%; average utilization hours of coal-fired generators amounted to 2,358 hours, which was 122 hours higher than the national average utilization hours for the same period;
- The coal consumption of the power generation operations of the Group in the first half of 2009 was 19.2 million tonnes, of which 18.1 million tonnes of coal consumption were from internal coal segment, accounting for 94.3%. Standard coal consumption rate per unit of power output dispatch was 334 g/kwh, representing a year-on-year increase of 2 g/kwh or 0.6%;
- Based on the principle of "proximity to market, customers and production", the segment actively carried out its marketing campaign and strengthened management and control over the production and dispatch processes of electricity. The segment created the all-time best management level in terms of equipment management in the first half of the year by realizing no unscheduled outage in two months for the first time;
- Active implementation of power tariffs. Shenmu Power made a breakthrough in its desulfurization compensation tariff by obtaining approval from the government for an increase in power tariffs of RMB1.5 cents/kwh. Approval was also granted for the tariffs of the newly operational unit of the Huanghua Power No.3 power generation unit; and
- Apart from coal-fired power generation, Zhuhai Wind Energy, a subsidiary of the Company, had generated power of 20 million kwh and realized profits in the first half of 2009.

Directors' Report

Installed capacity of coal-fired power plants in the first half of 2009

Power plants	Regional grid	Location	Total installed capacity as at 31 December 2008 MW	Increase/ (decrease) in installed capacity in the first half of 2009 MW	Total installed capacity as at 30 June 2009 MW	Effective equity installed capacity ratio %	Equity installed capacity as at 30 June 2009 MW
Huanghua Power	North China Power Grid	Hebei	1,200	660	1,860	51.0	949
Panshan Power	North China Power Grid	Tianjin	1,000	–	1,000	45.5	455
Sanhe Power	North China Power Grid	Hebei	1,300	–	1,300	38.5	500
Zhunge'er Power	North China Power Grid	Inner Mongolia	500	–	500	57.8	289
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	1,320	–	1,320	48.4	639
Beijing Thermal	North China Power Grid	Beijing	400	–	400	70.0	280
Dingzhou Power	North China Power Grid	Hebei	1,200	–	1,200	40.5	486
Suizhong Power	Northeast Power Grid	Liaoning	1,600	–	1,600	50.0	800
Ninghai Power	East China Power grid	Zhejiang	2,400	–	2,400	60.0	1,440
Jinjie Energy	North China Power Grid	Shaanxi	2,400	–	2,400	70.0	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	210	–	210	51.0	107
Taishan Power	South China Power Grid	Guangdong	3,000	–	3,000	80.0	2,400
Shendong Coal	Northwest/North China Power Grid	Inner Mongolia	324	(324)*	–	–	–
Shendong Power	Northwest/North China Power Grid /Shaanxi provincial local Power Grid	Inner Mongolia	1,147	297*	1,444	62.3	899
Total installed capacity			18,001	633	18,634		10,924

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

Directors' Report

Performance indicators of coal-fired power plants in the first half of 2009

	Gross power generation billion kwh	Total power output dispatch billion kwh	Average utilization hours hours	Standard coal consumption rate for power output dispatch g/kwh
Huanghua Power	3.22	3.06	2,083	316
Panshan Power	2.39	2.22	2,392	334
Sanhe Power	3.34	3.13	2,571	330
Zhunge'er Power	1.15	1.02	2,297	395
Guohua Zhunge'er	2.49	2.27	1,882	330
Beijing Thermal	1.00	0.88	2,506	226
Dingzhou Power	3.44	3.24	2,865	319
Suizhong Power	4.15	3.93	2,596	335
Ninghai Power	5.76	5.41	2,400	319
Jinjie Energy	4.96	4.54	2,069	339
Shenmu Power	0.66	0.59	3,152	387
Taishan Power	7.30	6.81	2,431	321
Shandong Power	3.33	2.95	2,304	418
Total/Weighted average	43.19	40.05	2,358	334

Note: Apart from the aforesaid coal-fired generator units, the power segment also operates Yuyao Gas-fired Power and Zhuhai Wind Energy with power generation of 280 million kwh and 20 million kwh respectively for the first half of 2009, and their power output dispatch was 270 million kwh and 20 million kwh respectively.

Directors' Report

(2) Operating results of the power segment

Operating results of the power segment of the Company before elimination on consolidation for the first half of 2009 were as follows:

Power segment	Revenues RMB million	Cost of revenues RMB million	Profit from operations RMB million	Profit from operations/ average total assets during the reporting period %
First half of 2009	13,828	(10,476)	2,517	2.6
	Increase/decrease in revenues over the same period of last year %	Increase/decrease in cost of revenues over the same period of last year %	Margin of profit from operations %	Increase/decrease in margin of profit from operations over the same period of last year
	(0.6)	(1.6)	18.2	Increased by 0.3 percentage point

a Revenues in power segment

For the first half of 2009, revenues of the Group's power segment before elimination on consolidation were RMB13.828 billion (First half of 2008: RMB13.910 billion), representing a year-on-year decrease of 0.6%. According to the relevant notice issued by the NDRC, the State

government increased the on-grid tariffs of coal-fired power enterprises twice on 1 July 2008 and 20 August 2008 respectively. Given that the power segment of the Company benefited from these two tariff adjustments, the average tariff for the six months ended 30 June 2009 was RMB330/MWh, increasing by RMB10/MWh or 3.1% as compared to the average tariff for the year ended 31 December 2008.

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Power plants	Power tariff for the six months ended 30 June 2009 RMB/MWh	Power tariff for the year ended 31 December 2008 RMB/MWh
Huanghua Power	288	295
Panshan Power	381	348
Sanhe Power	340	317
Zhunge'er Power	207	216
Guohua Zhunge'er	234	230
Beijing Thermal	407	392
Dingzhou Power	270	273
Suizhong Power	319	311
Ninghai Power	398	373
Jinjie Energy	279	258
Shenmu Power	271	264
Taishan Power	425	399
Shendong Coal	–	226
Shendong Power	242	244
Weighted average power tariff based on power output dispatch	330	320

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

Directors' Report

b Cost of revenues in power segment

Cost of revenues of the Group's power segment (including power output dispatch and heat supplying service) before elimination on consolidation for the first half of 2009 was RMB10.476 billion (First half of 2008: RMB10.650 billion), representing a year-on-year decrease of 1.6%.

	For the six months ended 30 June						
	2009			2008			Percentage change in unit cost %
	Power		Unit cost RMB/MWh	Power		Unit cost RMB/MWh	
	Cost RMB million	output dispatch billion kwh		Cost RMB million	output dispatch billion kwh		
Materials, fuel and power	6,910	40.34	171.3	7,097	44.16	160.7	6.6
Personnel expenses	581	40.34	14.4	553	44.16	12.5	15.2
Repairs and maintenance	507	40.34	12.6	509	44.16	11.5	9.6
Depreciation and amortization	1,953	40.34	48.4	1,866	44.16	42.3	14.4
Others	309	40.34	7.6	392	44.16	8.9	(14.6)
Total	10,260	40.34	254.3	10,417	44.16	235.9	7.8

The unit cost of power generation of the power segment was RMB254.3/MWh (First half of 2008: RMB235.9/MWh), representing a year-on-year increase of 7.8%. The change was mainly due to the increase in unit cost as a result of a year-on-year decrease in power generation and utilization efficiency of individual generation unit, which resulted from the decline in power demand during the first half of this year under the impact of the international financial crisis.

c Profit from operations in power segment

Profit from operations of the Group's power segment for the first half of 2009 was RMB2.517 billion (First half of 2008: RMB2.496 billion), representing a year-on-year increase of 0.8%. During the same period, margin of profit from operations of the power segment increased from 17.9% to 18.2%.

Directors' Report

(III) Management review on the Company's consolidated operating results**1. Consolidated results of operations**

The operating results of each business segment of the Company for the first half of 2009 before elimination on consolidation are set out below:

Sector	Revenues RMB million	Cost of revenues RMB million	Gross profit margin %	Increase/ decrease in revenues over the same period of last year %	Increase/ decrease in cost of revenues over the same period of last year %	Increase/ decrease in gross profit margin over the same period of last year
Coal segment	48,268	(28,621)	40.7	17.6	13.9	Increased by 1.9 percentage points
Railway segment	9,630	(4,527)	53.0	9.8	24.7	Decreased by 5.6 percentage points
Port segment	997	(704)	29.4	0.4	4.6	Decreased by 2.8 percentage points
Power segment	13,828	(10,476)	24.2	(0.6)	(1.6)	Increased by 0.8 percentage point

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Region	Revenues for the first half of 2009 RMB million	Revenues for the first half of 2008 RMB million	Increase/ decrease in revenues over the same period of last year %
Asia Pacific markets			
– Mainland China	53,101	44,063	20.5
– Other Asia Pacific markets	3,982	5,082	(21.6)
Other markets	–	137	(100.0)
Total	57,083	49,282	15.8

(1) Revenues

Revenues of the Group for the first half of 2009 amounted to RMB57.083 billion (First half of 2008: RMB49.282 billion), representing a year-on-year increase of 15.8%, which was mainly due to the increase of 10.1% in weighted average coal sales price, as well as a year-on-year increase of 7.0% in coal sales volume. During the same period, the percentage of coal revenue to the total revenues increased to 73.9% from 69.2%, and the percentage of power revenue to the total revenues decreased to 23.7% from 27.6%. For the first half of 2009, the total sales revenue from the top five customers of the Group was RMB10.397 billion, accounting for 18.2% of the Group's total sales revenue.

(2) Cost of revenues

The Group's cost of revenues for the first half of 2009 amounted to RMB28.619 billion (First half of 2008: RMB24.842 billion), representing a year-on-year increase of 15.2%. For the first half of 2009, the total purchases from the top five suppliers of the Group amounted to RMB6.052 billion, accounting for 20.6% of the total purchases for the reporting period. The change in cost of revenues was mainly due to the followings:

- a Coal purchased from third parties was RMB6.060 billion, representing a year-on-year decrease of 12.0%, which was mainly due to the adjustment of the Company's sales strategy in the first half of 2009 in face of the global financial crisis, by ensuring the smooth sales of self-produced coal and then conducted sales by purchasing coal from third parties to improve the Company's market share and gross profit margin.

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- b Materials, fuel and power were RMB3.863 billion, representing a year-on-year increase of 18.6%, which was mainly due to the increases in both business and power tariff.
- c Personnel expenses were RMB2.613 billion, representing a year-on-year increase of 18.1%, which was mainly due to the increase in the number of employees, and increases in wages and bonus.
- d Depreciation and amortisation were RMB4.971 billion, representing a year-on-year increase of 11.6%, which was mainly due to the increase in the depreciation of new property, plant and equipment.
- e Repairs and maintenance were RMB2.179 billion, representing a year-on-year increase of 32.0%, which was mainly due to the increase in the repairs and maintenance in the Shenshuo Railway and Shuohuang Railway.
- f Transportation charges were RMB4.387 billion, representing a year-on-year increase of 37.0%, which was mainly due to the increase in the turnover of transportation by third party railways.
- g Others were RMB4.546 billion, representing a year-on-year increase of 43.0%, which was mainly due to the increases in mining engineering expenses, mine taxes and coal selection expenses.

(3) Selling, general and administrative expenses

For the first half of 2009, selling, general and administrative expenses of the Group were RMB3.419 billion (First half of 2008: RMB2.501 billion), representing a year-on-year increase of 36.7%. The increase was mainly due to the increase in business and the related expenses.

(4) Income tax

For the first half of 2009, income tax of the Group was RMB5.029 billion (First half of 2008: RMB3.709 billion), representing a year-on-year increase of 35.6%. The increase was mainly due to the increase in profit before income tax of the Group by 18.2%; the expiry of the tax exemption period enjoyed by certain subsidiaries on 31 December 2008; and the increase in income tax as a result of the computation of income tax filing by cross-border consolidated enterprises.

The effective income tax rate of the Group increased to 20.8% for the first half of 2009 from 18.1% for the first half of 2008.

(5) Other comprehensive income

For the six months ended 30 June 2009, other comprehensive income amounted to RMB0.347 billion (First half of 2008: RMB0.126 billion), representing a year-on-year increase of 175.4%. Other comprehensive income for the period represented the exchange difference on translation of financial statements of overseas subsidiaries, which was mainly the exchange difference of RMB against Australian Dollars.

Directors' Report

(6) Profit attributable to equity shareholders of the Company for the period

For the first half of 2009, profit attributable to equity shareholders of the Company for the period amounted to RMB16.920 billion (First half of 2008: RMB14.817 billion), representing a year-on-year increase of 14.2%.

2. Consolidated assets and liabilities

(1) Property, plant and equipment, net

As at 30 June 2009, the property, plant and equipment, net of the Group amounted to RMB145.617 billion (31 December 2008: RMB145.253 billion).

(2) Construction in progress

As at 30 June 2009, the construction in progress of the Group amounted to RMB40.580 billion (31 December 2008: RMB33.017 billion), representing a year-on-year increase of 22.9%. The construction in

progress of the Group were mainly power generation projects and coal mining projects in progress.

(3) Accounts and bills receivable, net

As at 30 June 2009, the accounts and bills receivable, net of the Group were RMB6.664 billion (31 December 2008: RMB8.236 billion), representing a decrease of 19.1%. The ageing of accounts and bills receivable within one year amounted to RMB6.656 billion, accounting for 99.0% of the gross amount of accounts and bills receivable.

(4) Inventories

As at 30 June 2009, the Group's inventories amounted to RMB8.805 billion (31 December 2008: RMB7.842 billion), representing an increase of 12.3%, which was mainly due to the increase in the balance of materials and supplies.

(5) Borrowings

	As at 30 June 2009 RMB million	As at 31 December 2008 RMB million
Short-term borrowings and current portion of long-term borrowings	18,169	18,213
Long-term borrowings, less current portion	52,492	56,045
Total borrowings	70,661	74,258
Less:		
Cash and cash equivalents	30,811	59,054
Time deposits with original maturity over three months	32,641	196
Net borrowings	7,209	15,008

As at 30 June 2009, the Group had outstanding balances of RMB65.156 billion of borrowings denominated in Renminbi, RMB5.211 billion of borrowings denominated in Japanese Yen and RMB294 million of borrowings denominated in US Dollars.

Directors' Report

(6) Capital structure

As at 30 June 2009, the gearing ratio (total liabilities/total assets) of the Group was 37.3% (31 December 2008: 37.7%), representing a decrease of 0.4 percentage point. The interest coverage ratio (profit before interest and tax/interest expenses) was 11.5 times (30 June 2008: 9.8 times).

3. Consolidated cash flows

As at 30 June 2009, the Group's cash and cash equivalents amounted to RMB30.811 billion (31 December 2008: RMB59.054 billion), representing a decrease of RMB28.243 billion or 47.8%.

The Group's net cash generated from operating activities for the first half of 2009 amounted to

RMB27.637 billion (First half of 2008: RMB20.563 billion), representing a year-on-year increase of 34.4%. The increase was mainly due to the increase in sales revenue.

The Group's net cash used in investing activities for the first half of 2009 amounted to RMB43.090 billion (First half of 2008: RMB14.547 billion), representing a year-on-year increase of 196.2%. The increase was mainly due to the increase in time deposits with original maturity over three months.

The Group's net cash used in financing activities for the first half of 2009 amounted to RMB12.790 billion (First half of 2008: RMB2.296 billion), representing a year-on-year increase of 457.1%. The increase was mainly due to the increase in repayments of borrowings.

(IV) Capital expenditure plan

1. Capital expenditure plan and its accomplishment status

Capital expenditure plan	Plan in 2009 Billion	Accomplishment in first half of 2009 Billion	Percentage of accomplishment of the plans in the first half of 2009 %	Percentage of each segment to total in 2009 %
Coal segment	9.480	3.689	38.9	31.7
Railway segment	7.560	1.244	16.5	25.3
Port segment	0.810	0.125	15.4	2.7
Power segment	11.960	8.767	73.3	40.0
Others	0.097	0.083	85.6	0.3
Total	29.907	13.908	46.5	100.0

Directors' Report

2. Progress of certain major capital expenditure projects

Unit: RMB100 million

No.	Project name	Total investment	Construction period	Investment in the first half of 2009	Planned investment in 2009
I.	Coal segment				
1	Bu'ertai mine	47.4	2007-2009	1.1	4.1
2	Haerwusu open-cut mine	77.3	2006-2009	2.4	–
3	Shengli No.1 open-cut mine	27.1	2004-2010	2.3	4.8
4	Huangyuchuan mine	24.9	2007-2010	2.7	9.4
5	5 ⁻² coal project of Daliuta mine	14.0	2008-2010	0.4	2.5
6	Specialised equipment maintenance center of Shendong Coal Branch	8.9	2007-2009	0.7	0.6
II.	Transportation segment				
1	Renovation of the second extension line (Dongsheng to Batuta)	11.4	2008-2010	1.5	4.6
2	Shenshuo capacity expansion of trains with loading capacity reaching 10,000 tonnes	34.8	2007-2010	1.0	7.0
3	Purchase of aluminium alloy gondola car C80	22.7	2008-2009	–	22.7
4	The second extension line (Dian Daigou to Er Daohe section)	15.7	2006-2011	1.2	8.1
III.	Power segment				
1	Zhejiang Ninghai power plant phase II	88.2	2006-2009	5.0	15.6
2	Huanghua power plant phase II	44.2	2007-2010	4.8	7.9
3	Dingzhou power plant phase II	42.9	2007-2010	9.2	11.4
4	Suizhong power plant phase II	77.1	2007-2010	16.8	20.0
5	South Sumatra project in Indonesia	23.7	2008-2010	1.7	7.0

The current plans of the Company in relation to future capital expenditures are subject to business plans development (including potential acquisitions), progress of investment projects, market conditions, prospect of future business development, and obtaining of the requisite permissions and regulatory approvals. Unless required by laws, the Company shall

not assume any responsibility for updating the data of its capital expenditure plans. The Company intends to finance capital expenditures by cash generated from operating activities, short-term and long-term borrowings, part of the proceeds from the initial public offering and other debt and equity financing.

Directors' Report

(V) Business environment¹

1 Macroeconomic conditions

The global financial crisis had negative effects on China's macroeconomic conditions in the first half of 2009. As China's economic stimulation policies become effective, the macroeconomic conditions are becoming stable and positive. The growth of investment had accelerated, consumption maintained a relatively rapid growth, and export began to recover. GDP growth rate rebounded to 7.9% in the second quarter of this year from 6.8% in the fourth quarter of last year and 6.1% in the first quarter of this year.

It is expected that the macroeconomic conditions will continue to remain stable and stay on a positive trend. Positive macroeconomic conditions and implementation of national macroeconomic policies will facilitate the growth of major coal-consuming industries.

2. Environment of the coal industry

(1) Thermal coal market in China

Review of the first half of 2009

Since the end of last year, as a result of sluggish macroeconomic growth and depressed coal demand, there was a slight decline in coal price. With the implementation of state economic stimulation policies, major coal-consuming industries had various levels of recovery in the first half of this year. National power generation in the first half decreased by 1.7% on a year-on-year basis, and the month-to-month trend was reversed from decrease to

increase. The production volume of metallurgy, construction materials and chemical products increased on a year-on-year basis, with an overall increasing trend on a monthly basis.

The policy of shutting down small mines and the implementation of the policies of coal industry adjustment and revival in provinces including Shanxi Province decreased growth in coal production. China's raw coal production for the first half of the year amounted to 1.356 billion tonnes, representing a year-on-year increase of 8.7% which was 8.3 percentage points lower than the growth of the same period last year. Of which, Shanxi's raw coal production was 264 million tonnes, representing a year-on-year decrease of 11.7%, raw coal production in Inner Mongolia was 285 million tonnes, representing a year-on-year increase of 34.0%, and raw coal production in Shaanxi was 125 million tonnes, representing a year-on-year increase of 22.1%.

With the increased railway transportation capacity and the changes in coal consumption areas and coal consumption methods, coal consumption grew without causing any shortage in railway transportation capacity.

Coal imports increased significantly while coal exports decreased significantly on a year-on-year basis. Since the beginning of this year, as coal price in Asia Pacific market was lower than domestic market, and there had been a significant decrease in ocean freight, certain enterprises purchased more coal from abroad. China's coal imports

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Directors' Report

volume for the first half of this year was 48.27 million tonnes, representing a year-on-year increase of 126.3%, and its coal export volume for the same period was 11.67 million tonnes, representing a year-on-year decrease of 54.2%. Net coal import volume was 36.60 million tonnes, representing a year-on-year increase of 40.54 million tonnes.

In summary, in the first half of 2009, the supply and demand in China's thermal coal market remained balanced in general, with small fluctuations in the spot price for thermal coal. Taking the FOB spot price of Qinhuangdao 5,500 kcal/kg thermal coal as an example, it reached a highest level of RMB590-610/tonne and a lowest level of RMB550-565/tonne in the first half of the year, and was at RMB560-575/tonne by the end of June of this year.

Prospect for the second half year of 2009

It is expected that China's economy will continue to rebound in the second half. Due to the constant increase in power generation and seasonal factors, such as the peak season for power consumption in summer and coal storage in winter, the demand for coal will increase further.

With the implementation of Shanxi's consolidation of small-size mines, the production capacity of the consolidated mines will be partly released and the production volume of large new mines will increase. It is expected that the coal supply will record a faster growth than that in the first half of this year.

Upon the maintenance and repair of the Daqin railway and the electrical reform of Dabao railway, our railway transportation capacity for coal will increase further. It is expected that the coal transportation from Inner Mongolia, Shanxi and Ningxia will increase in the second half of this year.

The significant increase in China's coal imports in the first half of this year had boosted the increase in coal spot price and ocean freight in the Asia Pacific market. With the increase in coal price and freight, the price advantage of imported coal over domestic coal will disappear. It is expected that the volume of China's coal imports will decrease in the second half of this year.

As the PRC government continues to place more focus on coal mine safety production and environment protection, and major coal production regions including Shanxi Province start to implement their coal industry adjustment and coal revival policies and measures, the growth of coal production will slow down. Policy factors of additional expenses, such as potential resource taxation reform, will affect the Group's cost control.

Directors' Report

In summary, it is expected that in the second half of this year, the domestic demand for thermal coal will further increase, and the effective supply capacity will continue to increase. The supply of and demand for coal will be balanced in general. Seasonal factors of demand will cause slight fluctuations in the domestic thermal coal spot price.

(2) Thermal coal market in Asia Pacific

Review of the first half year of 2009

The coal imports of Japan, South Korea and China Taiwan decreased during the same period year-on-year, while the volume of imports of China and India increased.

The coal supply capacity of major exporters increased slightly. It is expected the increase in Australia's coal export capacity for the full year will be approximately 2-3 million tonnes, and the increase in Indonesia's coal export capacity for the full year will be approximately 5 million tonnes.

In summary, the trend in the Asia Pacific thermal coal market had changed from surplus in supply to a state of balanced supply and demand in general. The increase in China's imports and decrease in its exports both considerably affected the Asia Pacific thermal coal market and thermal coal spot price. Australia BJ thermal coal spot price fell to a low of USD61.5/tonne from USD78.25/tonne at the beginning of the year, and was USD70.85/tonne at the end of June of this year.

Prospect for the second half year of 2009

It is expected that as the economies of Japan, South Korea and China Taiwan will recover gradually, coal demand will increase progressively. As a result of the narrowed difference between domestic and overseas prices and the rise of ocean freight, China's coal imports will fall. India's coal imports will continue to increase in the first half, and its thermal coal imports for the full year is expected to exceed its annual plan of 28.70 million tonnes.

In the second half of this year, with the improvement of railway and port transportation in Australia and Indonesia, their coal export capacity will increase to a certain extent.

In summary, the demand for thermal coal in Asia Pacific will recover moderately in the second half of this year, and the supply of thermal coal will remain stable and increase to a small extent. The supply of and demand for thermal coal will be balanced in general. The thermal coal spot price will continue to fluctuate within a small range.

Directors' Report

3. Environment of the power industry

Review of the first half year

The gross national power generation in the first half fell 1.7% year-on-year, and the monthly power generation had shown a changing trend from a substantial drop to an increase on a year-on-year basis. The gross national power generation in June increased 5.2% on a year-on-year basis, representing a reverse from the negative growth in 8 consecutive months, indicating that the demand for power has started to increase.

The power supply capacity further increased. The installed capacity of power generation units put into operation in the first half amounted to approximately 30 million KW. Excluding 9.98 million KW with respect to the small coal-fired power generation units which had been shut down, the net increase in the installed capacity of power generation in the first half amounted to approximately 20 million KW.

The government had put great efforts in facilitating the direct dealing between power users and power enterprises. Large industrial users which are in line with state industry policies and use power with voltage level above 110 KV, are allowed to purchase power directly from power generation enterprises, and agreement on the power tariffs are encouraged to be negotiated. China has shut down 7,467 small coal-fired power generation units with total capacity of 54.07 million KW in the first half of this year, and the target of shutting down power generation units with total capacity of 50 million KW during the "Eleventh Five-year" period had been realized one and a half years in advance.

In the first half of this year, China's power supply exceeded demand, and the utilisation hours of power generation facilities further decreased.

Prospect for the second half year

The growth of demand for power is expected to further increase in the second half of this year, and the growth of power generation for the full year may exceed 3.0%.

China's total installed capacity of power generation is expected to increase from 790 million KW as at the end of last year to 880 million KW by the end of 2009. The utilization hours of power generation facilities in the second half of this year will be higher than that of the first half, though it will be lower on the full year basis.

It is expected that China will continue to deepen its power system reform, to further its direct power dispatch reform for large users, and will continue to further the reform of its pricing mechanism for power transmission and dispatch. All these are beneficial to the long-term development of the power industry.

In summary, the demand for power is expected to further increase in the second half of this year, the installed capacity of power generation will continue to increase, and the utilization hours of power generation facilities for the full year will decrease on a year-on-year basis.

Directors' Report

(VI) The Company's major risk exposures and their effects

1. Risks of macroeconomic cyclical fluctuations

The coal and power industries, in which the Company operates, are the fundamental sectors of the national economy and are closely correlated to the prosperity of the national economy. Cyclical fluctuations of the economy may affect the operating results of the Company and bring certain risks to the business operations of the Company.

2. Risks of competition in the coal and power industries

The Company's coal business faces competition from other coal producers both in the domestic and international markets. In the domestic market, certain rivals in the coal industry are located close to the coast and therefore have lower transportation costs when they transport coal to target markets and enjoy competitive advantage. The Company's power business mainly competes with the top five power generation corporations in China and other independent power generators. The Company faces competitions in various areas, such as acquiring more coal resources, securing favourable dispatch of power and higher on-grid power tariffs, etc. Such competition may adversely affect the business operations of the Company.

3. Risks of insufficient transport capacity

Other than the transportation system of self-owned railways and ports, the Company also transports coal through third party railways and ports. During the peak season for coal demand, the third party railways and ports may still be unable to meet all transport demands for domestic coal. The Company has experienced delay in the process of coal transportation to customers by using third party transportation systems. The Company cannot ensure that similar delay in transportation will not occur in future.

4. Risks of increasing cost

As the mining process proceeds further, the Company's mining cost may increase gradually. Further, potential inflation resulting from rapid macroeconomic recovery and increase of bulk commodity prices may lead to increase in the Company's costs of materials and fuels. In addition, expenses from policy factors, such as the potential resource tax reforms, may affect the Company's cost control. All these factors will affect the Company's operating results.

5. Risks of exchange rates

The business operations of the Company are subject to the impact of fluctuations in the exchange rate of Renminbi. If the exchange rate of Renminbi appreciates or depreciates, the Company's profit or loss for the current period may be affected. Currently, there is a lack of financial tools for hedging risks of exchange rates in China, which may, to a certain extent, limit the Company's ability to manage exchange rate risks.

Directors' Report

6. Risks of change in national industrial adjustment and control policies

The operating activities of the Company are affected by national industrial adjustment and control policies. Potential resource tax reform, as well as China's increasingly strict policies on safety and environmental protection, may increase the Company's policy cost. Any such measures may have adverse effects on the Company's operations. The uncertainties arising from the implementation of similar national industrial adjustment and control policies may also generate risks to the Company's operations.

7. Risks of natural factors such as natural disasters and bad weather

The production and operation activities of the Company will be affected by factors including natural disasters and bad weather. Factors such as unforeseeable natural disasters and bad weather may bring certain risks to the Company's operations.

8. Environmental protection responsibility

The Group has been operating in China for many years. Environmental protection laws and regulations are fully enforced in China, which affect the operation of our coal and power generation businesses. At present, it is impossible to anticipate future legislation on environmental protection, which may have significant impact on the Group in the future. Nevertheless, under the existing legislation,

the management of the Group believes that other than those already accounted for in the financial statements, there are currently no environmental protection obligations that may have material adverse effect on the Group's financial position.

9. Group insurance

In accordance with the market practices in the PRC coal mining industry known to the Group, in the first half of 2009, the Group has purchased fire, liability or other property insurances covering certain properties, equipment or inventories of our coal operations. The Group has purchased business interruption and third party liability insurance for personal injury or environmental damages arising from accidents accruing in the Group's premises or in connection with certain power plants and vehicles related businesses. As for the transportation business, the Group has purchased property insurance for vehicles and car insurance for Huanghua Port. In addition, the Group has purchased insurance against occupational accidents, medical, third party liability and unemployment for its employees in compliance with the requirements of the relevant regulations. The Group has purchased insurance for its operating power plants against property, loss of profits, plant and equipment, work-related injury and third party liability. The Group will continue to review and assess its own risk portfolio, and make necessary and appropriate adjustments to the Group's insurance coverage in accordance with the needs of the Group and market practices of the insurance industry in China.

Directors' Report

(VII) Operating conditions and results of major subsidiaries and affiliates

No.	Company	Registered capital RMB ten thousand	Total assets RMB ten thousand	Net assets RMB ten thousand	Net profits RMB ten thousand
1	Shenhua Guohua International Power Co., Ltd.	400,996.54	756,961.89	592,422.57	18,801.69
2	Guangdong Guohua Yuedian Taishan Electric Power Co., Ltd.	270,000.00	1,328,670.66	363,655.07	48,310.55
3	Shaanxi Guohua Jinjie Energy Co., Ltd.	106,308.00	1,000,186.46	377,523.02	66,866.17
4	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	234,801.00	1,537,908.36	354,552.42	34,781.87
5	Shenhua Zhunge'er Energy Company Limited	710,234.33	1,330,762.69	904,535.19	144,897.74
6	Shenhua Beidian Shengli Energy Co., Ltd.	65,960.19	264,492.40	95,163.73	6,653.73
7	Beijing Shenhua Hengyun Energy Technology Co., Ltd.	5,000.00	149,692.01	66,102.06	41,410.01
8	Shanghai Shenhua Coal Trading Co., Ltd.	5,000.00	76,174.00	25,164.44	5,223.28
9	Shenhua Group Shenfu Dongsheng Coal Company Limited	21,500.00	256,435.74	108,741.74	14,958.51
10	Shuohuang Railway Development Co., Ltd.	588,000.00	1,909,282.72	1,369,268.35	210,523.39
11	Shenhua Baoshen Railway Co., Ltd.	100,386.81	328,690.57	161,566.62	13,406.52
12	Yulin Shenhua Energy Company Limited	100,000.00	111,639.13	68,171.04	15,789.79

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

Directors' Report

B. Investments of the Company in the reporting period

(I) Use of proceeds

In September 2007, the Company issued 1.8 billion A shares in its initial public offering. The issue price was RMB36.99 per share. The net amount of proceeds was RMB65.988 billion, all of which was received by the Company on or before 28 September 2007.

The amount of proceeds used during the reporting period was RMB928 million, of which RMB928 million was used for investments. The aggregate amount of proceeds used

was RMB32.531 billion, of which an aggregate amount of RMB16.531 billion was used for investments, and the remaining balance of the proceeds was RMB33.458 billion (the remaining balance of special accounts was RMB34.861 billion, which was slightly higher than the remaining balance of proceeds due to the interest income accrued thereof). The remaining balance of proceeds is placed in special accounts and will be used for committed projects.

Directors' Report

Name of project committed (including projects committed for proceeds in the prospectus etc. and subsequent amended projects)	Whether it is an amended project	Amount committed RMB ten thousand	Actual amount invested from the date of the proceeds received to the end of the reporting period RMB ten thousand	Of which: amount invested during the reporting period RMB ten thousand	Total return generated (calculated by the total profits generated from the beginning of the year to the end of the reporting period) RMB ten thousand	The percentage of the return generated to the total consolidated profits of the Company for the same period %	Whether progress is on schedule	Whether the anticipated return is achieved
1. Investments and renovation of coal, power and transportation system	No	1,668,875	1,500,819	92,775	N/A	N/A	Yes	
Of which: Halagou mine project	No	169,300	169,300	-	50,326	2.20%	Yes	Yes
Bu'ertai mine construction project	No	344,815	344,815	742	N/A	N/A	Yes	
Haenwusu open-cut mine project	No	538,600	538,503	26,000	22,457	0.98%	Yes	Yes
Baoshen Railway TDCS Dispatching Command System	No	2,028	-	-	N/A	N/A		
The 2nd extension line of the Baoshen Railway, section from Shigetai to Ciyaowan	No	4,553	4,553	-	N/A	N/A	Yes	
The 2nd extension line of the Baoshen Railway, section from Dongsheng to Shigetai	No	5,311	-	-	N/A	N/A		
Purchase of locomotives	No	16,800	16,800	-	N/A	N/A	Yes	
Yijing substation, control of pollution by power station	No	3,649	3,649	-	N/A	N/A	Yes	
Truck management information system	No	547	547	-	N/A	N/A	Yes	
Shenshuo railway infrared detecting encryption works	No	300	300	-	N/A	N/A	Yes	
Purchase of coal gondola car C70	No	160,000	159,200	-	N/A	N/A	Yes	
Huanghua Port car dumper improvement works	No	4,426	-	-	N/A	N/A		

Directors' Report

Name of project committed (including projects committed for proceeds in the prospectus etc. and subsequent amended projects)	Whether it is an amended project	Amount committed RMB ten thousand	Actual amount invested from the date of the proceeds received to the end of the reporting period RMB ten thousand	Of which: amount invested during the reporting period RMB ten thousand	Total return generated (calculated by the total profits generated from the beginning of the year to the end of the reporting period) RMB ten thousand	The percentage of the return generated to the total consolidated profits of the Company for the same period %	Whether progress is on schedule	Whether the anticipated return is achieved
Hebei Sanhe power plant phase II	No	31,602	-	-	N/A	N/A		
Inner Mongolia Guohua Zhunge'er Power Plant expansion project	No	35,400	33,394	-	N/A	N/A	Yes	
Zhejiang Ninghai power plant phase II	No	105,822	88,085	18,432	N/A	N/A	Yes	
Phase II of Shaanxi Jinjie coal and power integration project	No	64,050	44,100	25,326	N/A	N/A	Yes	
Hebei Huanghua power plant phase II	No	48,690	40,824	6,307	N/A	N/A	Yes	
Hebei Dingzhou power plant phase II	No	45,500	41,493	9,968	N/A	N/A	Yes	
Liaoning Suizhong power plant phase II	No	87,482	15,256	6,000	N/A	N/A	Yes	
2. Supplement working capital of the Company and for general business purpose	No	1,600,000	1,600,000	-	N/A	N/A	Yes	N/A
3. Acquisition of strategic assets	No	3,329,963	152,237	-	N/A	N/A	Yes	N/A
Total		6,598,838	3,253,056	92,775	-	-		

Directors' Report

Explanation on progress of certain projects:

1. Haerwusu open-cut mine project: The project has been put in operation partially. Due to land requisition, part of investment was delayed and will be completed in 2009;
2. Baoshen Railway TDCS Dispatching Command System: The project has been completed. However, since the Company has not completed the negotiation with other shareholders of Shenhua Baoshen Railway Co., Ltd. in respect of capital contributions, the project was initially financed by internal resources of Shenhua Baoshen Railway Co., Ltd.. The Company intends to make supplemental corresponding capital contribution upon completion of the negotiations with other shareholders;
3. The 2nd extension line of the Baoshen Railway, section from Shigetai to Ciyawan: Since there was no urgent need for the transportation capacity of this railway section, therefore the project had been delayed to a certain extent in consideration of financial factors. Investment is being made gradually;
4. Huanghua Port car dumper improvement works: The project has been completed. However, since the Company has not completed the negotiations with other shareholders of Shenhua Huanghua Port Company Limited in respect of capital contributions, the project was initially financed by internal resources of Shenhua Huanghua Port Company Limited. The Company intends to make supplemental corresponding capital contribution upon completion of the negotiations with other shareholders;
5. Hebei Sanhe power plant phase II: The project has been completed through debt financing. The Company's holding of the project has been changed from direct holding to indirect holding, and the original method of capital contribution has been changed. The Company intends to make supplemental corresponding capital contribution upon completion of negotiations with other shareholders of the parent company of the project;
6. Inner Mongolia Guohua Zhunge'er power plant expansion project: The project has been completed, and part of the project capital has been financed by other funds for the time being;
7. Phase II of Shaanxi Jinjie coal and power integration project: The project has been completed, part of the project capital has been financed by other funds for the time being and will be fully made in the future;
8. Owing to the decrease in construction cost in the bidding process, the Company has saved RMB8 million on the purchase of coal gondola car C70.

The gains of certain projects are not accounted for separately for the following reason: the railway and port projects are primarily implemented to ensure the utilization of transportation capacity, improve automation, reduce pollution, improve safety of auxiliary projects and facilitate purchase of equipment and therefore direct financial gains are included in the comprehensive transportation income, rather than accounted for separately.

Directors' Report

(II) Use of funds other than the proceeds

Please refer to the section headed "Capital expenditure plans" in this report.

C. Reasons for and impacts of the changes in the Company's accounting policies, accounting estimates or correction of significant accounting errors

During the reporting period, the Company changed certain accounting policies in accordance with International Financial Reporting Standard 8, International Accounting Standard 1 (revised 2007) and International Accounting Standard 27. For details, please refer to the note 3 to the interim financial report.

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

Except for the changes in significant accounting policies as mentioned above, there were no material changes in the Company's significant accounting policies and accounting estimates from those as disclosed in 2008.

E. Other matters

(I) Employee Retirement Plan and Remuneration Policies

In accordance with applicable laws and regulations, the Company participated in various retirement plans for employees organised by municipal and provincial governments. Details are set out in note 28 to the interim financial report in this report. The Company adopts position based remuneration system for its employees, and their remuneration are determined according to factors such as importance of their positions, responsibilities and performance.

(II) Charge over assets of the Group

For the six months ended 30 June 2009, the Company has not placed any charges over group assets.

(III) Significant acquisitions and disposals

For the six months ended 30 June 2009, there were no material acquisitions and disposals made by any of the subsidiaries and associates of the Company.

Major Financial Data and Indicators

Unless otherwise specified, financial data and indicators in this section are prepared under the Accounting Standards for Business Enterprises.

(I) Major Financial Data for the Reporting Period

Unit: RMB million

Items	Amount
Operational profit	22,938
Profit before income tax	22,854
Net profit attributable to equity shareholders of the Company	15,976
Net profit attributable to equity shareholders of the Company net of extraordinary gain and loss	16,022
Net cash flow from operating activities	29,154

(II) Differences between domestic and international accounting standards

Unit: RMB million

Items	Net profit attributable to equity shareholders of the Company For the six months ended 30 June		Equity attributable to equity shareholders of the Company	
	2009	2008 (restated)	As at 30 June 2009	As at 31 December 2008 (restated)
Under Accounting Standards for Business Enterprises	15,976	14,146	154,915	146,625
Adjustments under International Financial Reporting Standards:				
Adjustment for production maintenance, production safety and other related expenditures	885	646	2,209	2,342
Revaluation of land use rights and others	59	25	(1,524)	(1,535)
Under International Financial Reporting Standards	16,920	14,817	155,600	147,432

Major Financial Data and Indicators

Notes on the differences between domestic and international accounting standards:

1. Adjustment for production maintenance, production safety and other related expenditures

Pursuant to the relevant regulations of the related government authorities in the PRC, provision for production maintenance, production safety and other related expenditures is accrued by coal mining companies based on coal production volume, recognised as expense in profit or loss and separately recorded as a specific reserve in shareholders' equity. On utilisation of the specific reserve as fixed assets in accordance with the stipulated scope, full amount of depreciation is recognised at the same time when the cost of the relevant assets is recorded. Under International Financial Reporting Standards, these expenses are recognised in profit or loss as and when incurred. Relevant capital expenditure on production maintenance and safety facilities are recognised as property, plant and equipment and depreciated according to the relevant depreciation method. The effect of deferred tax arising from such difference is also reflected in it.

2. Revaluation of land use rights and others

Under the Accounting Standards for Business Enterprises, land use rights are carried at revalued amounts upon the restructuring. Under International Financial Reporting Standards, land use rights are carried at the historical cost less accumulated amortisation. Accordingly, the equity attributable to equity shareholders of the Company and the profit attributable to equity shareholders of the Company in the financial statements prepared in accordance with International Financial Reporting Standards have not included the valuation surplus of land use rights and any subsequent amortisation and the effect of deferred tax arising from the related differences.

Major Financial Data and Indicators

(III) Items and amounts net of extraordinary gain and loss

Unit: RMB million

Items of extraordinary gain and loss	Amounts
Non-operating income	
- Subsidy income	5
- Others	97
Investment income	
- Income from entrusted loans	25
Non-operating expenses	(195)
Tax effect in respect of the above items	10
Total	(58)

Changes in Equity and Shareholders

(I) Changes in equity

- There has not been any change in the total number of shares and the equity structure of the Company during the reporting period. The equity structure of the Company as at 30 June 2009 is as follows:

		Unit: Shares	
		Number	Percentage
I.	Shares with selling restrictions		
1	State-owned shares	14,691,037,955	73.86%
2	Domestic legal person shares	–	–
	Total number of shares with selling restrictions	14,691,037,955	73.86%
II.	Shares without selling restrictions		
1	RMB ordinary shares	1,800,000,000	9.05%
2	Foreign shares listed overseas	3,398,582,500	17.09%
	Total number of shares without selling restrictions	5,198,582,500	26.14%
III.	Total number of shares	19,889,620,455	100.00%

- For the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities under the Hong Kong Listing Rules.
- The minimum public float of the Company satisfies the requirement of Rule 8.08 of the Hong Kong Listing Rules.

(II) Shareholders

1. Total number of shareholders

As at the end of the reporting period, there were a total of 425,800 shareholders of the Company, of which 422,959 are holders of A shares (including Shenhua Group) and 2,841 are holders of H shares.

Changes in Equity and Shareholders

2. Top ten shareholders and top ten shareholders without selling restrictions

Statement on relationship of the shareholders and whether they are parties acting in concert are as follows: China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company; other than the above, the Company is not aware of whether there exists any connected relationship between the top ten shareholders and the top ten shareholders without selling restrictions, and whether they are parties acting in concert pursuant to the Measures for the Administration of Acquisition of Listed Companies.

(1) Top ten shareholders

Unit: Shares

Name of shareholder	Nature of shareholder	Shareholding percentage	Total number of shares held at the end of the reporting period	Increase or decrease during the reporting period	Number of shares with selling restrictions	Number of shares subject to pledge or lock-up
Shenhua Group	State-owned	73.86%	14,691,037,955	–	14,691,037,955	180,000,000 (subject to lock-up)
HKSCC NOMINEES LIMITED ^(Note)	Overseas legal person	17.05%	3,390,840,094	-614,536	–	Unknown
Bank of Communication – E Fund 50 Index Securities Investment Fund	Others	0.24%	46,915,020	+3,103,813	–	Nil
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	Others	0.15%	28,950,041	-14,388,754	–	Nil
China Life Insurance Company Limited – traditional – ordinary insurance product – 005L – CT001Hu	Others	0.11%	22,054,623	-3,196,477	–	Nil
China Construction Bank – Yin Hua – Dow Jones 88 Selected Securities Investment Fund	Others	0.11%	21,500,249	+19,500,249	–	Nil
Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	Others	0.10%	19,972,932	-1,212,075	–	Nil
Industrial & Commercial Bank of China – Nuo An Stock Securities Investment Fund	Others	0.08%	15,379,307	+10,351,756	–	Nil
Industrial & Commercial Bank of China – Southern Composition Selected Stock Securities Investment Fund	Others	0.08%	14,955,738	+2,492,185	–	Nil
China Life Insurance (Group) Company – traditional – ordinary insurance product	Others	0.07%	13,999,949	-1,895,759	–	Nil

Note: H Shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants.

Changes in Equity and Shareholders

In accordance with the “Implementation Measures for the Transfer of Part of the State-owned Shares to the Social Security Fund in Domestic Securities Market” jointly issued by government authorities, including the Ministry of Finance of the PRC, on 19 June 2009, as at 30 June 2009, 180 million A Shares held by Shenhua Group, the controlling shareholder of the Company, were subject to the lock-up restrictions.

(2) Top ten shareholders without selling restrictions

Unit: Shares

Name of shareholder	Number of shares without selling restrictions	Type of shares
HKSCC NOMINEES LIMITED	3,390,840,094	Foreign shares listed overseas
Bank of Communication – E Fund 50 Index Securities Investment Fund	46,915,020	RMB ordinary shares
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	28,950,041	RMB ordinary shares
China Life Insurance Company Limited – traditional – ordinary insurance product –005L – CT001Hu	22,054,623	RMB ordinary shares
China Construction Bank – Yin Hua – Dow Jones 88 Selected Securities Investment Fund	21,500,249	RMB ordinary shares
Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	19,972,932	RMB ordinary shares
Industrial & Commercial Bank of China – Nuo An Stock Securities Investment Fund	15,379,307	RMB ordinary shares
Industrial & Commercial Bank of China – Southern Composition Selected Stock Securities Investment Fund	14,955,738	RMB ordinary shares
China Life Insurance (Group) Company – traditional – ordinary insurance product	13,999,949	RMB ordinary shares
China Construction Bank – Hua Bao Xing Ye Selected Stock Securities Investment Fund	13,638,846	RMB ordinary shares

Changes in Equity and Shareholders

3. Number of shares held by top ten shareholders with selling restrictions and their selling restrictions

Unit: Shares

No.	Name of shareholder with selling restrictions	Number of shares with selling restrictions	Details on trading and listing of shares with selling restrictions		Selling restrictions
			Date on which trading is permitted	Increase in the number of tradable shares	
1	Shenhua Group	14,691,037,955	9 October 2010	14,691,037,955	Shenhua Group shall not transfer or entrust others to manage the shares in the Company directly or indirectly held by Shenhua Group, nor allow the Company to repurchase such shares, within 36 months from the date on which the shares of the Company were listed and traded on Shanghai Stock Exchange.

Changes in Equity and Shareholders

4. Substantial shareholders' interests and/or short positions in the shares or underlying shares of the Company

As at 30 June 2009, persons set out in the table below had an interest and/or short position in the shares or underlying shares of the Company as recorded in the register required to be kept under section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong):

Name of shareholders	Capacity	H/domestic shares	Nature of interest	Number of H/domestic shares held	Percentage of issued H/domestic shares of the Company %	Percentage of total issued share capital of the Company %
Shenhua Group	Beneficial owner	Domestic Shares	N/A	14,691,037,955	89.08	73.86
JPMorgan Chase & Co.	Beneficial owner	H Shares	Long position	374,522,183	11.02	1.88
	Investment manager		Short position	23,833,671	0.70	0.12
	Custodian		Lending pool	155,790,297	4.58	0.78
The Capital Group Companies, Inc.	Investment Manager	H Shares	Long position	203,889,525	6.00	1.03
Barclays PLC	Interests of a corporation controlled by a substantial shareholder	H Shares	Long position	189,194,528	5.57	0.95
			Short position	742,272	0.02	0.004

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

Save as disclosed above, as at 30 June 2009, in so far as the directors, president and supervisors of the Company are aware, there was no other interest and/or short position held by any person in the shares or underlying shares of the Company (as the case may be) as recorded in the register required to be kept under section 336 of Part XV of the SFO, or was otherwise a substantial shareholder of the Company.

(III) Changes in controlling shareholders and de facto controllers

There has not been any change in the controlling shareholder(s) and de facto controller(s) of the Company during the reporting period.

Directors, Supervisors, Senior Management and Employees

(I) Changes in shares of the Company held by directors, supervisors and senior management

During the reporting period, none of directors, supervisors and senior management of the Company held or has engaged in trading of shares in the Company.

(II) Appointment or removal of directors, supervisors and senior management

On 5 June 2009, Mr. Gong Huazhang was elected to be an independent non-executive director of the Company at the 2008 annual general meeting of the Company. Biography of Mr. Gong Huazhang was set out in the Notice of 2008 Annual General Meeting of the Company published on 17 April 2009 on the website of Shanghai Stock Exchange and the website of Hong Kong Stock Exchange and published on 18 April 2009 in the China Securities Journal, Shanghai Securities News and Securities Times and the H share circular of the Company.

(III) Disclosure of interests by directors, supervisors and senior management

As at 30 June 2009, none of the directors, supervisors or senior management had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations (within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong)), as recorded in the register required to be kept under Section 352 of the SFO or which was otherwise required to be notified by directors and supervisors to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 30 June 2009, the Company had not granted any equity securities or warrants to any of its directors, supervisors or senior management, or their respective spouses or children under the age of 18.

(IV) Employees of the Company

The Company has set up a performance appraisal system which is closely linked with the Company's operating results and personal capabilities based on the principle of remuneration by reference to positions and internal and external remuneration levels, and has maintained statutory social insurance and other commercial insurance for employees in strict compliance with national requirements. As at 30 June 2009, the Company had 60,197 employees. Composition of employees of the Company was as follows:

Directors, Supervisors, Senior Management and Employees

1. Composition by expertise

Types of expertise	As at 30 June 2009 number	As at 31 December 2008 number	Percentage change %
Operation and maintenance	39,898	38,670	3.2
Management and administration	7,420	7,455	(0.5)
Finance and accounting	920	891	3.3
R&D and technical support	5,057	5,170	(2.2)
Sales and marketing	1,378	1,264	9.0
Others	5,524	6,093	(9.3)
Total	60,197	59,543	1.1

2. Composition by educational level

Educational level	As at 30 June 2009 number	As at 31 December 2008 number	Percentage change %
Postgraduate or above	591	572	3.3
University graduate	10,055	9,586	4.9
Junior college graduate	14,194	13,288	6.8
Secondary specialized school graduate	13,471	13,395	0.6
Vocational school graduate	6,065	6,162	(1.6)
High school graduate	10,247	10,732	(4.5)
Middle school graduate or below	5,574	5,808	(4.0)
Total	60,197	59,543	1.1

3. Trainings for employees

The Company has enhanced training programs for its employees in the first half of 2009. Five training sessions for headquarter employees were held in the first half year, covering macroeconomic conditions and progress of coal liquefaction projects etc. In addition, the Company and its branches and subsidiaries also made greater efforts in professional skill training of various kinds involving accounting, leadership of team leaders in road and port enterprises, English, legal counselling for enterprises, bidding management and coal mine safety standardization, through which the professional skills and comprehensive capability of the participating employees have been improved and some have also obtained relevant education qualifications, degrees and technical certificates.

Investor relations focusing on market capitalization management

Market capitalization management is a strategic management project based on market capitalization and undertaken by a listed company to maximize its value and the value of such its shareholders in a scientific and compliant manner, making integrated use of methods and means such as operation and management, financial management and investor relations management in accordance with capital market practices. In the first half of 2009, China Shenhua made positive efforts to match its business development with China's macroeconomic recovery and such has been the focus of investor relations management work at the Company. With a focus on market capitalization management, the Company aims to show its true value to domestic and international investors.

(I) High quality market interaction

In the face of continued adjustment of capital market in the first half of 2009, and for the purpose of reinforcing investors' confidence in the Company, China Shenhua actively stepped up its efforts in investor relations focusing on market capitalization management in the first half of 2009.

In the first half of 2009, China Shenhua, through various means such as results announcement conference, global roadshow, A shares roadshow, reverse roadshow, 2008 annual general meeting, investment forums, company visits

and telephone conferences, conducted active and direct communications with investors and analysts. China Shenhua has met with around 1,160 analysts and fund managers, approximately 300 through roadshows, 60 through annual general meeting, 400 through investment forum and approximately 400 through company visits and telephone conferences.

All members of China Shenhua's management attended the 2008 annual general meeting. They conducted in-depth and comprehensive communications with investors attending the meeting after the resolutions were passed at the annual general meeting and addressed various questions raised by investors, and have achieved positive results.

To ensure effective communication with small and medium individual investors, the Company has strengthened its management of the dedicated hotline and special mail box to the secretary of the board and the Company has also made interactions and exchange with small and medium investors in the stock bar forum of eastmoney.com where there is a good concentration of small and medium investors. These aim to provide expeditious and smooth communication channels for small and medium investors, thereby securing their access to information of the Company in a timely and comprehensive manner.

Investor relations focusing on market capitalization management

(II) Steady market performance

In the first half of 2009, the share performance of China Shenhua gradually improved.

Diagram 1: A comparison of the trends of China Shenhua’s A shares with SSE Composite Index and Shenzhen Component Index

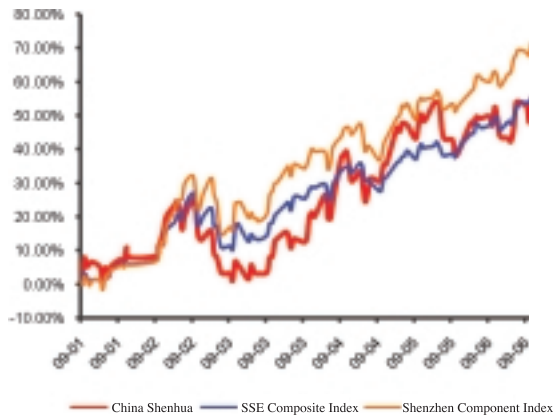
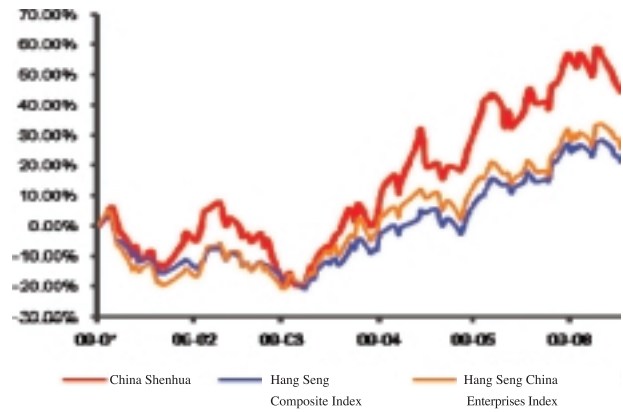


Diagram 2: A comparison of the trends of China Shenhua’s H shares with Hang Seng Index, China Enterprises Index



Significant Events

(I) Corporate governance

During the reporting period, China Shenhua, taking into account its actual situation, has further improved its corporate governance in accordance with international and domestic regulations and the requirements of documents including the “Circular on Maintenance of Stability of Capital Market by Listed Companies in Beijing”. The Company has amended and/or formulated various internal rules and systems including “Articles of Association of China Shenhua Energy Company Limited”, “Rules on Work of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited”, “Rules on Work of Annual Report of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited”, “Working Rules for the President of China Shenhua Energy Company Limited”, “Temporary Measures for the Management of Provision of Guarantees of China Shenhua Energy Company Limited”, “Management Rules for Disposal of Fixed Assets of China Shenhua Energy Company Limited”, “Rules on the Use of Proceeds of China Shenhua Energy Company Limited” and “Measures on Dealings in the Shares of the Company by Employees of China Shenhua Energy Company Limited”.

During the reporting period, the Company further amended its internal control manual and drafted the risk management manual. The Company actively facilitated the establishment of the systems of risk identification, assessment and internal control in its branches and subsidiaries and improved its internal control in general, by summarizing the preparation of the risk management reports by its branches and subsidiaries as well as drafting the “Guiding Opinions on the Progress of Overall Risk Management System”.

Compliance with Code of Corporate Governance Practices

The Company is committed to improving its corporate governance, and has established a system of corporate governance practices in accordance with the Code of Corporate Governance Practices set out in Appendix 14 of the Hong Kong Listing Rules. The Company has been in full compliance with the provisions of the Code of Corporate Governance Practices and most of the recommended best practices as specified therein throughout the six months ended 30 June 2009.

Securities transactions of directors

The Company has formulated the “Model Code for Securities Transactions by Directors of China Shenhua Energy Company Limited”, which is largely based on and formulated in accordance with the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as provided in Appendix 10 of the Hong Kong Listing Rules. The Model Code for Securities Transactions by Directors of China Shenhua Energy Company Limited is on terms no less exacting than the required standards set out in the Model Code.

Such system requires all securities transactions of the Company’s directors be made in accordance with the Model Code. The system also applies to senior management of the Company.

The Company has made specific enquiries on all directors of the Company, and all directors have confirmed that they had fully complied with the Model Code for the six months ended 30 June 2009.

Other than the directors’ working relationships within the Company, none of the directors, supervisors or senior management had any financial, business or family relationship or any relationship in other material aspects with each other.

Significant Events

Other than directors' own service contracts, none of directors or supervisors had any actual personal interest, directly or indirectly, in any material contracts made by the Company or any of its subsidiaries in the first half of 2009.

The Company has appointed independent non-executive directors and established its audit committee in accordance with the requirements under the Hong Kong Listing Rules. All members of the audit committee of the board of directors are independent non-executive directors of the Company and the current members are Dr. Chen Xiaoyue (chairman of the audit committee and has relevant professional qualifications and experiences in financial management and accounting), Mr. Huang Yicheng, Mr. Anthony Francis Neoh and Mr. Gong Huazhang. On 17 August 2009, the audit committee reviewed and voted on the Company's interim financial report for the six months ended 30 June 2009 and resolved to submit the interim financial report to the board of directors for approval.

(II) Profit distribution policies and implementation thereof

In accordance with the "Decision regarding Amendment of Certain Provisions for Cash Bonus of Listed Companies" issued by the CSRC, the amendments to the articles of association of the Company, including the amendments of profit distribution policies of the Company, had been approved, and the plan for distribution of 2008 final dividend of the Company had been approved at the 2008 annual general meeting of the Company held on 5 June 2009. The final dividend had been distributed on 30 June 2009.

For details of profit distribution policies of the Company, please refer to the 2008 annual report and relevant announcements published in China Securities Journal, Shanghai Securities News and Securities Times on 18 April 2009 and on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 17 April 2009. For details of dividend distribution plan, please refer to the 2008 annual report and relevant announcements published in China Securities Journal, Shanghai Securities News and Securities Times on 16 June 2009 and on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 15 June 2009.

The Company does not have any plan to declare or distribute dividend for the first half of 2009 to its shareholders.

Significant Events

(III) Material litigations and arbitrations

As at the end of the reporting period, the Group was not involved in any material litigations or arbitrations and in so far as the Group was aware, there was no material litigations or claims pending or threatened against it. As at 30 June 2009, the Group was the defendant of certain non-material litigations, and also a party to other certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at the current stage, but the management of the Group believe that, any possible legal liabilities which may arise from the aforesaid cases will not have any material adverse effect on the financial position of the Group.

(IV) Equity held by the Company in other listed companies and equity investments in financial institutions

Name of the company held	Amount of initial investment RMB million	Number of shares held shares	Percentage of the direct and indirect shareholding in the company %	Book value at the end of the period RMB million
Shenhua Finance	161	-	40	500

(V) Acquisition and disposal of assets, takeovers and mergers

During the reporting period, the Company has not carried out any material acquisition or disposal of assets, takeovers or mergers.

(VI) Stock option incentive plan

During the reporting period, the Company did not implement any stock option incentive plan which involves issuance of new shares of the Company, or which may have an impact on the shareholding structure of the Company.

(VII) Material related party transactions

The Company has established a related party transaction team under the direct leadership of the Chief Financial Officer for the management of related party transactions; and has established a business process which properly delineates the responsibilities of the Company and its branches and subsidiaries in the management of related party transactions. It has also established routine examination, reporting systems and responsibility ascertaining system in its branches and subsidiaries. During the reporting period, the Company formulated "Reporting Standards for Related Party Transactions of China Shenhua Energy Company Limited" to regulate and strengthen the management of related party transactions of the Company.

In accordance with the requirements of relevant securities regulatory authorities of the PRC, related party transactions under the listing rules of Shanghai Stock Exchange are disclosed as follows:

Significant Events

1. Related party transactions related to daily operation

During the reporting period, the implementation of related party agreements related to daily operation of the Company (there was no material changes of the terms of such agreements, please refer to the prospectus and 2008 annual report of the Company for detailed information) was as follows:

Related party transactions	Provision of products and services by the Group to related parties and other inflows		Purchase of products and services from related parties by the Group and other outflows	
	Amount of transactions RMB million	Percentage of amount to similar transactions %	Amount of transactions RMB million	Percentage of amount to similar transactions %
1 "Agreement on mutual coal supply entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	756.47	1.8	1,245.89	19.8
2 "Agreement on mutual supply of products and services entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	277.29	–	620.77	–
Including: (1)Products	1.73	1.4	504.17	7.0
(2)Services	275.56	24.5	116.60	0.9
3 "Agreement on coal sales agency entered into by Shenhua Group Corporation Limited, China Shenhua Energy Company Limited and the Xisanju Company of Inner-Mongolia Shenhua Coal Transportation and Sales Company"	–	–	–	–
4 "Agreement on coal export agency entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	–	–	32.47	100.0
5 "Agreement on lease of land use right entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	–	–	–	–

Significant Events

Related party transactions	Provision of products and services by the Group to related parties and other inflows		Purchase of products and services from related parties by the Group and other outflows	
	Amount of transactions RMB million	Percentage of amount to similar transactions %	Amount of transactions RMB million	Percentage of amount to similar transactions %
6 "Agreement on property leasing entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	–	–	13.08	9.8
7 "Agreement on financial service entered into between Shenhua Finance Co., Ltd. and China Shenhua Energy Company Limited" ^{Note}	–	–	84.58	1.9

Note: The transaction amount for the agreement is calculated based on the net changes in deposits as at the end of the reporting period and the end of the previous year; the percentage of net changes in deposits of Shenhua Finance in the transaction amount for similar transactions = net changes in deposits/net changes in bank deposits of the Group during the reporting period.

With the continuous development of the Group and based on the estimated demand and business operation of the Company, the existing annual cap provided in the "Agreement on mutual coal supply entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited" will be insufficient to satisfy the Group's needs. Therefore, the Company had adjusted the cap for related party transactions in relation to sales of coal to Shenhua Group for the year ending 31 December 2009 to RMB2,672.8 million from RMB2,398.1 million. For details, please refer to the Company's announcements published in China Securities Journal, Shanghai Securities News and Securities Times on 29 April 2009 and on the websites of Shanghai Stock Exchange and Hong Kong Stock Exchange on 28 April 2009.

The above-mentioned related party transactions were carried out in the ordinary course of business of the Company. The related party transactions of the Group were carried out by reference to market price, subject to strict disclosure procedures for internal management, review of independent directors and approval of shareholders (if required by relevant regulatory rules) at general meeting. Therefore, these transactions will not have negative impact on the independence of the Group.

2. Material related party transactions in relation to assets and equity transfer

During the reporting period, the Company did not carry out any material related party transactions in relation to assets and equity transfer.

Significant Events

3. Debt and liabilities due from/owed to related parties

Related parties	Related relationship	Funds provided to related parties		Funds provided by related parties to the Company	
		Amount RMB million	Balance RMB million	Amount RMB million	Balance RMB million
Shenhua Group and its subsidiaries	Holding company and its subsidiaries	–	–	(12)	2,162
Other related parties	–	–	816	–	–
Total	/	–	816	(12)	2,162

Pursuant to Accounting Standards for Business Enterprise, the amounts and balances of the above debt and liabilities due from/ to related parties only include other receivables, other payables, long-term loans and other non-current assets of a non-operational nature between the Group and related parties.

The above debt and liabilities due from/to related parties mainly include entrusted loans provided by the Group to associates of subsidiaries of the Company, together with long-term and short-term loans borrowed by the Group from Shenhua Group and its subsidiaries. Currently the above-mentioned entrusted loans and loans are under normal repayment plan as scheduled in terms of principal and interests.

4. Accounting treatment for special related party transactions (direct donation of cash or benefits in kind, direct exemption of or settlement of debts on behalf of others)

As at the end of the reporting period, there was no accounting treatment for special related party transactions (direct donation of cash or benefits in kind, direct exemption of or settlement of debts on behalf of others) of the Company.

Significant Events

(VIII) Material contracts and performance thereof

- During the reporting period, the Company has not made any trust arrangement on, acted as contractor for or leased assets of other companies and no other company has made any trust arrangement on, acted as contractor for or leased any of the Company's assets. Further, none of such arrangement subsisted in the reporting period.

2. Material guarantee

Unit: RMB million

Guarantee provided by the Company to external parties (excluding guarantee provided by the Company for the benefit of its subsidiaries)						
Name of the party whose debt is secured by the Company's guarantee	Date of provision of guarantee (date of the guarantee)	Guaranteed amount	Type of Guarantee	Period	Whether performance has been completed	Whether the guarantee is for the benefit of related parties (yes or no)
-	-	-	-	-	-	-
Total guaranteed amount provided during the reporting period						-
Total balance of the guaranteed amount provided at the end of the reporting period						-
Guarantee provided by the Company for the benefit of its subsidiaries						
Total guaranteed amount provided to the Company's subsidiaries during the reporting period						-
Total balance of the guaranteed amount provided to the Company's subsidiaries at the end of the reporting period						1,161
Aggregated guaranteed amount provided by the Company (including guarantee provided by the Company for the benefit of its subsidiaries)						
Total guaranteed amount						1,161
percentage of total guaranteed amount to net assets of the Company						0.75%
Among which:						
Amount of guarantees provided for the benefit of shareholder, de facto controller or their related parties						-
Amount of guarantees directly or indirectly provided for the benefit of parties with over 70% in asset-liability ratio						-
Portion of the total guaranteed amount in excess of 50% of net assets						-
Aggregated amount of the above three guarantees						-

Significant Events

As at the end of the reporting period, the Company has provided guarantee for and has joint and several liability on the six bank loans of Huanghua Port, a subsidiary of the Company. The balance of total guaranteed amount is RMB1.161 billion. Agreements for the six bank loans were entered into prior to the establishment of the Company and the original guarantor of such borrowings was Shenhua Group. When the Company was established in November 2004, the guarantor for such borrowings was changed to the Company pursuant to relevant reorganization arrangement and at the requests of the relevant banks. Huanghua Port is an important member of the Group responsible for seaborne coal transportation, with satisfactory financial status and profitability. There was no indication that the Company may be required to repay the bank loans pursuant to its joint and several liability.

Apart from the above guarantee provided for the benefit of the Company's subsidiary, the Company has not provided any other guarantee during the reporting period, and has no outstanding guarantee.

3. Financial management

During the reporting period, there is no occurrence of any financial management of the Company that warrants disclosure.

4. Significant investments

During the reporting period, the Group did not make any new significant investments.

5. Other material contracts

During the reporting period, save as disclosed above, the Company has not entered into any material contract that warrants disclosure.

(IX) Commitments by the Company or shareholders with more than 5% shareholdings

The commitments made by Shenhua Group, the controlling shareholder of the Company, during or subsisting in the reporting period and the performance of such commitments are as follows:

1. Commitment: As part of the reorganization and in the course of establishing the Company, the Company and Shenhua Group have entered into a Non-competition Agreement. Pursuant to which, 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 business in competition.

Performance: From the date of making the non-competition undertaking, Shenhua Group has strictly complied with its commitments, and there has not been any violation of such commitments.

2. Commitment: Among the properties used by the Company, land use right certificates of two pieces of land leased by Shenhua Group to Shenshuo Railway of the Company under the Agreement on Lease of Land Use Right had not been obtained when the H shares of the Company were listed. The total

Significant Events

area of two pieces of land is approximately 3.20 million square meters. Furthermore, the Company had not at the time obtained the building ownership certificates of 175 properties, of which the total area is about 101,043.87 square meters. When the Company's H shares were listed, Shenhua Group undertook to the Company that it will obtain land use right certificates for the two pieces of land in the name of Shenhua Group, to lease the same to the Company and to assist and procure that building ownership certificates of 175 properties be granted to the Company or its subsidiaries.

Performance: As at the end of the reporting period, the above commitments have been fully performed.

3. Commitment: At the time when the Company's A shares were listed, Shenhua Group has agreed not to transfer or entrust others to manage, the shares in the Company directly and indirectly held by Shenhua Group, nor to allow the Company to repurchase such shares within 36 months from the date on which the Company's shares were listed on Shanghai Stock Exchange.

Performance: As at the end of the reporting period, Shenhua Group has strictly complied with its commitments, and there has not been any violation of such commitments.

4. As at the date of this interim report, there exist no outstanding results commitments, nor are there any outstanding commitments in relation to assets injection or consolidation that have not been fully performed.

(X) Appointment and removal of accounting firms

The interim financial report in this interim report are unaudited.

KPMG Huazhen and KPMG were re-appointed as the PRC and international auditors of the Company, respectively, at the Company's 2008 annual general meeting held on 5 June 2009.

(XI) Sanctions and rectifications imposed on the Company, its directors, supervisors, senior management, controlling shareholders and de facto controllers

During the reporting period, none of the Company, its directors, supervisors, senior management, controlling shareholders and de facto controllers has been subjected to any investigations conducted by any competent authorities, mandatory measures imposed by any judicial or discipline inspection departments, legal proceedings, or charged for any criminal liabilities, examination conducted by the CSRC, administrative sanctions, denial of admission to any stock market, regarded as improper person imposed by the CSRC, or sanctioned by (or deemed ineligible) other administrative authorities, or public criticism by any stock exchange.

(XII) Analysis of and explanation on other material matters and their implications and solutions

During the reporting period, other than the matters disclosed in the above, there is no other material matters of the Company that warrants disclosure.

Significant Events

(XIII) Index of information disclosure

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
1	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 December 2008	–	2009-1-8	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
2	Announcement on the Major Operational Data of December and the Year of 2008	–	2009-1-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
3	Announcement on the Major Operational Data of December and the Year of 2008 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2008-1-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
4	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 January 2009	–	2009-2-4	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
5	Announcement on the Major Operational Data of January 2009	–	2008-2-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
6	Announcement on the Major Operational Data of January 2009 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2008-2-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
7	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 28 February 2009	–	2009-3-2	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Significant Events

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
8	Overseas Regulatory Announcement	–	2009-3-2	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
9	Management System for the Use of Proceeds of China Shenhua (Revised edition 2009)	–	2009-3-3	Website of Shanghai Stock Exchange (www.sse.com.cn)
10	Temporary Measures for the Management of Provision of Guarantees of China Shenhua	–	2009-3-3	Website of Shanghai Stock Exchange (www.sse.com.cn)
11	Announcement on Preliminary Financial Data for the Year 2008	–	2009-3-3	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
12	Announcement on Preliminary Financial Data for the Year 2008 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-3-4	Website of Shanghai Stock Exchange (www.sse.com.cn)
13	Overseas Regulatory Announcement	–	2009-3-5	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
14	Announcement on the Approval of the Project in relation to the Construction of Railway from Batuta to Diandaigou, Inner Mongolia of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-3-6	Website of Shanghai Stock Exchange (www.sse.com.cn)
15	Announcement on the Major Operational Data of February 2009	–	2009-3-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Significant Events

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
16	Announcement on the Major Operational Data of February 2009 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-3-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
17	Notice of Board Meeting	–	2009-3-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
18	Amendments to the Articles of Association	–	2009-3-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
19	Entering into Series of Power Generation Trading Agreements	–	2009-3-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
20	Entering into Coal Supply Framework Agreement	–	2009-3-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
21	Overseas Regulatory Announcement	–	2009-3-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
22	Announcement of Annual Results for the Year Ended 31 December 2008	–	2009-3-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
23	Announcement on Resolutions Passed at the 15th Meeting of the First Session of the Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)

Significant Events

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
24	H Shares Announcement of China Shenhua	–	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
25	H Shares Announcement of China Shenhua	–	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
26	Annual Report of China Shenhua	–	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
27	Summary of Annual Report of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
28	Announcement on Resolutions Passed at the 29th Meeting of the First Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
29	Explanatory Notes on the Appropriation of Non-operational Funds and Inflows and Outflows of Other Related Funds for the Year 2008 of China Shenhua	–	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
30	CSR Report 2008 of China Shenhua	–	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
31	Rules on the Work of the Audit Committee of the Board of Directors of China Shenhua	–	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
32	Rules on the Work of Annual Report of the Audit Committee of the Board of Directors of China Shenhua	–	2009-3-28	Website of Shanghai Stock Exchange (www.sse.com.cn)

Significant Events

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
33	Annual Report 2008	–	2009-3-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
34	CSR Report 2008	–	2009-3-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
35	Entering into Coal Supply Framework Agreement	–	2009-4-2	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
36	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 March 2009	–	2009-4-2	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
37	H Shares Announcement of China Shenhua	–	2009-4-3	Website of Shanghai Stock Exchange (www.sse.com.cn)
38	Announcement on the Major Operational Data of March and the First Quarter in 2009	–	2009-4-14	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
39	Announcement on the Major Operational Data of March and the First Quarter in 2009 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-4-15	Website of Shanghai Stock Exchange (www.sse.com.cn)
40	Proposed Appointment of Independent Non-Executive Director	–	2009-4-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
41	Overseas Regulatory Announcement	–	2009-4-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Significant Events

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
42	Announcement on Resolutions Passed at the 30th Meeting of the First Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-4-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
43	Notice of Board Meeting	–	2009-4-16	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
44	Amendments to the Articles of Association, Proposed Appointment of Director, Proposal for General Mandate to Repurchase A Shares and H Shares and Entering into Coal Supply Framework Agreement	–	2009-4-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
45	Notice of Annual General Meeting	–	2009-4-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
46	Reply Slip	–	2009-4-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
47	Form of Proxy for Annual General Meeting	–	2009-4-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
48	Notice of 2009 First Class Meeting of the Holders of H Shares	–	2009-4-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
49	Reply Slip	–	2009-4-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
50	Form of Proxy for 2009 First Class Meeting of the Holder of H Shares	–	2009-4-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Significant Events

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
51	Overseas Regulatory Announcement	–	2009-4-17	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
52	H Shares Announcement of China Shenhua	–	2009-4-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
53	H Shares Circular of China Shenhua	–	2009-4-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
54	Notice of 2008 Annual General Meeting of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-4-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
55	Notice of 2009 First Class Meeting of the Holders of A Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-4-18	Website of Shanghai Stock Exchange (www.sse.com.cn)
56	Revised Caps for Continuing Connected Transactions under the Mutual Coal Supply Agreement	–	2009-4-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
57	First Quarterly Report for the Year 2009	–	2009-4-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
58	Overseas Regulatory Announcement	–	2009-4-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
59	Announcement on Adjustment of Caps for Related Party Transactions of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-4-29	Website of Shanghai Stock Exchange (www.sse.com.cn)

Significant Events

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
60	Announcement on Resolutions Passed at the 31st Meeting of the First Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-4-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
61	First Quarterly Report of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-4-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
62	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 April 2009	–	2009-5-4	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
63	Announcement on the Major Operational Data of April 2009	–	2009-5-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
64	Announcement on the Major Operational Data of April 2009 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-5-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
65	Overseas Regulatory Announcement	–	2009-5-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
66	Information on 2008 Annual General Meeting of China Shenhua	–	2009-5-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
67	Information on 2009 First Class Meeting of the Holders of A Shares of China Shenhua	–	2009-5-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
68	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 May 2009	–	2009-6-1	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Significant Events

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
69	Voting Results of 2008 Annual General Meeting, 2009 First Class Meeting of the Holders of A Shares and 2009 First Class Meeting of the Holders of H Shares	–	2009-6-5	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
70	Announcement Notice to Creditors in relation to Repurchase of Shares of the Company	–	2009-6-5	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
71	Overseas Regulatory Announcement	–	2009-6-5	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
72	Announcement on Resolutions Passed at 2008 Annual General Meeting of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-6-6	Website of Shanghai Stock Exchange (www.sse.com.cn)
73	Announcement on Resolutions Passed at 2009 First Class Meeting of the Holders of A Shares and 2009 First Class Meeting of the Holders of H Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-6-6	Website of Shanghai Stock Exchange (www.sse.com.cn)
74	Announcement on Notice to Creditors in relation to Repurchase of Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-6-6	Website of Shanghai Stock Exchange (www.sse.com.cn)
75	Legal Opinion on 2008 Annual General Meeting, 2009 First Class Meeting of the Holders of A Shares and 2009 First Class Meeting of the Holders of H Shares of China Shenhua	–	2009-6-6	Website of Shanghai Stock Exchange (www.sse.com.cn)
76	Announcement on the Major Operational Data of May 2009	–	2009-6-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Significant Events

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
77	Announcement on the Major Operational Data of May 2009 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-6-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
78	Overseas Regulatory Announcement	–	2009-6-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
79	Announcement on Distribution of Final Dividend for 2008 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2009-6-16	Website of Shanghai Stock Exchange (www.sse.com.cn)

Notes:

- 1 “–” refers to disclosure on the specified website only without publication of the full text in the newspapers. Hong Kong Stock Exchange has implemented the “Electronic Disclosure Scheme” since 25 June 2007. According to this scheme, the full text of any H Share announcement of the Company is not required to be published in the newspapers from 25 June 2007. According to the Listing Rules of Shanghai Stock Exchange, certain A Share announcements can be disclosed on the websites and are not required to be published in the newspapers.
- 2 The Company’s A Shares were listed on Shanghai Stock Exchange since 9 October 2007. In compliance with the disclosure requirements in the listing rules of the place of listing, the Company will disclose, simultaneously in both places of listing, the contents of the announcements issued, both of which are hereby listed.

Definitions

Abbreviation	Full name
Accounting Standards for Business Enterprises	Accounting Standards for Business Enterprises (2006) and related rules and interpretations issued by the Ministry of Finance of the People's Republic of China
Australia Holdings	Shenhua Australia Holdings Pty Limited
Baoshen Railway	Shenhua Baoshen Railway Co., Ltd.
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.
Beijing Thermal	CLP Guohua Power Co., Ltd. Beijing Thermal Power Branch
Branches and Subsidiaries	Branches and subsidiaries of the Company, unless otherwise specifies
China Shenhua	China Shenhua Energy Company Limited
CSRC	China Securities Regulatory Commission
Dingzhou Power	Hebei Guohua Dingzhou Power Co., Ltd.
Guohua Power Branch	China Shenhua Guohua Power Branch
Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Company Limited
Haerwusu Coal Branch	China Shenhua Haerwusu Coal Branch
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huanghua Port	Shenhua Huanghua Harbor Administration Co., Ltd.
Huanghua Power	Hebei Guohua Candong Power Company Limited
Jiahua Power	Zhejiang Jiahua Power Generation Company Limited
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
NDRC	National Development and Reform Commission
Ninghai Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Rolling Stock Branch	China Shenhua Rolling Stock Branch
Sanhe Power	Sanhe Power Generation Co., Ltd.
Shanghai Listing Rules	Rules Governing the Listing of Shares on the Shanghai Stock Exchange
Shanghai Stock Exchange	The Shanghai Stock Exchange
Shendong Coal	Shenhua Group Shenfu Dongsheng Coal Company Limited
Shendong Coal Branch	China Shenhua Shendong Coal Branch
Shendong Power	Shenhua Shendong Power Company Limited
Shenhua Finance	Shenhua Finance Company Limited
Shenhua Group	Shenhua Group Corporation Limited
Shenhua Trading	Shenhua Coal Trading Company Limited
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Shenshuo Railway Branch	China Shenhua Shenshuo Railway Branch
Shuohuang Railway	Shuohuang Railway Development Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.

Definitions

Abbreviation

Taishan Power

Tianjin Coal Dock

Watermark

Wanli Coal Branch

Wuhai Energy

Xisanju

Yuyao Power

Zhunge'er Energy

Zhunge'er Coal Gangue Power

Zhunge'er Power

Full name

Guangdong Guohua Yuedian Taishan Electric Power Co., Ltd.

Shenhua Tianjin Coal Dock Co., Ltd.

Shenhua Watermark Coal Pty Limited

China Shenhua Wanli Coal Branch

Shenhua Wuhai Energy Company Limited

Collectively, Shenhua Wuda Mining Company Limited, Shenhua Haibowan Mining Company Limited and Shenhua Baotou Mining Company Limited, all of which are subsidiaries of Shenhua Group, and their respective subsidiaries

Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.

Shenhua Zhunge'er Energy Company Limited

Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.

Power-generating arm controlled and operated by Shenhua Zhunge'er Energy Company Limited

Review Report



To the Board of Directors of China Shenhua Energy Company Limited

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

Introduction

We have reviewed the interim financial report set out on pages 86 to 120 which comprises the consolidated balance sheet of China Shenhua Energy Company Limited as at 30 June 2009 and the related consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim financial reporting" adopted by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion 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.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting".

KPMG

Certified Public Accountants

8th Floor, Prince's Building

10 Chater Road

Central, Hong Kong

28 August 2009

Interim Financial Report

Consolidated statement of comprehensive income

for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

		Six months ended 30 June	
	Note	2009	2008
		RMB million	RMB million
Revenues			
Coal revenue		42,175	34,112
Power revenue		13,526	13,587
Other revenues	5	1,382	1,583
Total operating revenues	4	<u>57,083</u>	<u>49,282</u>
Cost of revenues			
Coal purchased from third parties		(6,060)	(6,885)
Materials, fuel and power		(3,863)	(3,257)
Personnel expenses		(2,613)	(2,213)
Depreciation and amortisation		(4,971)	(4,455)
Repairs and maintenance		(2,179)	(1,651)
Transportation charges		(4,387)	(3,203)
Others	6	(4,546)	(3,178)
Total cost of revenues		<u>(28,619)</u>	<u>(24,842)</u>
Selling, general and administrative expenses		(3,419)	(2,501)
Other operating expenses, net		(313)	(331)
Total operating expenses	7	<u>(32,351)</u>	<u>(27,674)</u>
Profit from operations		<u>24,732</u>	<u>21,608</u>
Finance income	8	927	399
Finance expenses	8	(1,850)	(1,870)
Net finance costs		(923)	(1,471)
Investment income		–	2
Share of profits less losses of associates		375	316
Profit before income tax		<u>24,184</u>	<u>20,455</u>
Income tax	9	(5,029)	(3,709)
Profit for the period		<u>19,155</u>	<u>16,746</u>
Other comprehensive income			
Exchange differences on translation of financial statements of overseas subsidiaries	10	347	–
Share of associate's revaluation surplus		–	126
		<u>347</u>	<u>126</u>
Total comprehensive income for the period		<u>19,502</u>	<u>16,872</u>
Profit attributable to:			
Equity shareholders of the Company		16,920	14,817
Minority interests		2,235	1,929
Profit for the period		<u>19,155</u>	<u>16,746</u>
Total comprehensive income attributable to:			
Equity shareholders of the Company		17,265	14,889
Minority interests		2,237	1,983
Total comprehensive income for the period		<u>19,502</u>	<u>16,872</u>
Earnings per share (RMB)			
- Basic	12	0.851	0.745
- Diluted		0.851	0.745

The notes on pages 94 to 120 form part of this interim financial report. Details of dividends paid to equity shareholders of the Company are set out in Note 11.

Interim Financial Report

Consolidated balance sheet

at 30 June 2009 – unaudited

(Expressed in Renminbi)

	Note	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Non-current assets			
Property, plant and equipment, net	13	145,617	145,253
Construction in progress		40,580	33,017
Intangible assets		2,853	2,435
Interest in associates		3,335	3,045
Other investments		805	831
Other non-current assets	14	6,357	6,373
Lease prepayments	15	6,135	6,011
Deferred tax assets		639	669
Total non-current assets		206,321	197,634
Current assets			
Inventories	16	8,805	7,842
Accounts and bills receivable, net	17	6,664	8,236
Prepaid expenses and other current assets	18	2,624	2,337
Restricted bank deposits		429	241
Time deposits with original maturity over three months		32,641	196
Cash and cash equivalents	19(a)	30,811	59,054
Total current assets		81,974	77,906
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	20	18,169	18,213
Accounts and bills payable	21	12,814	9,642
Accrued expenses and other payables	22	15,429	12,410
Current portion of long-term payables	23	379	264
Income tax payable		2,788	2,127
Total current liabilities		49,579	42,656
Net current assets		32,395	35,250
Total assets less current liabilities		238,716	232,884
Non-current liabilities			
Long-term borrowings, less current portion	20	52,492	56,045
Long-term payables, less current portion	23	2,733	2,765
Accrued reclamation obligations	24	1,964	1,869
Deferred tax liabilities		649	462
Total non-current liabilities		57,838	61,141
Net assets		180,878	171,743
Equity			
Share capital	25	19,890	19,890
Reserves		135,710	127,542
Equity attributable to equity shareholders of the Company		155,600	147,432
Minority interests		25,278	24,311
Total equity		180,878	171,743

Approved and authorised for issue by the Board of Directors on 28 August 2009.

Zhang Xiwu

Chairman

Ling Wen

Director and President

The notes on pages 94 to 120 form part of this interim financial report.

Interim Financial Report

Consolidated statement of changes in equity

for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital	Share premium	Capital reserve	Revaluation reserve	Exchange reserve	Statutory reserves	Other reserves	Retained earnings	Total	Minority interests	Total equity
	RMB million (Note 25)	RMB million (Note (i))	RMB million (Note (ii))	RMB million (Note (iii))	RMB million	RMB million (Note (iv))	RMB million	RMB million (Note (iv))	RMB million	RMB million	RMB million
At 1 January 2008	19,890	85,001	(6,591)	7,180	-	6,263	(230)	18,275	129,788	20,016	149,804
Total comprehensive income:											
Profit for the period	-	-	-	-	-	-	-	14,817	14,817	1,929	16,746
Other comprehensive income (share of associate's revaluation surplus (Note (v)))	-	-	-	-	-	-	72	-	72	54	126
Total comprehensive income for the period	-	-	-	-	-	-	72	14,817	14,889	1,983	16,872
Other movements:											
Dividend declared (Note 11)	-	-	-	-	-	-	-	(9,325)	(9,325)	-	(9,325)
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	1,113	1,113
Distributions to minority shareholders	-	-	-	-	-	-	-	-	-	(436)	(436)
Realisation of deferred tax	-	-	-	-	-	-	(4)	4	-	-	-
Sub-total	-	-	-	-	-	-	(4)	(9,321)	(9,325)	677	(8,648)
At 30 June 2008	19,890	85,001	(6,591)	7,180	-	6,263	(162)	23,771	135,352	22,676	158,028
At 1 July 2008	19,890	85,001	(6,591)	7,180	-	6,263	(162)	23,771	135,352	22,676	158,028
Total comprehensive income:											
Profit for the period	-	-	-	-	-	-	-	11,824	11,824	1,329	13,153
Other comprehensive income (exchange difference on translation of financial statements of overseas subsidiaries)	-	-	-	-	(115)	-	-	-	(115)	-	(115)
Total comprehensive income for the period	-	-	-	-	(115)	-	-	11,824	11,709	1,329	13,038
Other movements:											
Appropriation of profits (Note (iv))	-	-	-	-	-	2,274	-	(2,274)	-	-	-
Adjustment of profit appropriation for prior years (Note (iv))	-	-	-	-	-	278	-	(278)	-	-	-
Appropriation of maintenance and production funds (Note (iv))	-	-	-	-	-	3,368	-	(3,368)	-	-	-
Utilisation of maintenance and production funds (Note (iv))	-	-	-	-	-	(2,119)	-	2,119	-	-	-
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	1,056	1,056
Distributions to minority shareholders	-	-	-	-	-	-	-	-	-	(517)	(517)
Acquisition of minority interests (Note (vi))	-	-	-	-	-	-	271	-	271	(271)	-
Realisation of deferred tax	-	-	-	-	-	-	(8)	8	-	-	-
Realisation of revaluation reserve	-	-	-	(20)	-	-	-	20	-	-	-
Others	-	-	-	-	-	-	100	-	100	38	138
Sub-total	-	-	-	(20)	-	3,801	363	(3,773)	371	306	677
At 31 December 2008	19,890	85,001	(6,591)	7,160	(115)	10,064	201	31,822	147,432	24,311	171,743

The notes on pages 94 to 120 form part of this interim financial report.

Interim Financial Report

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company											
	Share capital	Share premium	Capital reserve	Revaluation reserve	Exchange reserve	Statutory reserves	Other reserves	Retained earnings	Total	Minority interests	Total equity	
	RMB million (Note 25)	RMB million (Note (i))	RMB million (Note (ii))	RMB million (Note (iii))	RMB million	RMB million (Note (iv))	RMB million	RMB million (Note (iv))	RMB million	RMB million	RMB million	RMB million
At 1 January 2009	19,890	85,001	(6,591)	7,160	(115)	10,064	201	31,822	147,432	24,311	171,743	
Total comprehensive income:												
Profit for the period	-	-	-	-	-	-	-	16,920	16,920	2,235	19,155	
Other comprehensive income (exchange difference on translation of financial statements of overseas subsidiaries)	-	-	-	-	345	-	-	-	345	2	347	
Total comprehensive income for the period	-	-	-	-	345	-	-	16,920	17,265	2,237	19,502	
Other movements:												
Dividend declared (Note 11)	-	-	-	-	-	-	-	(9,149)	(9,149)	-	(9,149)	
Adjustment of profit appropriation for prior years (Note (iv))	-	-	-	-	-	(278)	-	278	-	-	-	
Appropriation of maintenance and production funds (Note (iv))	-	-	-	-	-	1,666	-	(1,666)	-	-	-	
Utilisation of maintenance and production funds (Note (iv))	-	-	-	-	-	(545)	-	545	-	-	-	
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	1,512	1,512	
Distributions to minority shareholders	-	-	-	-	-	-	-	-	-	(2,730)	(2,730)	
Acquisition of minority interests (Note (vi))	-	-	-	-	-	-	52	-	52	(52)	-	
Realisation of deferred tax	-	-	-	-	-	-	(15)	15	-	-	-	
Realisation of revaluation reserve	-	-	-	(14)	-	-	-	14	-	-	-	
Sub-total	-	-	-	(14)	-	843	37	(9,963)	(9,097)	(1,270)	(10,367)	
At 30 June 2009	19,890	85,001	(6,591)	7,146	230	10,907	238	38,779	155,600	25,278	180,878	

The notes on pages 94 to 120 form part of this interim financial report.

Interim Financial Report

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

Notes:

- (i) The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received upon the global initial public offering of H shares in 2005 and the issue of A shares in 2007.
- (ii) The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets, net of revaluation and other reserves, transferred from Shenhua Group Corporation Limited (“Shenhua Group”) in connection with the Restructuring (as defined in Note 1).
- (iii) As required by the relevant PRC rules and regulations with respect to the Restructuring (as defined in Note 1), the property, plant and equipment of the Group as at 31 December 2003 were revalued by China Enterprise Appraisal Co., Ltd., independent valuers registered in the PRC, on a depreciated replacement cost basis.
- (iv) Statutory reserves

Statutory surplus reserve

According to the Company’s Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the China Accounting Standards for Business Enterprises (2006) (“China Accounting Standards”) to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

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

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

Interim Financial Report

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

(iv) Statutory reserves (continued)

Specific reserve – maintenance and production funds

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

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

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

Interim Financial Report

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

(iv) Statutory reserves (continued)

Discretionary surplus reserve

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

The directors have not proposed any appropriation to the statutory surplus reserve or discretionary surplus reserve for the six months ended 30 June 2009 and 2008.

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

(vi) In July 2008, the Company injected its 50% equity interest in Suizhong Power Co., Ltd., 65% equity interest in Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd. and cash of RMB565 million, as capital contributions to Shenhua Guohua International Power Co., Ltd. ("Guohua International"). Accordingly, the Company's shareholding in Guohua International was increased from 51% to 73%, which was determined based on the actual capital contributions received from the Company and the minority shareholder of Guohua International up to 31 December 2008.

In June 2009, the minority shareholder of Guohua International injected additional cash of RMB292 million as capital contribution to Guohua International. Accordingly, the Company's shareholding in Guohua International was decreased from 73% to 70%.

Interim Financial Report

Consolidated statement of cash flows

for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2009 RMB million	2008 RMB million
Operating activities			
Cash generated from operations	19(b)	33,328	25,558
Interest received		602	349
Interest paid		(2,142)	(2,110)
Income tax paid		(4,151)	(3,234)
Net cash generated from operating activities		27,637	20,563
Investing activities			
Capital expenditure		(10,413)	(14,174)
Lease prepayments		(191)	(68)
Acquisition of a subsidiary	19(c)	–	(367)
Purchase of associates		(74)	(84)
Proceeds from disposal of other investments		5	–
Proceeds from disposal of property, plant and equipment		57	36
Dividend received from associates		159	207
Dividend received from other investments		–	2
Increase in restricted bank deposits		(205)	–
Decrease in restricted bank deposits		17	–
Increase in time deposits with original maturity over three months		(60,770)	(101)
Maturity of time deposits with original maturity over three months		28,325	2
Net cash used in investing activities		(43,090)	(14,547)
Financing activities			
Proceeds from borrowings		21,701	19,331
Repayments of borrowings		(24,938)	(11,723)
Repayments of bonds		–	(453)
Contributions from minority shareholders		1,383	1,113
Distributions to minority shareholders		(1,787)	(1,239)
Dividend paid to equity shareholders of the Company		(9,149)	(9,325)
Net cash used in financing activities		(12,790)	(2,296)
Net (decrease)/increase in cash and cash equivalents		(28,243)	3,720
Cash and cash equivalents, at the beginning of the period		59,054	53,404
Cash and cash equivalents, at the end of the period		30,811	57,124

The notes on pages 94 to 120 form part of this interim financial report.

Interim Financial Report

Notes to the unaudited interim financial report

for the six months ended 30 June 2009

(Expressed in Renminbi)

1 Principal activities and organisation

Principal activities

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

Organisation

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

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

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

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

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

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

2 Basis of preparation

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, including compliance with International Accounting Standard 34 “Interim financial reporting” (“IAS 34”) adopted by International Accounting Standards Board (“IASB”). It was authorised for issue on 28 August 2009.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2008 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2009 annual financial statements. Details of these changes in accounting policies are set out in Note 3.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

The interim financial report contains consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2008 annual financial statements. The interim financial report and notes thereon do not include all of the information required for full set of financial statements prepared in accordance with International Financial Reporting Standards (“IFRSs”).

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, “Review of interim financial information performed by the independent auditor of the entity” issued by the Hong Kong Institute of Certified Public Accountants. KPMG’s independent review report to the Board of Directors is included on page 85.

The financial information relating to the financial year ended 31 December 2008 that is included in the interim financial report as being previously reported information does not constitute the Group’s annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group’s annual financial statements for the year ended 31 December 2008 are available at the Company’s registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 27 March 2009.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

3 New and revised IFRSs

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

- IFRS 8, *Operating segments*
- IAS 1 (revised 2007), *Presentation of financial statements*
- IAS 27, *Consolidated and separate financial statements – cost of an investment in a subsidiary, jointly controlled entity or associate*

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

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

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

*(Expressed in Renminbi)***3 New and revised IFRSs (continued)**

- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investee, rather than as income. Consequently, as a result, all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the profit or loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

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

4 Revenues

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

5 Other revenues

	<i>Six months ended 30 June</i>	
	2009	<i>2008</i>
	RMB million	<i>RMB million</i>
Rendering of transportation and other services	1,124	1,121
Sale of ancillary materials and other goods	124	272
Others	134	190
	1,382	1,583

6 Cost of revenues - others

	<i>Six months ended 30 June</i>	
	2009	<i>2008</i>
	RMB million	<i>RMB million</i>
Coal selection and minery fees	1,456	878
Coal extraction service costs	129	122
Taxes and surcharges	548	479
Dredging expenses	127	154
Relocation compensation expenses	186	165
Resources compensation fees	294	137
Pollutants discharge expenses	141	132
Cost of sale of ancillary materials and other goods, and provision of other activities	473	521
Public utilities expenses	26	35
Others	1,166	555
	4,546	3,178

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

7 Total operating expenses

	<i>Six months ended 30 June</i>	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Personnel expenses, including	3,938	3,192
- contributions to retirement plans	482	401
- fair value loss/(gain) on revaluation of share appreciation rights	53	(35)
Depreciation and amortisation	5,457	4,699
Net loss on disposal of property, plant and equipment	134	57
Operating lease charges on properties	134	106
Allowance for accounts receivable and other receivables and write down of inventories	63	49
Impairment losses on property, plant and equipment	238	150

8 Finance income/(expenses)

	<i>Six months ended 30 June</i>	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Interest income	602	349
Foreign exchange gain, net	325	–
Gain on remeasurement of derivative financial instruments at fair value	–	50
Finance income	927	399
Interest on loans from banks and other financial institutions, and other borrowings wholly repayable within five years	(2,190)	(2,234)
Less: Interest expense capitalised	570	432
Net interest expense	(1,620)	(1,802)
Foreign exchange loss, net	–	(68)
Loss on remeasurement of derivative financial instruments at fair value	(230)	–
Finance expenses	(1,850)	(1,870)
Net finance costs	(923)	(1,471)

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

*(Expressed in Renminbi)***9 Income tax**

	<i>Six months ended 30 June</i>	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Provision for PRC income tax	4,812	3,496
Deferred taxation	217	213
	5,029	3,709

The provision for PRC current income tax is based on a statutory rate of 25% (six months ended 30 June 2008: 25%) of the assessable profit of the entities comprising the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain branches and subsidiaries of the Company, which are exempted or taxed at preferential rates.

Pursuant to the grandfathering arrangement under the Corporate Income Tax Law of the PRC, the Group's subsidiaries with operations in the western developing region of the PRC are entitled to preferential tax rates until the preferential periods are expired. The preferential tax rates are 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 and after, respectively.

The applicable tax rates of the subsidiaries established in Australia and Indonesia are 30% and 25% respectively. No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during the current and prior periods.

10 Other comprehensive income

The components of other comprehensive income do not have any significant tax effect for the six months ended 30 June 2009 and 2008.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

*(Expressed in Renminbi)***11 Dividends****(a) Dividends approved during the period**

	<i>Six months ended 30 June</i>	
	2009	<i>2008</i>
	<i>RMB million</i>	<i>RMB million</i>
Special dividend to the Company's domestic stated-owned share and H share shareholders, resolved and paid during the period	–	5,745
Final dividend in respect of the previous financial year, declared and paid during the period	9,149	3,580
	9,149	9,325

(i) Special dividend

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

(ii) Final dividend

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

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

(b) Dividends payable to equity shareholders of the Company attributable to the period

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2009 (six months ended 30 June 2008: Nil).

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

12 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2009 was based on the profit attributable to equity shareholders of the Company for the period of RMB16,920 million (six months ended 30 June 2008: RMB14,817 million) and the number of shares in issue during the six months ended 30 June 2009 of 19,890 million (six months ended 30 June 2008: 19,890 million).

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

13 Property, plant and equipment, net

During the six months ended 30 June 2009, the additions of property, plant and equipment (including transferred from construction in progress) of the Group amounted to RMB6,169 million (six months ended 30 June 2008: RMB9,249 million). Items of property, plant and equipment with net book value totalling RMB191 million were disposed of during the six months ended 30 June 2009 (six months ended 30 June 2008: RMB93 million).

The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying value of RMB1,574 million as at 30 June 2009 (31 December 2008: RMB1,080 million), of which RMB572 million relating to newly acquired properties during the six months ended 30 June 2009. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

Certain power plants and mines of the Group are in the process of obtaining requisite permits from the relevant government authorities at 30 June 2009. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

During the six months ended 30 June 2009, impairment losses of RMB238 million (six months ended 30 June 2008: RMB150 million) were provided for certain property, plant and equipment, which were obsolete, damaged or that could not generate future economic benefits.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

*(Expressed in Renminbi)***14 Other non-current assets**

	At 30 June 2009	<i>At 31 December 2008</i>
	RMB million	<i>RMB million</i>
Prepayments in connection with construction work and equipment purchases	3,127	3,143
Prepayment for a mining project	2,500	2,500
Long-term entrusted loans	730	730
	6,357	6,373

15 Lease prepayments

Lease prepayments represent land use rights paid to the PRC's governmental authorities. The Group was in the process of applying for the title certificates of certain land use rights with a carrying amount of RMB1,155 million as at 30 June 2009 (31 December 2008: RMB1,091 million), of which RMB194 million were newly acquired during the six months ended 30 June 2009. The directors of the Company are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

16 Inventories

	At 30 June 2009	<i>At 31 December 2008</i>
	RMB million	<i>RMB million</i>
Coal	2,015	1,621
Materials and supplies	5,731	5,220
Others (Note)	1,059	1,001
	8,805	7,842

Note: Others mainly represent properties under development.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

17 Accounts and bills receivable, net

	At 30 June 2009 RMB million	<i>At 31 December 2008 RMB million</i>
Accounts receivable		
Shenhua Group and its affiliates	203	200
Associates	5	2
Third parties	6,167	7,380
	6,375	7,582
Allowance for doubtful debts	(58)	(57)
	6,317	7,525
Bills receivable	347	711
	6,664	8,236

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

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

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

	At 30 June 2009 RMB million	<i>At 31 December 2008 RMB million</i>
Current	6,664	8,131
Less than one year past due	–	105
	6,664	8,236

18 Prepaid expenses and other current assets

	At 30 June 2009 RMB million	<i>At 31 December 2008 RMB million</i>
Fair value of derivative financial instruments	279	509
Prepaid expenses and deposits	1,586	1,338
Amounts due from Shenhua Group and its affiliates	230	70
Amounts due from associates	59	49
Advances to staff	108	86
Other receivables	362	285
	2,624	2,337

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

19 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

	At 30 June 2009 RMB million	<i>At 31 December 2008 RMB million</i>
Time deposits with original maturity within three months	10,171	13,200
Cash at bank and in hand	20,640	45,854
Cash and cash equivalents in the consolidated balance sheet and the consolidated statement of cash flows	30,811	59,054

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

	Six months ended 30 June 2009 RMB million	<i>2008 RMB million</i>
Profit before income tax	24,184	20,455
Adjustments for:		
Depreciation and amortisation	5,457	4,699
Impairment losses on property, plant and equipment	238	150
Net loss on disposal of property, plant and equipment	134	57
Investment income	–	(2)
Interest income	(602)	(349)
Share of profits less losses of associates	(375)	(316)
Net interest expense	1,620	1,802
Loss/(gain) on remeasurement of derivative financial instruments to fair value	230	(50)
Unrealised foreign exchange (gain)/loss	(359)	14
	30,527	26,460
Decrease/(increase) in accounts and bills receivable	1,572	(284)
Increase in inventories	(963)	(1,055)
(Increase)/decrease in prepaid expenses and other assets	(450)	528
Increase in accounts and bills payable	698	81
Increase/(decrease) in accrued expenses and other payables, long-term payables and accrued reclamation obligations	1,944	(172)
Cash generated from operations	33,328	25,558

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

*(Expressed in Renminbi)***19 Cash and cash equivalents (continued)****(c) Net outflow of cash and cash equivalents in respect of the acquisition of a subsidiary**

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

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

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

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

	<i>RMB million</i>
Cash consideration	400
Cash and cash equivalents acquired	(33)
Net outflow of cash and cash equivalents	<u>367</u>

(d) Major non-cash transaction

During the six months ended 30 June 2009, the minority shareholder of the Company's subsidiary injected an exploration right of RMB129 million to that subsidiary, and the minority interests of the Group increased accordingly.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

20 Borrowings

Short-term borrowings and long-term borrowings are analysed as follows:

	At 30 June 2009 RMB million	<i>At 31 December 2008 RMB million</i>
Short-term borrowings		
Borrowings from banks and other financial institutions	14,539	13,119
Current portion of long-term borrowings	3,630	5,094
	18,169	18,213
Long-term borrowings, less current portion	52,492	56,045
	70,661	74,258

The long-term borrowings were repayable as follows:

	At 30 June 2009 RMB million	<i>At 31 December 2008 RMB million</i>
Within one year	3,630	5,094
After one year but within two years	9,169	9,379
After two years but within five years	18,108	21,047
After five years	25,215	25,619
	56,122	61,139

21 Accounts and bills payable

	At 30 June 2009 RMB million	<i>At 31 December 2008 RMB million</i>
Accounts payable		
Shenhua Group and its affiliates	321	208
Associates	405	336
Third parties	11,849	9,097
	12,575	9,641
Bills payable	239	1
	12,814	9,642

The accounts payable amounting to RMB91 million (31 December 2008: RMB90 million) are expected to be settled after one year.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

*(Expressed in Renminbi)***22 Accrued expenses and other payables**

	At 30 June 2009	<i>At 31 December 2008</i>
	RMB million	<i>RMB million</i>
Accrued staff wages and welfare benefits	2,915	2,539
Accrued interest payable	124	179
Taxes payable other than income tax	4,071	3,626
Dividends payable to minority shareholders	1,086	143
Receipt in advances	2,672	2,033
Other accrued expenses and payables	4,561	3,890
	15,429	12,410

23 Long-term payables

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

24 Accrued reclamation obligations

The accrual for reclamation costs has been determined based on management's best estimates. However, so far as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The Group believes that the accrued reclamation obligations at 30 June 2009 are adequate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

25 Share capital

	At 30 June 2009	<i>At 31 December 2008</i>
	RMB million	<i>RMB million</i>
Registered, issued and fully paid:		
16,491,037,955 domestic listed A shares of RMB1.00 each	16,491	16,491
3,398,582,500 H shares of RMB1.00 each	3,399	3,399
	19,890	19,890

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

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

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

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

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

Pursuant to CaiQi [2009] No.94 "Policy regarding transfer of certain state-owned shares to Social Security Fund in domestic securities market" and Pronouncement of 2009 No.63 "Notice of implementation of transfer of state-owned shares in domestic securities market" issued by the relevant government authorities on 19 June 2009, Shenhua Group is required to transfer its 180,000,000 shares of the Company's A shares, being 10% of the A Shares Issue, to the National Council for Social Security Fund.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

*(Expressed in Renminbi)***26 Commitments and contingent liabilities****(a) Capital commitments**

As at 30 June 2009, the Group had capital commitments for land and buildings, equipment and investments as follows:

	At 30 June 2009	<i>At 31 December 2008</i>
	RMB million	<i>RMB million</i>
Authorised and contracted for		
- Land and buildings	16,099	13,252
- Machinery and other equipment	18,068	18,708
- Investment in an associate	244	318
	34,411	32,278
Authorised but not contracted for		
- Land and buildings	27,490	23,472
- Machinery and other equipment	17,094	18,497
	44,584	41,969

(b) Operating lease commitments

Operating lease commitments mainly represent business premises leased through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. As at 30 June 2009, future minimum lease payments under non-cancellable operating leases on business premises having initial or remaining lease terms of more than one year are payable as follows:

	At 30 June 2009	<i>At 31 December 2008</i>
	RMB million	<i>RMB million</i>
Within one year	86	77
After one year but within five years	128	131
After five years	70	44
	284	252

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

26 Commitments and contingent liabilities (continued)

(c) Legal contingencies

The Group is a 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.

(d) Environmental contingencies

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

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

27 Related party transactions

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

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

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

		Six months ended 30 June	
		2009	2008
		RMB million	RMB million
Interest income	(i)	2	3
Income from entrusted loans	(ii)	25	24
Interest expense	(iii)	69	61
Purchases of ancillary materials and spare parts	(iv)	695	553
Ancillary and social services	(v)	188	85
Transportation services income	(vi)	269	138
Transportation services expense	(vii)	75	144
Sale of coal	(viii)	756	810
Purchase of coal	(ix)	2,351	2,169
Property leasing	(x)	15	7
Repairs and maintenance services expense	(xi)	10	11
Coal export agency expense	(xii)	32	41
Income from equipment installation and construction work	(xiii)	56	31
Purchase of equipment and construction work	(xiv)	165	334
Other income	(xv)	68	89

- (i) Interest income represents interest earned from deposits placed with an associate. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by the People's Bank of China ("PBOC").
- (ii) Income from entrusted loans represents interest earned from entrusted loans to associates. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by PBOC.
- (iii) Interest expense represents interest incurred in respect of borrowings from Shenhua Group and its affiliates. The applicable interest rate is determined in accordance with the prevailing borrowing rates published by PBOC.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

27 Related party transactions (continued)

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

- (iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies from the affiliates of Shenhua Group related to the Group's operations.
- (v) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to the affiliates of Shenhua Group and certain associates.
- (vi) Transportation services income represents income earned from the Group's associate and affiliates of Shenhua Group in respect of coal transportation services.
- (vii) Transportation services expense represents expense related to coal transportation services provided by an affiliate of Shenhua Group and certain associates.
- (viii) Sale of coal represents income from sale of coal to the affiliates of Shenhua Group and certain associates.
- (ix) Purchase of coal represents coal purchased from the affiliates of Shenhua Group and certain associates.
- (x) Property leasing represents rental paid or payable in respect of properties leased from the affiliates of Shenhua Group.
- (xi) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by an affiliate of Shenhua Group and certain associates.
- (xii) Coal export agency expense represents expense related to coal export agency services provided by an affiliate of Shenhua Group.
- (xiii) Income from equipment installation and construction work represents equipment installation and construction service provided to an affiliate of Shenhua Group and certain associates.
- (xiv) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by the affiliates of Shenhua Group and certain associates.
- (xv) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, etc.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

27 Related party transactions (continued)

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

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

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

	Note	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Cash and cash equivalents	19(a)	470	385
Accounts receivable	17	208	202
Prepaid expenses and other current assets	18	289	119
Other non-current assets	14	739	743
Total amounts due from Shenhua Group and its affiliates, and the associates of the Group		1,706	1,449
Borrowings	20	2,147	2,147
Accounts payable	21	726	544
Accrued expenses and other payables	22	203	121
Total amounts due to Shenhua Group and its affiliates, and the associates of the Group		3,076	2,812

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

(b) Key management personnel emoluments

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

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

	Six months ended 30 June 2009 RMB million	2008 RMB million
Short-term employee benefits	2	3
Post-employment benefits	1	1
	3	4
Fair value loss/(gain) on revaluation of share appreciation rights	18	(21)

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

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Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

27 Related party transactions (continued)

(c) Contributions to post-employment benefit plans

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 28.

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

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

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

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

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

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Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

*(Expressed in Renminbi)***27 Related party transactions (continued)*****(d) Transactions with other state-controlled entities in the PRC (continued)***

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

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

	<i>Six months ended 30 June</i>	
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Coal revenue	22,564	16,344
Power revenue	13,288	13,455
Transportation costs	2,294	1,842
Interest income	600	346
Interest expenses	2,025	2,091

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

	<i>At 30 June</i>	<i>At 31 December</i>
	2009	2008
	<i>RMB million</i>	<i>RMB million</i>
Accounts receivable	3,363	4,660
Cash and time deposits at banks	62,980	58,667
Borrowings	68,514	72,111
Accrued expenses and other payables	957	542

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

*(Expressed in Renminbi)***28 Employee benefits plan**

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the six months ended 30 June 2009 were RMB482 million (six months ended 30 June 2008: RMB401 million).

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

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

Upon exercise of the said rights, the exercising participant will, subject to the restrictions under the scheme, receive a payment in RMB, after deducting any applicable withholding tax, equal to the product of the number of rights exercised and the difference between the exercise price and market price of the H shares of the Company at the time of exercise. The exercise price of granted share appreciation rights as approved by the Board of Directors is HKD7.90, HKD11.80 or HKD33.80 depending on the grant date. The weighted average difference between the exercise price for share appreciation rights exercised during the period and the share price at the date of exercise was RMB13 (six months ended 30 June 2008: Nil).

The fair value of the share appreciation rights was remeasured as at 30 June 2009 of RMB98 million (31 December 2008: RMB47 million) and an expense of RMB53 million (six months ended 30 June 2008: an income of RMB35 million) was recognised for the six months ended 30 June 2009.

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

	At 30 June 2009	<i>At 31 December 2008</i>
	Million shares	<i>Million shares</i>
At the beginning of the period/year	6.7	7.8
Exercised during the period/year	(0.2)	(1.1)
Forfeited during the period/year	(0.1)	–
At the end of the period/year	6.4	6.7

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

29 Segment and other information

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

- (1) Coal operations – which produces coal from surface and underground mines, and the sale of coal to external customers and the power segment. The Group primarily sells its coal under long-term coal supply contracts which typically allow the parties to make annual price adjustments.
- (2) Railway operations – which provides railway transportation services to the coal mining segment and external customers. The rates of freight charges billed to the coal mining segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.
- (3) Port operations – which provides loading, transportation and storage services to the coal mining segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.
- (4) Power operations – which uses coal, sourced from the coal mining segment and purchased from external suppliers, to generate electric power for sale to external power grid companies and to the coal segment. Electric power is sold to the power grid companies in accordance with planned power output at the tariff rates as approved by the relevant government authorities. Electric power produced in excess of the planned power output is sold at the tariff rate as agreed upon with the respective power grid companies which are generally lower than the tariff rates for planned power output.

Interim Financial Report

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

29 Segment and other information (continued)

(a) Segment results

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

Information regarding the Group's reportable segments as provided to the Group's most senior executive management for the purposes of resource allocation and assessment of segment performance for the six months ended 30 June 2009 and 2008 is set out below.

	Six months ended 30 June									
	Coal		Railway		Port		Power		Total	
	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million	2009 RMB million	2008 RMB million
Revenue from external customers	42,470	34,457	913	920	65	27	13,635	13,878	57,083	49,282
Inter-segment revenue	5,798	6,601	8,717	7,850	932	966	193	32	15,640	15,449
Reportable segment revenue	48,268	41,058	9,630	8,770	997	993	13,828	13,910	72,723	64,731
Reportable segment profit before income tax	17,263	14,375	4,989	4,626	130	66	1,473	1,291	23,855	20,358
Including:										
Net interest expense	(272)	(207)	(203)	(228)	(153)	(176)	(1,076)	(1,222)	(1,704)	(1,833)
Depreciation and amortisation	(2,180)	(1,720)	(896)	(802)	(336)	(308)	(2,036)	(1,867)	(5,448)	(4,697)
Share of profits less losses of associates	335	267	15	16	2	-	23	33	375	316

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Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

29 Segment and other information (continued)

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

	Six months ended 30 June	
	2009	2008
	RMB million	RMB million
Revenues		
Reportable segment revenue	72,723	64,731
Elimination of inter-segment revenue	(15,640)	(15,449)
Consolidated revenues	57,083	49,282
Profit		
Reportable segment profit	23,855	20,358
Elimination of inter-segment losses/(profits)	78	(215)
Unallocated head office and corporate expenses	251	312
Consolidated profit before income tax	24,184	20,455

(c) Other information

Certain other information of the Group's segments for the six months ended 30 June 2009 and 2008 is set out below:

	Six months ended 30 June													
	Coal		Railway		Port		Power		Unallocated items		Eliminations		Total	
	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB	RMB
	million	million	million	million	million	million	million	million	million	million	million	million	million	million
Coal purchased from third parties	6,060	6,885	-	-	-	-	-	-	-	-	-	-	6,060	6,885
Cost of coal production	9,034	6,612	-	-	-	-	-	-	-	(2,042)	(2,355)	6,992	4,257	
Cost of coal transportation	13,134	11,351	4,011	3,118	654	652	-	-	-	(10,722)	(10,457)	7,077	4,664	
Power cost	-	-	-	-	-	-	10,260	10,417	-	-	(2,945)	(2,422)	7,315	7,995
Others	393	275	516	512	50	21	216	233	-	-	-	-	1,175	1,041
Total cost of revenues	28,621	25,123	4,527	3,630	704	673	10,476	10,650	-	-	(15,709)	(15,234)	28,619	24,842
Profit from operations	17,180	14,347	4,850	4,868	260	222	2,517	2,496	(153)	(110)	78	(215)	24,732	21,608
Capital expenditure (Note (i))	3,689	5,981	1,244	332	125	141	8,767	7,482	83	584	-	-	13,908	14,520

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Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2009

(Expressed in Renminbi)

29 Segment and other information (continued)

(c) Other information (continued)

	Coal		Railway		Port		Power		Unallocated items		Eliminations		Total	
	At 30 June 2009 RMB million	At 31 December 2008 RMB million	At 30 June 2009 RMB million	At 31 December 2008 RMB million	At 30 June 2009 RMB million	At 31 December 2008 RMB million	At 30 June 2009 RMB million	At 31 December 2008 RMB million	At 30 June 2009 RMB million	At 31 December 2008 RMB million	At 30 June 2009 RMB million	At 31 December 2008 RMB million	At 30 June 2009 RMB million	At 31 December 2008 RMB million
Total assets (Note (i))	117,237	96,522	40,928	38,782	10,246	10,266	100,802	94,232	140,906	151,203	(121,824)	(115,465)	288,295	275,540
Total liabilities (Note (ii))	(70,953)	(61,782)	(18,320)	(20,091)	(5,392)	(5,547)	(74,480)	(71,231)	(59,721)	(60,158)	121,449	115,012	(107,417)	(103,797)

Notes:

- (i) Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.
- (ii) Unallocated items of total assets include deferred tax assets and other unallocated corporate assets. Unallocated items of total liabilities include deferred tax liabilities and other unallocated corporate liabilities.

30 Comparative figures

Certain comparative figures have been adjusted to conform to current period's presentation. Further details are disclosed in Note 3.

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