



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

Interim Report 2010



For more information, please visit
www.csec.com

Beijing Office Address

Shenhua Tower
22 Xibinhe Road, Andingmen
Dongcheng District,
Beijing, China
Postal Code 100011
Tel: + 8610 5813 3399
+ 8610 5813 3355
Fax: + 8610 5813 1804

Hong Kong Office Address

Room B, 60th Floor,
Bank of China Tower,
1 Garden Road,
Central, Hong Kong
Tel: + 852 2578 1635
Fax: + 852 2915 0638

Contents

Company Profile	2
Results Highlights	5
Chairman's Statement	6
Directors' Report	11
Major Financial Data and Indicators	47
Changes in Equity and Shareholdings of Substantial Shareholders	50
Directors, Supervisors, Senior Management and Employees	54
Significant Events	56
Investor Relations	69
Review Report	71
Interim Financial Report	72
Documents Available for Inspection	101
Signing Page for Opinions	102
Definitions	105

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 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 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 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 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.

Cover photo

*Midsummer Aqua-farmland adjacent
to the Bulianta Mine*

Company Profile

1. 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: CSEC/China Shenhua
2. Legal Representative: Zhang Xiwu
3. Secretary to the Board of Directors: Huang Qing
Tel: (8610) 5813 3399
Fax: (8610) 5813 1804/1814
E-mail: 1088@csec.com
Address: 22 Andingmen Xibinhe Road, Dongcheng District, Beijing

Representative of Securities Affairs: Chen Guangshui
Tel: (8610) 5813 3355
Fax: (8610) 5813 1804/1814
E-mail: 1088@csec.com
Address: 22 Andingmen Xibinhe Road, Dongcheng District, Beijing
4. Registered and Office Address: 22 Andingmen Xibinhe Road, Dongcheng District, Beijing
Postal Code: 100011
Internet Website: <http://www.csec.com> or <http://www.shenhuachina.com>
E-mail: 1088@csec.com
5. Newspapers for Information Disclosure: China Securities Journal, Shanghai Securities News and Securities Times
Internet website designated by China Securities Regulatory Commission for publishing A shares half-year report: <http://www.sse.com.cn>
Internet website designated by The Stock Exchange of Hong Kong Limited for publishing H shares interim report: <http://www.hkex.com.hk>
The above reports are available at: 22 Andingmen Xibinhe Road, Dongcheng District, Beijing
6. 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: The Stock Exchange of Hong Kong Limited
Stock Short Name for H shares: China Shenhua
Stock Code for H shares: 01088
Listing Date: 15 June 2005

7. Date of first business registration: 8 November 2004
Location of first business registration: Beijing
Date of latest change in business registration: 17 June 2009
Location of latest 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
8. PRC Auditor: KPMG Huazhen
Office address of the PRC Auditor: 8th Floor, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing
International Auditor: KPMG
Office address of the International Auditor: 8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong
9. Authorised Representatives
Ling Wen, Huang Qing
10. Joint Company Secretaries
Huang Qing, Ng Chai Ngee (Hong Kong practising solicitor) ^{Note}
11. Investor Contacts
Investor Relations Department, China Shenhua Energy Company Limited
Address: 22 Andingmen Xibinhe Road, Dongcheng District, Beijing
Postal Code: 100011
Tel: (8610) 5813 3399/3355/1088
Fax: (8610) 5813 1804/1814
E-mail: ir@csec.com or 1088@csec.com

Note: Ms. NG Chai Ngee has resigned as one of the joint company secretaries of the Company with effect from 27 August 2010.

Company Profile

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

Address: 36th Floor, China Insurance Building, 166 Lu Jia Zui Dong Lu, Pudong New Area, Shanghai

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited

Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, 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 30 June		
		2010	2009	Percentage change %
Commercial coal production	(Million tonnes)	109.2	105.8	3.2
Coal sales	(Million tonnes)	137.4	123.1	11.6
Of which: Export	(Million tonnes)	5.8	6.1	(4.9)
Turnover of self-owned railway transportation	(Billion tonne km)	73.7	67.9	8.5
Seaborne coal	(Million tonnes)	80.5	79.0	1.9
Of which: Huanghua Port	(Million tonnes)	41.3	38.7	6.7
Shenhua Tianjin Coal Dock	(Million tonnes)	13.1	11.4	14.9
Gross power generation	(Billion kwh)	68.26	43.49	57.0
Total power output dispatch	(Billion kwh)	63.55	40.34	57.5

		As at 30 June 2010	As at 31 December 2009	Percentage change %
Recoverable coal reserve (under PRC standard)	(100 million tonnes)	115.73	113.06	2.4
Marketable coal reserve (under JORC standard)	(100 million tonnes)	73.94	69.27	6.7
Coal resource	(100 million tonnes)	176.49	177.65	(0.7)

Note: According to the revaluation result on some of the coal reserve of the Company, the marketable coal reserve under JORC standard and the recoverable coal reserve under PRC standard of the Company at the end of the reporting period have both increased as compared with that at the end of 2009.

Financial

		For the six months ended 30 June		
		2010	2009	Percentage change %
Revenues	(RMB million)	69,731	57,083	22.2
Profit for the period	(RMB million)	22,287	19,155	16.4
Profit attributable to equity shareholders of the Company for the period	(RMB million)	19,272	16,920	13.9
Basic earnings per share	(RMB per share)	0.969	0.851	13.9

		As at 30 June 2010	As at 31 December 2009	Percentage change %
Total assets	(RMB million)	334,969	311,677	7.5
Total liabilities	(RMB million)	126,630	114,259	10.8
Total equity	(RMB million)	208,339	197,418	5.5
Of which: Equity attributable to equity shareholders of the Company	(RMB million)	179,106	170,661	4.9
Equity attributable to equity shareholders per share	(RMB per share)	9.00	8.58	4.9

Unless otherwise specified, in this report:

- Coal production figures are quoted in tonnes of commercial coal;
- All financial indicators are denominated in RMB;
- All prices are quoted exclusive of value-added tax;
- All relevant terms used in this report and their definitions are contained in the section of "Definitions" in 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,

In the first half of 2010, as the China's central government continued to implement the package of programme tailored for the international financial crisis and speeded up its adjustment on economic development pattern and economic structure, the national economy was solid as a whole. Addressing the complicated global and domestic business environment, the board of directors of China Shenhua led all staff to forge ahead difficulties with indomitable will to firmly launch its development strategy of "pursue scientific development, rebuild Shenhua and double economic aggregate output within five years". Great efforts have been made to adjust the economic development pattern and incorporate value management into the operation of the Company. The Company therefore maintained a relatively fast growth momentum in business results. As at 30 June 2010, the market capitalization of China Shenhua reached US\$69.9 billion, ranking the first among listed coal companies worldwide and the fourth among listed integrated mining companies worldwide.

On behalf of the board of directors, I am delighted to present the interim report for the first half of 2010 and report to all shareholders on the Company's performance for the period.

Steadily improving operational indicators and business results

In the first half of 2010, each segment of China Shenhua, namely coal, railway, port and power business, has once again achieved satisfactory results both in production and operation:

- the production volume of commercial coal reached 109.2 million tonnes and the coal sales volume reached 137.4 million tonnes, representing a year-on-year growth of 3.2% and 11.6% respectively;
- the turnover of self-owned railway transportation was 73.7 billion tonne km, representing a year-on-year increase of 8.5%, and the seaborne coal sales volume reached 80.5 million tonnes, representing a year-on-year increase of 1.9%; and
- the gross power generation reached 68.26 billion kwh, representing a year-on-year increase of 57.0%; the total installed capacity was 26,660 MW, up by 13.4% as compared with that as at 31 December 2009.

The Company continued its momentum and achieved growth in its results for the first half of 2010:

- Revenues amounted to RMB69.731 billion, representing a year-on-year increase of RMB12.648 billion or 22.2%;
- Profit attributable to equity shareholders of the Company for the period was RMB19.272 billion, representing a year-on-year increase of RMB2.352 billion or 13.9%;
- Net cash generated from operating activities was RMB29.224 billion, representing a year-on-year increase of RMB1.587 billion or 5.7%; and
- Basic earnings per share was RMB0.969, representing a year-on-year increase of RMB0.118 or 13.9%.

Leveraging on synergy to secure and improve integrated competitiveness

Targeting high and steady output, our coal segment overcame the unfavourable impact caused by production restriction due to the national coal mine safety supervision and inspection over certain mines, and realized record high coal production and sales volume. The Company made constant efforts in production equipment upgrade and technology innovations. New technologies and equipment such as the 7-meter height fully-mechanized working face, fully-mechanized super-thick coal mining seam and the automatic working face for medium and thin coal seams were successfully introduced at Shendong Mines. The improved technologies, equipment and management contributed to higher production efficiency and recovery rate. Newly constructed mines including Haerwusu and Bu'ertai mines were proceeding smoothly in reaching production capacity, together with smooth progress in technological upgrade of certain mines and construction of new mines.

Chairman's Statement

Through careful organization and scientific management, the railway segment focused on growth in transportation volume, capacity expansion and operational safety. With careful planning, 10 pairs of trains with 10,000 tonnes loading capacity were put into operations each day on average at the end of the reporting period in comparison with 6 pairs being put into operation each day in the beginning of the year, through which the Company has expanded its railway transportation capacity. The railway segment enhanced the coordination between railway lines and coal mines and organized coal loading in an overall way, which improved the efficiency of production and transportation organisation. In response to the frequent adverse weather in the first half year, specific measures were adopted to ensure transportation safety. The smooth construction and preparation work of new railway lines such as Ganquan Railway laid a solid foundation for the Company's future development.

In port segment, the Company continued to rely on its management to maximize economic benefit. To enhance the coordination with railway and shipping operations, dedicated berths for Shenhua Zhonghai Shipping Company were set at Shenhua Tianjin Coal Dock and Huanghua Port, which improved transportation efficiency. Smooth progress has been made in port infrastructure improvement and capacity expansion. The wind-proof and capacity expansion projects in Huanghua Port are expected to commence operation by the end of the year. The phase II project of Shenhua Tianjin Coal Dock and the preliminary work of the capacity expansion project of Huanghua Port are proceeding as scheduled.

In power segment, the power generation achieved a significant year-on-year growth as a result of strengthened marketing management and promotion of direct power supply, substituted power generation and inter-grid power transactions. The Company made full use of its large generating units to minimize unit energy consumption for power generation. The standard coal consumption rate for power output dispatch for the first half year was 324 g/kwh. With further expansion of installed capacity, the Company put 6 sets of coal-fired generating units into operation in the first half year, adding a new installed capacity of 3,140 MW.

Breakthroughs were made in the shipping segment. Control of Shenhua Zhonghai Shipping Company has been obtained by the Company with 51% shareholding through capital injection and registered capital increase. The integrated business model of the Company was further developed, laying a solid ground for the future CIF trading mode as well as one-on-one and door-to-door service capabilities.

Advancing its mega-sales strategies, the Company carried out long-term strategic cooperation with major power, metallurgical, construction materials, chemical and coal slurry customers. With optimised resource allocation, new product varieties were developed based on optimized resource allocation to explore new market and multi-level niches. The Company increased the proportion of spot sales through capturing market opportunities, which increased average coal sales price. Meanwhile, the Company made more efforts in coal purchase from third parties and construction of coal reserve bases by capitalizing on its competitiveness and brand strength, so as to promote the strategic transition from a production-oriented enterprise to a production-based and marketing-oriented enterprise.

In addition, under its "go-overseas" strategy, the Company has completed the exploration and land purchasing plan for the year in Watermark of Australia in the first half of 2010, far ahead of schedule, and has proceeded to the stage as scheduled. Meanwhile, the construction of integrated coal and power project in the South Sumatra Province in Indonesia is in smooth progress and the project is estimated to be put into operation in 2011.

An active performer of social responsibility

With emphasises on both business development and performance of social responsibility, the Company advocates the corporate social responsibility value of "offering energy for scientific development and harmonious win-win". With a commitment to "five-model enterprise" (featuring intrinsic safety, quality and efficiency, technological innovation, resource reservation and harmonious development), the Company constantly pushes ahead energy saving, emission reduction and environment protection for harmonious business, environmental and social development.

Emphasis is always placed on production safety. During the first half year, the Company further improved 12 safety administration systems including the supervision and inspection system for production safety, the assessment, incentive and punishment regulations for gas treatment as well as rescue equipping proposal for emergencies, and the Company has built up its framework to secure and enhance safety administration. The Company also made timely adjustments by identifying potential risks through safety clearance over all business segments by expert groups. The Company initiated the training for the construction of the intrinsic safety system and the standardization for safety and quality. Comprehensive efforts were made to enhance the ability for hazard identification and risk assessment and control, which further strengthened the intrinsic safety system. As demonstrated by the fatality rate per million tonnes of raw coal production of 0.008 in the first half year, our coal safety production record maintained at a good level.

The Company incorporated the human-oriented management concept into its occupational health administration. While continuously improving the working environment, the Company enhanced self-protection awareness among its staff. Occupational diseases were effectively prevented and the quality of occupational health administration of the Company kept improving.

By improving corporate governance structure and strengthening internal control as an honest operator and activist in public welfare, the Company achieved harmonious win-win results with its shareholders, customers, suppliers, creditors, the community and other stakeholders.

The Second Half Year: Establish the five systems of modernization and implement the safety development strategy to create value for shareholders

Building five systems of modernization and implementing safety development serve as the basis for the implementation of the Company's development strategy to "pursue scientific development, rebuild Shenhua and double economic aggregate output within five years", namely an advanced and modernized coal production system, a coal-fired power generation system, a coal intensive processing system, a railway, port and shipping transportation system and a safety management system. The Company will further implement its safety development strategy by adhering to the safety concepts of "zero fatality in coal mines" and "never exceed gas production limit – exceeding limit being a safety issue", with an aim of realizing the awareness of safety into an actual happening. The Company also established the safety development value of "safety foremost, prevention first, co-construction for sharing". Safety will be enhanced by way of increasing capital expenditure, staff training and performance assessment and the Company will instruct its staff to adhere to and implement safety development strategy with an aim to provide our staffs with a safe production environment, anywhere, anytime. The Company will also attach great importance to reform the mindset of safety development, with an aim to realizing the transition from focusing on production safety to all-round safety development incorporating production safety, economy safety and political safety. Such move will promote the development of the management by shifting the previous focus on pinpointing ex-post responsibility into a prevention-first mode. The safety development responsibility awareness of the staff is also strengthened. The Company will further improve its safety administration systems to urge and stimulate participation of all staff for safety development.

Chairman's Statement

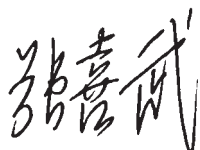
With a view to implementing the safety development strategy and establish the five systems of modernization, the Company will focus on the following aspects in the second half year in relation to its operation:

- Firmly implement the transition of economic development pattern. The Company will promote the assessment based on economic value added (EVA) and incorporate the value management into the whole course of corporate development to increase its value creation capability. Accordingly, it will push ahead business upgrade and structure optimization, reinforce energy saving and emission reduction, and speed up application of new technologies and equipment to boost production efficiency and resource utilization;
- Press forward production safety unremittingly. The Company will further strive to rectify potential risks issues with focuses on ventilation and prevention of flood, fire and gas leakage. Also it will enhance hydrologic and geological study on mines to improve prediction, pre-alarming and emergency scheme, and effectively prevent the occurrence of geological disasters of mines;
- Improve production and operation schedules in a balanced and stable manner. The units of production, transportation and sales will draw upon the integrated strengths to accomplish their annual tasks, aiming to expand both capacity and sales based on efficient coordination to enhance execution force;
- Enhance financial management focusing on cost control. The Company will continuously promote the overall budget management to improve the monitoring on key indicators and control points for the cost and expense budget. It will carry out the "double increases and double reductions" campaign on a daily basis, and refined cost management to reduce controllable costs; and
- Boost all-around information service construction. The Company expects to accelerate the in-depth integration between information technology and various management operations based on the implementation of workflow reengineering and overall information construction planning, and enhance the management control and development capabilities of the Company through information measures.

Looking into the future, the board of directors of China Shenhua and I will, with full confidence, encourage all staff to strive for excellence and unremittingly implement the strategies for the development of the Company with a view to creating more value for shareholders.

Zhang Xiwu

Chairman



Beijing, PRC

27 August 2010

A Management discussion and analysis

Overview of the Company's operating results for the first half of 2010

Overview of consolidated operating results for the first half of 2010

Overview of operating conditions by segment for the first half of 2010

Asset distribution diagram

(I) Overview

(II) Management review on operating results by business segment

1. Coal segment

2. Railway segment

3. Port segment

4. Power segment

5. Shipping segment

(III) Management review on the Company's consolidated operating results

(IV) Accomplishment status of 2010 business targets

(V) Review and prospect of business environment

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

B Review on the Company's investments

(I) Status of capital expenditure

(II) Use of proceeds

C Operating conditions and results of major subsidiaries and affiliates

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

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

F Other matters

Overview of the Company's Operating Results for the First Half of 2010

Business Data Master Table				
		The first half of 2010	The first half of 2009	Percentage change %
Commercial coal production	(million tonnes)	109.2	105.8	3.2
Commercial coal sales	(million tonnes)	137.4	123.1	11.6
Of which: Export	(million tonnes)	5.8	6.1	(4.9)
Turnover of self-owned railway transportation	(billion tonne km)	73.7	67.9	8.5
Seaborne coal	(million tonnes)	80.5	79.0	1.9
Of which: Huanghua Port	(million tonnes)	41.3	38.7	6.7
Shenhua Tianjin Coal Dock	(million tonnes)	13.1	11.4	14.9
Gross power generation ⁽¹⁾	(billion kwh)	68.26	43.49	57.0
Total power output dispatch ⁽¹⁾	(billion kwh)	63.55	40.34	57.5

Coal Reserve Table			
	As at 30 June 2010	As at 31 December 2009	Percentage change %
Recoverable coal reserve (100 million tonnes)			
(under PRC standard)	115.73	113.06	2.4
Of which: Shendong Mines ⁽²⁾	74.98	75.37	(0.5)
Zhunge'er Mines	25.94	26.15	(0.8)
Shengli Mines	14.81	11.54	28.3
Marketable coal reserve (100 million tonnes)			
(under JORC standard)	73.94	69.27	6.7
Of which: Shendong Mines	46.67	41.73	11.8
Zhunge'er Mines	18.91	19.12	(1.1)
Shengli Mines	8.36	8.42	(0.7)
Coal resources (100 million tonnes)	176.49	177.65	(0.7)
Of which: Shendong Mines	127.70	128.60	(0.7)
Zhunge'er Mines	27.81	28.00	(0.7)
Shengli Mines	20.98	21.05	(0.3)

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

Breakdown of Coal Sales				
	The first half of 2010 million tonnes	Proportion of domestic sales %	The first half of 2009 million tonnes	Percentage change %
Domestic sales	131.6	100.0	117.0	12.5
By contract type				
Long-term contract	76.0	57.8	81.0	(6.2)
Spot market sales	55.6	42.2	36.0	54.4
By transportation mode				
Direct arrival (along railway line and mine mouth)	56.9	43.2	44.1	29.0
Seaborne	74.7	56.8	72.9	2.5
By customers				
External customers	101.8	77.4	99.6	2.2
The Group's power segment	29.8	22.6	17.4	71.3
By region				
Northern China	62.7	47.6	49.2	27.4
Eastern China	47.6	36.2	45.5	4.6
Central China and Southern China	18.0	13.7	19.7	(8.6)
Northeast China	1.4	1.1	1.0	40.0
Others	1.9	1.4	1.6	18.8
By usage				
Thermal coal	108.0	82.1	87.3	23.7
Metallurgy	3.2	2.4	3.4	(5.9)
Chemical (including coal slurry)	6.1	4.6	3.7	64.9
Others	14.3	10.9	22.6	(36.7)
Export Sales	5.8	100.0	6.1	(4.9)
South Korea	2.3	39.7	2.1	9.5
China Taiwan	1.3	22.4	1.8	(27.8)
Japan	1.9	32.7	1.8	5.6
Others	0.3	5.2	0.4	(25.0)
Total sales	137.4		123.1	11.6

Breakdown of Commercial Coal Production			
	The first half of 2010 million tonnes	The first half of 2009 million tonnes	Percentage change %
Shendong Coal Group	74.9	75.9	(1.3)
Bulianta	12.0	11.3	6.2
Daliuta-Huojitu	10.3	9.9	4.0
Yujialiang	8.6	8.4	2.4
Shangwan	6.8	6.7	1.5
Halagou	6.1	6.4	(4.7)
Baode (Kangjatan)	4.4	5.9	(25.4)
Shigetai	5.5	4.8	14.6
Wulanmulun	3.2	3.1	3.2
Buer'tai	4.5	4.5	-
Wanli No.1 mine	4.4	5.1	(13.7)
Liuta mine	3.6	2.7	33.3
Cuncaota No. 1 mine	1.5	1.5	-
Cuncaota No. 2 mine	1.9	1.9	-
Tanggonggou mine	1.7	2.6	(34.6)
Others	0.4	1.1	(63.6)
Zhunge'er Energy	12.5	11.8	5.9
Heidaigou	12.5	11.8	5.9
Haer'wusu Branch	8.5	7.0	21.4
Beidian Shengli Energy	6.2	5.3	17.0
Jinjie Energy	7.1	5.8	22.4
Total output	109.2	105.8	3.2

Breakdown of Coal-fired Generation Business							
Power plants	Regional grid	Location	Gross power generation billion kwh	Total power output dispatch billion kwh	Average utilisation hours	Standard coal consumption rate for power output dispatch g/kwh	Total installed capacity as at 30 June 2010 MW
Huanghua Power	North China Power Grid	Hebei	6.89	6.56	2,735	313	2,520
Panshan Power	North China Power Grid	Tianjin	2.98	2.77	2,938	330	1,030
Sanhe Power	North China Power Grid	Hebei	3.64	3.41	2,802	321	1,300
Zhunge'er Power	North China Power Grid	Inner Mongolia	1.26	1.11	2,515	396	500
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	3.72	3.39	2,817	329	1,320
Beijing Thermal	North China Power Grid	Beijing	1.26	1.12	3,151	261	400
Dingzhou Power	North China Power Grid	Hebei	6.95	6.44	2,756	324	2,520
Suizhong Power	Northeast Power Grid	Liaoning	6.37	5.95	2,444	320	3,600
Ninghai Power	East China Power Grid	Zhejiang	12.36	11.71	2,808	305	4,400
Jinjie Energy	North China Power Grid	Shaanxi	6.95	6.38	2,898	333	2,400
Shenmu Power	Northwest Power Grid	Shaanxi	0.72	0.65	3,284	372	220
Taishan Power	South China Power Grid	Guangdong	10.02	9.46	3,341	309	3,000
Huizhou Thermal	South China Power Grid	Guangdong	0.91	0.83	1,727	329	660
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	3.98	3.54	2,346	405	1,994
Total/Weighted average			68.01	63.32	2,785	324	25,864

Breakdown of Railway Business			
	The first half of 2010 billion tonne km	The first half of 2009 billion tonne km	Percentage change %
Self-owned railways	73.7	67.9	8.5
Shenshuo Railway	18.3	17.7	3.4
Shuohuang-Huangwan Railway	43.6	39.8	9.5
Dazhun Railway	8.0	7.3	9.6
Baoshen Railway	3.8	3.1	22.6
State-owned railways	20.2	18.9	6.9
Total turnover	93.9	86.8	8.2

Breakdown of Port Business			
	The first half of 2010 million tonnes	The first half of 2009 million tonnes	Percentage change %
Self-owned ports	54.4	50.1	8.6
Huanghua Port	41.3	38.7	6.7
Shenhua Tianjin Coal Dock	13.1	11.4	14.9
Third-party ports	26.1	28.9	(9.7)
Qinhuangdao Port	18.2	19.8	(8.1)
Tianjin Port	4.7	7.7	(39.0)
Others	3.2	1.4	128.6
Total seaborne coal	80.5	79.0	1.9

Overview of Consolidated Operating Results for the First Half of 2010

Consolidated income statement			
	The first half of 2010	The first half of 2009	Percentage change
	RMB million	RMB million	%
Revenues	69,731	57,083	22.2
Less: Cost of revenues	36,900	28,619	28.9
Selling, general and administrative expenses	3,658	3,419	7.0
Other operating expenses, net	37	313	(88.2)
Profit from operations	29,136	24,732	17.8
Less: Net finance costs	1,251	923	35.5
Add: Investment income	1	-	N/A
Share of profits less losses of associates	331	375	(11.7)
Profit before income tax	28,217	24,184	16.7
Less: Income tax	5,930	5,029	17.9
Profit for the period	22,287	19,155	16.4
Equity shareholders of the Company	19,272	16,920	13.9
Minority interests	3,015	2,235	34.9
Basic earnings per share (RMB/share)	0.969	0.851	13.9

Breakdown of revenues			
	The first half of 2010	The first half of 2009	Percentage change
	RMB million	RMB million	%
Revenues			
Coal revenue	46,774	42,175	10.9
Power revenue	21,372	13,526	58.0
Transportation revenue	1,082	932	16.1
Sub-total	69,228	56,633	22.2
Other revenues	503	450	11.8
Total operating revenues	69,731	57,083	22.2

Breakdown of cost of revenues			
	The first half of 2010	The first half of 2009	Percentage change
	RMB million	RMB million	%
Coal purchased from third parties	11,032	6,060	82.0
Materials, fuel and power	4,749	3,863	22.9
Personnel expenses	3,185	2,613	21.9
Depreciation and amortisation	5,894	4,971	18.6
Repairs and maintenance	2,150	2,179	(1.3)
Transportation charges	4,735	4,387	7.9
Others	5,155	4,546	13.4
Total cost of revenues	36,900	28,619	28.9

Breakdown of coal sales price					
	The first half of 2010		The first half of 2009		Percentage change in sales price
	Sales volume million tonnes	Sales price RMB/tonne	Sales volume million tonnes	Sales price RMB/tonne	%
Domestic sales	131.6	417.8	117.0	375.4	11.3
Long-term contract sales	76.0	382.8	81.0	358.7	6.7
Direct arrival (along railway line and mine mouth)	32.7	278.2	31.6	228.8	21.6
Seaborne	43.3	461.9	49.4	442.0	4.5
Spot market sales	55.6	465.5	36.0	413.1	12.7
Direct arrival (along railway line and mine mouth)	24.2	312.7	12.5	319.4	(2.1)
Seaborne	31.4	583.0	23.5	462.9	25.9
Export sales	5.8	514.0	6.1	652.9	(21.3)
Total	137.4	421.8	123.1	389.2	8.4
Including: Sales to internal power segment	29.8	375.5	17.4	330.0	13.8
Sales to external customers	107.6	434.6	105.7	398.9	8.9

Breakdown of cost of revenues – others			
	The first half of 2010	The first half of 2009	Percentage change
	RMB million	RMB million	%
Coal selection and minery fees	1,958	1,456	34.5
Coal extraction service costs	79	129	(38.8)
Taxes and surcharges	604	548	10.2
Dredging expenses	194	127	52.8
Relocation compensation expenses	559	186	200.5
Resources compensation fees	211	294	(28.2)
Pollutants discharge expenses	380	141	169.5
Cost of sale of ancillary materials and other goods, and provision of other services	347	473	(26.6)
Others	823	1,192	(31.0)
Total cost of revenues-others	5,155	4,546	13.4

Statement of cash flows from operating activities			
	The first half of 2010	The first half of 2009	Percentage change
	RMB million	RMB million	%
Profit before income tax	28,217	24,184	16.7
Adjustments for:			
Depreciation and amortisation	6,413	5,457	17.5
Impairment losses on property, plant and equipment	-	238	(100.0)
Net (gain)/loss on disposal of property, plant and equipment	(11)	134	(108.2)
Investment income	(1)	-	N/A
Interest income	(395)	(602)	(34.4)
Share of profits less losses of associates	(331)	(375)	(11.7)
Net interest expense	1,533	1,620	(5.4)
(Gain)/loss on remeasurement of derivative financial instruments to fair value	(82)	230	(135.7)
Unrealised foreign exchange loss/(gain)	182	(359)	(150.7)
(Increase)/decrease in accounts and bills receivable	(791)	1,572	(150.3)
Increase in inventories	(1,537)	(963)	(59.6)
Increase in prepaid expenses and other assets	(346)	(450)	(23.1)
Increase in accounts and bills payable	748	698	7.2
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	2,102	1,944	8.1
Interest received	395	602	(34.4)
Interest paid	(1,822)	(2,142)	(14.9)
Income tax paid	(5,050)	(4,151)	21.7
Net cash from operating activities	29,224	27,637	5.7

Overview of Operating Conditions by Segment for the First Half of 2010

Segment results															
	Coal		Railway		Port		Power		Unallocated items		Elimination		Total		
	The first half of 2010 RMB million	The first half of 2009 RMB million	The first half of 2010 RMB million	The first half of 2009 RMB million	The first half of 2010 RMB million	The first half of 2009 RMB million	The first half of 2010 RMB million	The first half of 2009 RMB million	The first half of 2010 RMB million	The first half of 2009 RMB million	The first half of 2010 RMB million	The first half of 2009 RMB million	The first half of 2010 RMB million	The first half of 2009 RMB million	
Revenue from external customers	47,069	42,470	1,093	913	58	65	21,511	13,635	-	-	-	-	69,731	57,083	
Inter-segment revenue	11,355	5,798	9,280	8,717	1,215	932	171	193	-	-	(22,021)	(15,640)	-	-	
Segment revenue	58,424	48,268	10,373	9,630	1,273	997	21,682	13,828	-	-	(22,021)	(15,640)	69,731	57,083	
Segment cost of revenues	(36,491)	(28,621)	(4,852)	(4,527)	(812)	(704)	(16,448)	(10,476)	-	-	21,703	15,709	(36,900)	(28,619)	
Segment profit/(loss) from operations	19,605	17,180	5,226	4,850	357	260	4,519	2,517	(95)	(153)	(476)	78	29,136	24,732	
	As at 30 June 2010 RMB million	As at 31 December 2009 RMB million	As at 30 June 2010 RMB million	As at 31 December 2009 RMB million	As at 30 June 2010 RMB million	As at 31 December 2009 RMB million	As at 30 June 2010 RMB million	As at 31 December 2009 RMB million	At 30 June 2010 RMB million	At 31 December 2009 RMB million	At 30 June 2010 RMB million	At 31 December 2009 RMB million	At 30 June 2010 RMB million	At 31 December 2009 RMB million	
Segment total assets	133,431	111,993	44,830	41,668	10,336	10,129	112,521	112,540	169,626	155,827	(135,775)	(120,480)	334,969	311,677	
Segment total liabilities	(77,624)	(74,413)	(18,985)	(20,263)	(5,138)	(5,235)	(80,183)	(79,986)	(78,527)	(54,333)	133,827	119,971	(126,630)	(114,259)	

Cost of revenues of coal segment							
	The first half of 2010			The first half of 2009			Percentage changes in unit cost %
	Cost RMB million	Volume million tonnes	Unit cost RMB/tonne	Cost RMB million	Volume million tonnes	Unit cost RMB/tonne	
Cost of coal purchased from third parties	11,032	30.1	366.5	6,060	18.8	322.3	13.7
Cost of coal production	10,815	107.3	100.8	9,034	104.3	86.6	16.4
Materials, fuel and power	2,109	107.3	19.7	1,769	104.3	17.0	15.9
Personnel expenses	1,419	107.3	13.2	1,169	104.3	11.2	17.9
Repairs and maintenance	901	107.3	8.4	677	104.3	6.5	29.2
Depreciation and amortisation	2,133	107.3	19.9	1,813	104.3	17.3	15.0
Others	4,253	107.3	39.6	3,606	104.3	34.6	14.5
Cost of coal transportation ⁽¹⁾	14,304	137.4	104.1	13,134	123.1	106.7	(2.4)
Other costs	340			393			
Total cost of revenues of coal segment	36,491			28,621			

Note: (1) Cost of coal transportation is the transportation cost before elimination on consolidation.

Cost of revenues of power segment							
	The first half of 2010			The first half of 2009			Percentage changes in unit cost %
	Cost RMB million	Power output dispatch billion kwh	Unit cost RMB/mwh	Cost RMB million	Power output dispatch billion kwh	Unit cost RMB/mwh	
Cost of power output dispatch	16,263	63.55	255.9	10,260	40.34	254.3	0.6
Materials, fuel and power	11,983	63.55	188.5	6,910	40.34	171.3	10.0
Personnel expenses	703	63.55	11.1	581	40.34	14.4	(22.9)
Repairs and maintenance	572	63.55	9.0	507	40.34	12.6	(28.6)
Depreciation and amortisation	2,434	63.55	38.3	1,953	40.34	48.4	(20.9)
Others	571	63.55	9.0	309	40.34	7.6	18.4
Other costs	185			216			
Total cost of revenues of power segment	16,448			10,476			

Cost of revenues of railway segment			
	The first half of 2010 Cost RMB million	The first half of 2009 Cost RMB million	Percentage change %
Cost of internal transportation	4,232	4,011	5.5
Materials, fuel and power	1,061	918	15.6
Personnel expenses	854	688	24.1
Repairs and maintenance	601	906	(33.7)
Depreciation and amortisation	926	817	13.3
External transportation charges	150	139	7.9
Others	640	543	17.9
Cost of external transportation	574	463	24.0
Sub-total	4,806	4,474	7.4
Other costs	46	53	(13.2)
Total cost of revenues of railway segment	4,852	4,527	7.2

Cost of revenues of port segment			
	The first half of 2010 Cost RMB million	The first half of 2009 Cost RMB million	Percentage change %
Cost of internal transportation	766	654	17.1
Materials, fuel and power	115	88	30.7
Personnel expenses	54	45	20.0
Repairs and maintenance	30	32	(6.3)
Depreciation and amortisation	303	301	0.7
Others	264	188	40.4
Cost of external transportation	37	45	(17.8)
Sub-total	803	699	14.9
Other costs	9	5	80.0
Total cost of revenues of port segment	812	704	15.3

Asset Distribution Diagram / 資產分佈



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



鐵路 Railway

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



港口 Port

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



電廠 Power

12. 黃驊電力 Huanghua Power
13. 盤山電力 Panshan Power
14. 三河電力 Sanhe Power
15. 國華准格爾 Guohua Zhunge'er
16. 北京熱電 Beijing Thermal
17. 准能電力 Zhunge'er Power
18. 綏中電力 Suizhong Power
19. 寧海電力 Ninghai Power
20. 錦界能源 Jinjie Energy
21. 神木電力 Shenmu Power
22. 定洲電力 Dingzhou Power
23. 惠州熱電 Huizhou Thermal



航運 Shipping

24. 台山電力 Taishan Power
25. 神東電力 Shendong Power
26. 南蘇煤電項目 PT.GH EMM Indonesia Project
27. 珠海風能 Zhuhai Wind Energy
28. 余姚電力 Yuyao Power
29. 神華中海航運 Shenhua Zhonghai Shipping

註：於2010年6月30日之分佈圖，僅做示意。
Note: This map as at 30 June 2010 is for illustrative purpose only.

A Management discussion and analysis

(I) Overview

Addressing the complicated global and domestic business environment in the first half of 2010, the senior management team of the Company led all staff members to forge ahead with indomitable will to firmly implement its development strategy. Active progress was made in developing the Company into a "five-model enterprise" (featuring intrinsic safety, quality and efficiency, technological innovation, resource reservation and harmonious development). With the balanced growth among coal, railway, port and power segments, the major production and operating indicators achieved steady growths.

In the first half of 2010, commercial coal production volume of the Company amounted to 109.2 million tonnes, representing a year-on-year increase of 3.2%; sales volume of coal reached 137.4 million tonnes, representing a year-on-year increase of 11.6%; turnover of self-owned railway transportation reached 73.7 billion tonne kilometers, representing a year-on-year increase of 8.5%; seaborne coal sales volume reached 80.5 million tonnes, representing a year-on-year increase of 1.9%; gross power generation and total power output dispatch reached 68.26 billion kwh and 63.55 billion kwh respectively, representing a year-on-year increase of 57.0% and 57.5% respectively.

The Company's business results were further boosted and corporate value improved steadily. In the first half of 2010, the Company maximized economic benefits significantly through effective measures such as raising coal price, increasing coal production and pushing forward the assessment on economic value added. Pursuant to the International Financial Reporting Standards, the revenues of the Group for the first half of 2010 were RMB69.731 billion (First half of 2009: RMB57.083 billion), representing a year-on-year increase of 22.2%; profit from operations were RMB29.136 billion (First half of 2009: RMB24.732 billion), representing a year-on-year increase of 17.8%; profit attributable to equity shareholders of the Company for the period was RMB19.272 billion (First half of 2009: RMB16.920 billion), representing a year-on-year increase of 13.9%. Basic earnings per share¹ of the Group was RMB0.969 (First half of 2009: RMB0.851), representing a year-on-year increase of 13.9%.

As at 30 June 2010, equity attributable to equity shareholders of the Group per share was RMB9.00 (31 December 2009: RMB8.58), representing a year-on-year increase of 4.9%. In the first half of 2010, the Group's return on total assets² was 6.7%. Return on net assets³ as at the end of the period was 10.8% (First half of 2009: 10.9%), representing a year-on-year decrease of 0.1 percentage point; EBITDA⁴ was RMB35.549 billion (First half of 2009: RMB30.189 billion), representing a year-on-year increase of 17.8%. As at 30 June 2010, the Group's total debt to equity ratio⁵ was 26.9%, representing a decrease of 1.1 percentage points as compared to 28.0% as at 31 December 2009.

- 1 Basic earnings per share is calculated on the basis of profit attributable to equity shareholders of the Company for the period and the weighted average number of shares for the reporting period.
- 2 Return on total assets is calculated on the basis of profit for the period and the total assets at the end of the period.
- 3 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 as at the end of the period and the profit attributable to equity shareholders of the Company for the period.
- 4 EBITDA is a method for the management to assess the performance of the Company. It is defined as profit for the period plus net finance costs, income tax and depreciation and amortisation, and net of investment income and share of profits less losses of associates. The EBITDA presented herein by the Company is used as extra reference for investors with regard to business performance, as management of the Company considers EBITDA is popularly used by securities analysts, investors and other parties concerned as a criterion for the evaluation of the performance of mining companies, which is believed to be helpful to investors. EBITDA is not yet an item acknowledged by corporate accounting standards. You should not take it as an alternative indicator of profit for the relevant accounting period to evaluate achievements or performances, nor shall it be taken as an alternative indicator for cash flows generated from operating activities to evaluate liquidity. The calculation of EBITDA by the Company may be different from those of other companies; therefore comparability may be limited. In addition, EBITDA is not intended to be the basis for free cash flows that may be used by the management at their discretion, because it does not reflect requirements for cash such as interest expenses, tax payment and repayment of debts, etc.
- 5 Total debt to equity ratio = $\frac{[\text{long-term interest bearing debts} + \text{short-term interest bearing debts (including bills payable)}]}{[\text{long-term interest bearing debts} + \text{short-term interest bearing debts (including bills payable)} + \text{total equity}]}$

(II) Management review on operating results by business segment

1. Coal Segment

(1) Business progress

a Coal production and mining operation

Focusing on high and steady output of coal mines, the Company overcame the unfavourable impact caused by production restriction due to the national coal mines safety supervision and inspection over certain mines, and hence achieved record-high coal production and sales volume for the first half of the year. For the first half of 2010, the production volume of commercial coal of the Company reached 109.2 million tonnes (First half of 2009: 105.8 million tonnes), representing a year-on-year increase of 3.2%; and the coal sales volume reached 137.4 million tonnes (First half of 2009: 123.1 million tonnes), representing a year-on-year increase of 11.6%.

Shendong Mines produced commercial coal of 82.0 million tonnes, representing a year-on-year increase of 0.4%. Through the consolidation of original Shendong Mines and Wanli Mines, Shendong Mines took initiatives to construct professional operational system and auxiliary production system for the Greater Shendong Mines, extending its services from Shendong Mines to other coal mines at proximities of Shendong with improved service efficiency and professional standards. Bu'ertai mine was proceeding smoothly in reaching production capacity, together with smooth progress in technological upgrade of certain mines and construction of new mines.

Zhunge'er Mines produced commercial coal of 21.0 million tonnes, representing a year-on-year increase of 11.7%. Focusing its target on constructing coal mines with a capacity of 100 million tonnes, Zhunge'er Mines stepped up the production, reconstruction and expansion of coal mines. The production and operation in the first half year made steady progress.

Shengli Mines produced commercial coal of 6.2 million tonnes, representing a year-on-year increase of 17.0%. Shengli Mines stepped up efforts in organization of production and sales, strengthened management on electromechanical equipment and coal quality, actively pushed forward sales and explored market, which resulted in the record-high production and sales volumes in the comparable periods in history.

b Coal production equipment and technology

The Company made constant efforts in production equipment upgrade and technology innovations. New technologies and equipment such as the 7-meter height fully-mechanized working face at Bulianta mine, fully-mechanized super-thick coal seam mining in Liuta mine and the automatic working face for medium and thin coal seams at Shigetai mine were successfully introduced. As a result, the level of production, equipment technologies, management and technique were improved, which further contributed to higher production efficiency and recovery rate.

c Coal mine production safety

While keeping rapid business growth, the Group made unremitting efforts to enhance the production safety level of the coal mines. Our coal safety production record continued to be in a favourable position. The fatality rate per million tonnes of raw coal production of China Shenhua was 0.008 in the first half of 2010, lower than the national level of 0.803 for the period.

Directors' Report

d Coal resources

As at 30 June 2010, the Group had recoverable coal reserve of 11.573 billion tonnes and coal resource of 17.649 billion tonnes under the PRC Standard; the Group's marketable coal reserve was 7.394 billion tonnes under the JORC Standard.

(2) Coal sales

Proactively implementing its mega-sales strategies, the Company carried out long-term strategic cooperation with major power, metallurgical, construction materials, chemical and coal slurry customers in the first half of 2010. New products of coal were developed based on optimized resource allocation to explore new market and multi-level niches. The Company increased the proportion of spot sales through capturing market opportunities, which increased average coal sales price. Meanwhile, the Company actively purchased coal from third parties by capitalizing on its competitiveness and brand strength, and accelerated construction of coal reserve bases with a view to promoting the strategic transition from a production-oriented enterprise to a production-based and marketing-oriented enterprise.

In the first half of 2010, sales volume of coal reached 137.4 million tonnes, representing a year-on-year increase of 11.6%. Of which, the sales volume of coal purchased from third parties increased by 60.1% year-on-year to 30.1 million tonnes. The average coal sales price was RMB421.8/tonne, representing a year-on-year increase of 8.4%.

a Long-term contract and spot sales

(i) Long-term contract sales

In the first half of 2010, the Company's coal sales under long-term contract was 81.6 million tonnes (First half of 2009: 87.1 million tonnes), representing a year-on-year decrease of 6.3%. The proportion of long-term contract sales to total sales volume dropped by 11.4 percentage points year-on-year to 59.4%. The average coal sales price under long-term contract was RMB391.7/tonne (First half of 2009: RMB379.3/tonne), representing a year-on-year increase of 3.3%.

Long-term contract sales	For the six months ended 30 June						
	2010			2009			Change in price
	Volume	Proportion to total sales	Price	Volume	Proportion to total sales	Price	
Million tonnes	%	RMB/tonne	Million tonnes	%	RMB/tonne	%	
Domestic sales	76.0	55.3	382.8	81.0	65.8	358.7	6.7
Direct arrival (along railway line and mine mouth)	32.7	23.8	278.2	31.6	25.7	228.8	21.6
Seaborne	43.3	31.5	461.9	49.4	40.1	442.0	4.5
Export sales	5.6	4.1	511.6	6.1	5.0	652.9	(21.6)
Total long-term contract sales/ weighted average sales price	81.6	59.4	391.7	87.1	70.8	379.3	3.3

(ii) *Spot sales*

In the first half of 2010, the Company increased the proportion of spot sales. The proportion of spot sales to total coal sales volume reached 40.6%, representing an increase of 11.4 percentage points year-on-year. The average coal price of spot sales was RMB465.9/tonne (First half of 2009: RMB413.1/tonne), representing an increase of 12.8% year-on-year.

Spot sales	For the six months ended 30 June						
	2010			2009			Change in price
	Volume	Proportion to total sales	Price	Volume	Proportion to total sales	Price	
	Million tonnes	%	RMB/tonne	Million tonnes	%	RMB/tonne	%
Domestic sales	55.6	40.5	465.5	36.0	29.2	413.1	12.7
Direct arrival (along railway line and mine mouth)	24.2	17.6	312.7	12.5	10.2	319.4	(2.1)
Seaborne	31.4	22.9	583.0	23.5	19.0	462.9	25.9
Export sales	0.2	0.1	613.7	–	–	–	N/A
Total spot sales/ weighted average sales price	55.8	40.6	465.9	36.0	29.2	413.1	12.8

b Domestic and export sales

Domestic and export sales	For the six months ended 30 June						
	2010			2009			Change in price
	Volume	Proportion to total sales	Price	Volume	Proportion to total sales	Price	
	Million tonnes	%	RMB/tonne	Million tonnes	%	RMB/tonne	%
Domestic sales	131.6	95.8	417.8	117.0	95.0	375.4	11.3
Export sales	5.8	4.2	514.0	6.1	5.0	652.9	(21.3)
Total sales/ weighted average sales price	137.4	100.0	421.8	123.1	100.0	389.2	8.4

Domestic sales volume of the Company was 131.6 million tonnes in the first half of 2010 (First half of 2009: 117.0 million tonnes), representing a year-on-year increase of 12.5% and accounting for 95.8% to the total coal sales volume. The Company's domestic seaborne coal sales volume was 74.7 million tonnes in the first half of 2010 while the national coal transshipment volume for domestic coal sales through domestic ports was 230 million tonnes, based on which the market share of China Shenhua in coastal coal markets was estimated at approximately 33%. The weighted average domestic coal sales price of the Company for the first half of 2010 was RMB417.8/tonne (First half of 2009: RMB375.4/tonne), representing a year-on-year increase of 11.3%.

Directors' Report

In the first half of 2010, the sales volume of the Company to the top five domestic coal customers was 15.9 million tonnes, which accounted for 12.1% of the total domestic sales volume. Of which, the sales volume to the largest customer was 4.8 million tonnes, which accounted for 3.6% of total domestic sales volume. The top five domestic customers were either power generation companies or fuel companies.

In the first half of 2010, the coal export volume of the Company was 5.8 million tonnes (First half of 2009: 6.1 million tonnes), representing a year-on-year decrease of 4.9%. The proportion of export sales to total sales volume of coal was 4.2%. In the first half of 2010, the coal export sales price was RMB514.0/tonne (First half of 2009: RMB652.9/tonne), representing a year-on-year decrease of 21.3%. The change in export coal price was primarily due to the facts that:

- (i) the coal export contracts implemented during the first quarter of the year were actually signed in the previous year; and
- (ii) the contract export price signed for 2008 was higher than that of 2009.

c Sales to external customers and internal power segment

Sales to external customers and internal power segment	For the six months ended 30 June						
	2010			2009			
	Volume	Proportion to total sales	Price	Volume	Proportion to total sales	Price	Change in price
	Million tonnes	%	RMB/tonne	Million tonnes	%	RMB/tonne	%
Sales to external customers	107.6	78.3	434.6	105.7	85.9	398.9	8.9
Sales to internal power segment	29.8	21.7	375.5	17.4	14.1	330.0	13.8
Total coal sales/ weighted average sales price	137.4	100.0	421.8	123.1	100.0	389.2	8.4

In the first half of 2010, coal sales volume of the Company to external customers was 107.6 million tonnes (First half of 2009: 105.7 million tonnes), representing a year-on-year increase of 1.8%. Coal sales price to external customers was RMB434.6/tonne (First half of 2009: RMB398.9/tonne), representing a year-on-year increase of 8.9%. In the first half of 2010, the sales volume of the Company to the top five external coal customers was 15.9 million tonnes, which accounted for 11.6% of the total sales volume.

In the first half of 2010, the volume of coal sales to the power segment of the Group was 29.8 million tonnes (First half of 2009: 17.4 million tonnes), representing a year-on-year increase of 71.3%. The proportion of coal sales to the power segment of the Group to total sales volume of coal was 21.7%, representing a year-on-year increase of 7.6 percentage points. Price of coal sales to power segment of the Group was RMB375.5/tonne, representing an increase of 13.8% from RMB330.0/tonne for the same period of last year. Coal sales to internal power segment were mainly conducted under long-term contracts. According to the Company's sales policy, coal of the same quality in the same region is allocated and sold to internal power segment and external customers at the same price under the same kind of contracts.

- d Sales of coal purchased from third parties

In the first half of 2010, the sales of coal purchased from third parties of the coal segment were 30.1 million tonnes (First half of 2009: 18.8 million tonnes), representing a year-on-year increase of 60.1%.

(3) Operating results

Operating results of the coal segment of the Company before elimination on consolidation for the first half of 2010 were as follows:

Revenues	Cost of revenues	Profit from operations	Profit from operations/ average total assets during the reporting period
RMB million	RMB million	RMB million	%
58,424	36,491	19,605	16.0

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
%	%	%	
21.0	27.5	33.6	Decreased by 2.0 percentage points

- a Revenues in coal segment

Benefiting from the increase in the sales volume and coal price, revenues in coal segment of the Group before elimination on consolidation in the first half of 2010 were RMB58.424 billion (First half of 2009: RMB48.268 billion), representing a year-on-year increase of 21.0%.

- b Cost of revenues in coal segment

In the first half of 2010, cost of revenues in coal segment of the Group before elimination on consolidation was RMB36.491 billion (First half of 2009: RMB28.621 billion), representing a year-on-year increase of 27.5%. Cost of revenues mainly comprises cost of coal purchased from third parties, production cost of self-produced coal, cost of coal transportation and other costs.

Directors' Report

In the first half of 2010, cost of coal purchased from third parties was RMB11.032 billion (First half of 2009: RMB6.060 billion), representing a year-on-year increase of 82.0%. The increase was mainly due to:

- (i) the sales volume of coal purchased from third parties was 30.1 million tonnes for the first half of 2010, representing a year-on-year increase of 60.1%; and
- (ii) unit purchasing cost of coal purchased from third parties was RMB366.5/tonne, representing an increase of 13.7% from RMB322.3/tonne for the same period of last year.

Production cost of self-produced coal was RMB10.815 billion (First half of 2009: RMB9.034 billion), representing a year-on-year growth of 19.7%. Unit production cost of self-produced coal was RMB100.8/tonne (First half of 2009: RMB86.6/tonne), representing a year-on-year increase of 16.4%. The reasons that affect the unit production cost are mainly as follows:

- (i) Materials, fuel and power were RMB19.7/tonne (First half of 2009: RMB17.0/tonne), representing a year-on-year increase of 15.9%. The increase was mainly attributable to more usage of explosive-proof vehicles in some coal shafts of Shendong Mines as well as the price hikes in oil products and raw materials;
- (ii) Personnel expenses were RMB13.2/tonne (First half of 2009: RMB11.2/tonne), representing a year-on-year increase of 17.9%. The increase was mainly due to the increase in the number of employees and the increase in wages;
- (iii) Repairs and maintenance were RMB8.4/tonne (First half of 2009: RMB6.5/tonne), representing a year-on-year increase of 29.2%. The increase was mainly due to the rising number of equipment as the repairs and maintenance period started;
- (iv) Depreciation and amortisation were RMB19.9/tonne (First half of 2009: RMB17.3/tonne), representing a year-on-year increase of 15.0%. The increase was mainly attributable to increase in fixed assets resulting from increase of mining facilities and implementation of technological upgrade arising from the changes in geological conditions in certain mines of the Company; and
- (v) Others were RMB39.6/tonne (First half of 2009: RMB34.6/tonne), representing a year-on-year increase of 14.5% which was mainly attributable to the following factors:
 - (a) Increased in mining engineering expenses due to more overburden amount of Haerwusu mines, etc;
 - (b) Increased in payment of subsidies and relocation compensation expenses; and
 - (c) Increased in expenses of environmental protection and treatment.

Cost of coal transportation was RMB14.304 billion (First half of 2009: RMB13.134 billion), representing a year-on-year increase of 8.9%. The increase was mainly due to the growth in coal transportation volume.

Other costs were RMB0.340 billion (First half of 2009: RMB0.393 billion), representing a year-on-year decrease of 13.5%.

c Profit from operations in coal segment

In the first half of 2010, profit from operations of the Group's coal segment before elimination on consolidation was RMB19.605 billion (First half of 2009: RMB17.180 billion), representing a year-on-year increase of 14.1%.

2. Railway Segment

(1) Business progress

In the first half of 2010, the turnover of self-owned railway transportation of the Company was 73.7 billion tonne km (First half of 2009: 67.9 billion tonne km), representing a year-on-year increase of 8.5%. The turnover of self-owned railway transportation accounted for 78.5% to the total turnover volume, which was higher than 78.2% in the first half of 2009.

Based on careful organization and scientific management, the Company focused on growths in transportation volume, capacity expansion and the operation safety. In response to the frequent adverse weather in the first half year, the Company organized timely safety seminars to rectify potential risk issues and ensure transportation safety. The average turnover of self-owned wagons in some sections of railway lines was reduced by 0.18 day year-on-year to only 2.86 days for the first half year, representing the best level in record. With careful organization, 10 pairs of trains with 10,000 tonnes loading capacity are put into operations each day on the average compared to 6 pairs being put into operation each day in the beginning of the year, which expanded the railway transportation capacity. Shenshuo Railway Branch enhanced dispatching information exchange with Shendong Coal Group to coordinate coal loading for better production and transportation operating efficiency. The smooth construction and preparation work of new railway lines such as Ganquan Railway laid a solid foundation for the Company's future development.

(2) Operating results

Operating results of the railway segment of the Company before elimination on consolidation for the first half of 2010 were as follows:

Revenues	Cost of revenues	Profit from operations	Profit from operations/ average total assets during the reporting period
RMB million	RMB million	RMB million	%
10,373	4,852	5,226	12.1

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
%	%	%	
7.7	7.2	50.4	Unchanged

Directors' Report

a Revenues in railway segment

In the first half of 2010, revenues of the Group's railway segment before elimination on consolidation were RMB10.373 billion (First half of 2009: RMB9.630 billion), representing an increase of 7.7% year-on-year. Of which, revenues from internal coal transportation in the railway segment were RMB9.280 billion (First half of 2009: RMB8.717 billion), representing a year-on-year increase of 6.5% and accounting for 89.5% of revenues in railway segment. Meanwhile, certain railways of the Group utilized their excessive transportation capacity to provide transportation service to third parties to generate transportation revenue.

b Cost of revenues in railway segment

In the first half of 2010, cost of revenues of the Group's railway segment was RMB4.852 billion (First half of 2009: RMB4.527 billion), representing a year-on-year increase of 7.2%.

Unit cost of transportation in railway segment was RMB0.065/tonne km (First half of 2009: RMB0.067/tonne km), representing a year-on-year decrease of 3.0% which was mainly attributable to:

- (i) the increase in costs of raw materials, fuel and power due to factors such as hikes in national power tariffs;
- (ii) the increase in personnel expenses due to the increase in the number of employees and the increase in wages in the railway segment;
- (iii) the increase in other costs due to the year-on-year increase in service charge, expense of rail lines reinforcement and repairs and maintenance of rail lines; and
- (iv) the year-on-year decrease in repairs and maintenance expenses as most of the repairs and maintenance is scheduled in the second half year.

c Profit from operations in railway segment

In the first half of 2010, profit from operations of the Group's railway segment before elimination on consolidation was RMB5.226 billion (First half of 2009: RMB4.850 billion), representing a year-on-year increase of 7.8%.

3. Port Segment

(1) Business progress

In the first half of 2010, the Company's seaborne coal volume reached 80.5 million tonnes, accounting for 58.6% of its commercial coal sales volume. Of which, Huanghua Port and Shenhua Tianjin Coal Dock, self-owned ports of the Company, completed seaborne coal volume of 54.4 million tonnes (First half of 2009: 50.1 million tonnes), accounting for 67.6% of the Company's total seaborne coal volume.

In the first half of the year, the Company kept tapping on management potentials and striving for an increase in economic benefits. Overcoming the fallout of adverse factors such as bad weather, Huanghua Port and Shenhua Tianjin Coal Dock strengthened coordination with railway and shipping operations, and in turn the seaborne coal volume increased by 8.6% year-on-year. Dedicated berths for Shenhua Zhonghai Shipping Company were set at Shenhua Tianjin Coal Dock and Huanghua Port, hence improving transportation efficiency. The improvement of port facilities and construction of capacity expansion projects proceeded smoothly. The storage yard wind-proof net project and the expansion and enhancement project of Huanghua Port are stepping up and are planned to be put into operation at the end of the year. Besides, the Shenhua Tianjin Coal Dock phase II project and the preliminary work of the capacity expansion project of Huanghua Port are also proceeding as scheduled.

(2) Operating results

Operating results of the port segment of the Company before elimination on consolidation for the first half of 2010 were as follows:

Revenues	Cost of revenues	Profit from operations	Profit from operations/ average total assets during the reporting period
RMB million	RMB million	RMB million	%
1,273	812	357	3.5

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
%	%	%	
27.7	15.3	28.0	Increased by 1.9 percentage points

a Revenues in port segment

In the first half of 2010, revenues of the Group's port segment before elimination on consolidation were RMB1.273 billion (First half of 2009: RMB0.997 billion), representing a year-on-year increase of 27.7%. Of which, revenues from internal coal transportation in the port segment were RMB1.215 billion (First half of 2009: RMB0.932 billion), representing a year-on-year increase of 30.4%, which accounted for 95.4% of revenues in port segment.

b Cost of revenues in port segment

For the first half of 2010, cost of revenues of the Group's port segment was RMB0.812 billion (First half of 2009: RMB0.704 billion), representing a year-on-year increase of 15.3%.

Unit cost of internal coal transportation of the port segment was RMB14.1/tonne (First half of 2009: RMB13.1/tonne), representing a year-on-year increase of 7.6%. The increase was mainly due to:

- (i) the increase in the cost of raw materials, fuels and power as a result of the hikes in national power tariffs, the increase in material prices and the increase in material consumption arising from the aging equipment;
- (ii) the increase in personnel expenses as a result of the increase in the number of employees and wages in the port segment; and
- (iii) the increase in other costs as a result of the increase in dredging expenses given the increase in silt.

c Profit from operations in port segment

For the first half of 2010, profit from operations of the Group's port segment was RMB0.357 billion (First half of 2009: RMB0.260 billion), representing a year-on-year increase of 37.3%.

4. Power Segment

(1) Business progress

As at 30 June 2010, the total installed capacity of power segment controlled and operated by the Company reached 26,660 MW, representing an increase of 13.4% as compared with that as at 31 December 2009. As at 30 June 2010, the Company controlled and operated 14 coal-fired power plants, with the average unit installed capacity of 404 MW. In the first half of 2010, gross power generation of the Group's coal-fired generators was 68.01 billion kwh, representing a year-on-year increase of 24.82 billion kwh or 57.5%; the total power output dispatch of coal-fired generators was 63.32 billion kwh, representing a year-on-year increase of 23.27 billion kwh or 58.1%. The coal consumption of the power generation operations of the Group in the first half of 2010 was 29.5 million tonnes, of which 27.9 million tonnes of coal consumption was from internal coal segment, accounting for 94.6%.

The Company continued its efforts in strengthening marketing management and actively promoted the development of direct power supply, substituted power generation and inter-grid power transactions, which had resulted in a substantial increase in power generation on a year-on-year basis. The Company was aggressive in bringing its edge in large generators into play and strived to lower the unit energy consumption level. In the first half of the year, standard coal consumption rate for power output dispatch was 324 g/kwh. 6 coal-fired generators were put into operation smoothly for the first half of the year, with a new installed capacity of 3,140 MW. The power projects of the Company had again arisen to a new level in terms of management standardization, administrative work standardization and process refinement. Indicators such as the unit cost of million-kilowatt-class power generation and the total construction duration of large-scale coal-fired power plants were all at leading levels in the industry.

(2) Power sales

In the first half of 2010, in reliance on the Company's edge in its integrated operations, the Company brought into full play the role of the five marketing centres, namely Hebei, Guangdong, Northeast China, Jiangsu and Inner Mongolia. Under the impact of the national policies for the elimination of outdated production capacity and the regulation on high energy-consuming industries, the Company aggressively promoted the development of direct power supply, substituted power generation and intergrid power transaction, hence achieving a significant increase in power output dispatch. For the first half of 2010, the power output dispatch of the Company was 63.55 billion kwh, representing a year-on-year increase of 57.5%. Average utilization hours of coal-fired generators amounted to 2,785 hours, which was 251 hours higher than the national average utilization hours of 2,534 hours for the same period. Power tariff was RMB332/mwh, representing a year-on-year increase of RMB2/mwh or 0.6%.

(3) Operating results

Operating results of the power segment of the Company before elimination on consolidation for the first half of 2010 were as follows:

Revenues	Cost of revenues	Profit from operations	Profit from operations/ average total assets during the reporting period
RMB million	RMB million	RMB million	%
21,682	16,448	4,519	4.0

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
%	%	%	
56.8	57.0	20.8	Increased by 2.6 percentage points

a Revenues in power segment

For the first half of 2010, revenues of the Group's power segment before elimination on consolidation were RMB21.682 billion (First half of 2009: RMB13.828 billion), representing a year-on-year increase of 56.8%. The increase was mainly attributed to the increase in average utilization hours, the commencement of operation of new generators and the increase in power output dispatch.

Installed capacity of coal-fired power plants for the first half of 2010

Power plants	Grid location	Geographic location	Total installed capacity as at 31 December 2009	Increase in installed capacity for the first half of 2010	Total installed capacity as at 30 June 2010	Equity installed capacity as at 30 June 2010
			MW	MW	MW	MW
Huanghua Power	North China Power Grid	Hebei	2,520	–	2,520	1,285
Panshan Power	North China Power Grid	Tianjin	1,000	30	1,030	469
Sanhe Power	North China Power Grid	Hebei	1,300	–	1,300	501
Zhunge'er Power	North China Power Grid	Inner Mongolia	500	–	500	289
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	1,320	–	1,320	639
Beijing Thermal	North China Power Grid	Beijing	400	–	400	280
Dingzhou Power	North China Power Grid	Hebei	2,520	–	2,520	1,021
Suizhong Power	Northeast Power Grid	Liaoning	1,600	2,000	3,600	1,800
Ninghai Power	East China Power Grid	Zhejiang	4,400	–	4,400	2,640
Jinjie Energy	North China Power Grid	Shaanxi	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	3,000	–	3,000	2,400
Huizhou Thermal	South China Power Grid	Guangdong	–	660	660	660
Shendong Power	Northwest/North China/ Shaanxi Province Power Grid	Inner Mongolia	1,544	450	1,994	1,484
Total installed capacity			22,724	3,140	25,864	15,260

b Cost of revenues in power segment

Cost of revenues of the Group's power segment before elimination on consolidation for the first half of 2010 was RMB16.448 billion (First half of 2009: RMB10.476 billion), representing a year-on-year increase of 57.0%.

The unit cost of power output dispatch was RMB255.9/mwh (First half of 2009: RMB254.3/mwh), representing a year-on-year increase of 0.6%.

c Profit from operations in power segment

Profit from operations of the Group's power segment for the first half of 2010 was RMB4.519 billion (First half of 2009: RMB2.517 billion), representing a year-on-year increase of 79.5%.

5. Shipping Segment

In the first half of 2010, the Company acquired the control of Shenhua Zhonghai Shipping Company (formerly known as Zhuhai New Century Shipping Ltd.) with 51% shareholding through capital injection and registered capital increase so as to develop the Company's integrated operational strength and implement its mega-sales strategies. The registered capital of Shenhua Zhonghai Shipping Company is RMB1.000 billion. It is principally engaged in the shipping transportation in coastal regions, with major focus on the transportation of coal sold by China Shenhua to coastal regions in southeast China. It targets a shipping volume of 40 million tonnes in 2010, with long-term annual target of 70 million tonnes.

In the first half of the year, following the completion of capital injection and registered capital increase and restructuring, Shenhua Zhonghai Shipping Company increased the shipping volume by capitalizing on existing transportation capacities and shipping renting, while the transportation capacity was further expanded through ship building and purchase. In the first half of the year, shipping volume reached 23.8 million tonnes.

The Company has incorporated Shenhua Zhonghai Shipping Company into its consolidated financial statement since 25 June 2010, details are set out in note 19(c) to the interim financial report in this 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 before elimination on consolidation in the first half of 2010 are set out below:

Sector	Revenues	Cost of revenues	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
	RMB million	RMB million	%	%	%	
Coal segment	58,424	36,491	37.5	21.0	27.5	Decreased by 3.2 percentage points
Railway segment	10,373	4,852	53.2	7.7	7.2	Increased by 0.2 percentage point
Port segment	1,273	812	36.2	27.7	15.3	Increased by 6.8 percentage points
Power segment	21,682	16,448	24.1	56.8	57.0	Decreased by 0.1 percentage point

Region	Revenues for the first half of 2010	Revenues for the first half of 2009	Increase/decrease in revenues over the same period of last year
	RMB million	RMB million	%
Domestic market	66,771	53,101	25.7
Asia Pacific market	2,880	3,982	(27.7)
Other markets	80	–	N/A
Total	69,731	57,083	22.2

(1) Revenues

Revenues of the Group for the first half of 2010 were RMB69.731 billion (First half of 2009: RMB57.083 billion), representing a year-on-year increase of RMB12.648 billion or 22.2%. The increase was mainly due to: (1) the increase in power output dispatch. The power revenue reached RMB7.846 billion, which accounted for 62.0% of the increase in total revenues; and (2) the increase in coal sales price. The coal revenue reached RMB4.599 billion, which accounted for 36.4% of the increase in total revenues. During the same period, the proportion of power revenue to the total revenues increased from 23.7% to 30.6% and the proportion of coal revenue to the total revenues decreased from 73.9% to 67.1%.

For the first half of 2010, the total sales revenues from the top five customers of the Group were RMB15.763 billion, accounting for 22.6% of the Group's total revenues. The total sales revenues from the largest external customer were RMB4.711 billion, which accounted for 6.8% of the Group's total revenues.

(2) Cost of revenues

The Group's cost of revenues for the first half of 2010 amounted to RMB36.900 billion (First half of 2009: RMB28.619 billion), representing a year-on-year increase of RMB8.281 billion or 28.9%. The increase was mainly attributed to: (1) the increase of RMB4.972 billion in the cost of coal purchased from third parties, which accounted for 60.0% of the increase in total cost of revenues, given the increase in volume and price of coal purchased from third parties; and (2) the increase in cost of revenues as a result of the increase in coal sales volume, unit production cost of self-produced coal and power output dispatch.

For the first half of 2010, the total purchases from the top five suppliers of the Group amounted to RMB6.724 billion, accounting for 21.9% of the Group's total purchases. The total purchases from the largest supplier were RMB2.790 billion, accounting for 9.1% of the Group's total purchases.

(3) Selling, general and administrative expenses

For the first half of 2010, selling, general and administrative expenses of the Group were RMB3.658 billion (First half of 2009: RMB3.419 billion), representing a year-on-year increase of 7.0%.

(4) Profit from operations

For the first half of 2010, profit from operations of the Group was RMB29.136 billion (First half of 2009: RMB24.732 billion), representing a year-on-year increase of 17.8%.

(5) Income tax

For the first half of 2010, income tax expense of the Group was RMB5.930 billion (First half of 2009: RMB5.029 billion), representing a year-on-year increase of 17.9%. The increase was mainly due to the increase in profit before tax. The effective income tax rate of the Company for the first half of 2010 was 21.0%, which was basically flat with that of the same period of last year.

2. Consolidated assets and liabilities

(1) Property, plant and equipment, net

As at 30 June 2010, the property, plant and equipment, net of the Group amounted to RMB173.451 billion (31 December 2009: RMB163.645 billion), representing an increase of RMB9.806 billion or 6.0%. The increase was mainly attributed to the increase in power generation equipments and relevant facilities as well as the increase in facilities of the coal segment. As at 30 June 2010, the proportion of the property, plant and equipment, net of the Group to the total assets was 51.8%.

(2) Construction in progress

As at 30 June 2010, the construction in progress of the Group was RMB25.335 billion (31 December 2009: RMB33.045 billion), representing a decrease of RMB7.710 billion. The construction in progress mainly consisted of power generation projects and coal mining projects.

(3) Inventories

As at 30 June 2010, the Group's inventories amounted to RMB9.284 billion (31 December 2009: RMB7.727 billion), representing an increase of 20.2% as compared with that as at the beginning of the year. The main reason was the increase in coal inventories, materials and supplies, etc.

(4) Accounts and bills receivable, net

As at 30 June 2010, the accounts and bills receivable, net of the Group was RMB9.685 billion (31 December 2009: RMB8.781 billion), representing an increase of 10.3%. The accounts and bills receivable, net of the Group aged within one year accounted for 99.5% of total accounts and bills receivable, net of the Group.

(5) Borrowings

As at 30 June 2010, the Group had borrowings of RMB69.556 billion denominated in Renminbi, borrowings denominated in Japanese Yen equivalent to RMB5.324 billion, borrowings denominated in US Dollars equivalent to RMB1.277 billion and borrowings denominated in Australian Dollars equivalent to RMB0.473 billion.

(6) Capital structure

As at 30 June 2010, the gearing ratio (total liabilities/total assets) of the Group was 37.8% (31 December 2009: 36.7%), representing an increase of 1.1 percentage points. The interest cover ratio (profit before interest and tax/interest expenses) was 15.4 times (31 December 2009: 11.7 times).

3. Consolidated cash flows

As at 30 June 2010, the Group's cash and cash equivalents amounted to RMB79.868 billion (31 December 2009: RMB65.944 billion), representing an increase of 21.1%. Net cash generated from operating activities amounted to RMB29.224 billion, representing an increase of 5.7% over the same period of last year.

(IV) Accomplishment status of 2010 business targets

Thanks to the joint efforts of all staff, the Company's key production and operation indicators achieved stable growth in the first half of 2010. Coal sales volume of the Company reached 137.4 million tonnes, accomplishing 50.5% of the full-year target; the Company's production volume of commercial coal amounted to 109.2 million tonnes, which completed 47.7% of the full-year target; gross power generation reached 68.26 billion kwh, accomplishing 54.2% of the full-year target; and total power output dispatch was 63.55 billion kwh, accomplishing 54.5% of the full-year target. The accomplishment status of the Company's key operating indicators in the first half of the year is set out below:

Item	Unit	Accomplishment in the first half of 2010	Targets of 2010	Percentage of accomplishment in the first half of 2010 to full-year target %
Coal sales volume	(million tonnes)	137.4	272.0	50.5
Commercial coal production volume	(million tonnes)	109.2	229.0	47.7
Gross power generation	(100 million kwh)	682.6	1,260.0	54.2
Total power output dispatch	(100 million kwh)	635.5	1,167.0	54.5

The output of commercial coal of the Company in the second quarter of the year decreased compared with that of the same period of last year, which was mainly because the production of certain coal mines of the Company had been restricted in the first half of the year due to the national supervision and inspection over the safety of coal mines. Hence, the output of commercial coal of the Company in the first half year fell below the expected target. In the second half of the year, the Company will strengthen coordination, optimize the structure of production and operation as well as spare no effort to mitigate fallout of the restricted production of certain coal mines.

(V) Review and prospect of business environment^{Note}

1. Macroeconomic conditions

Since the beginning of the year, the central government has been implementing a package of programs in response to the global financial crisis and to accelerate the transformation of economic development pattern and structural adjustments, enabling the overall national economy to operate in good shape. In the first half of the year, GDP growth rate increased to 11.1% on a year-on-year basis, higher by 3.7 percentage points year-on-year and by 2.4 percentage points over 8.7% for the whole year of 2009.

Notes: (1) This section is for information only and does not constitute any proposal for investment. The Company has used its best endeavors to ensure the accuracy and reliability of information in this section, but does not assume any liability or provide any form of guarantee for the accuracy, completeness or effectiveness of all or part of its content. If there is any error or omission, the Company does not assume any liability. The content in this section may contain certain forward looking statements based on subjective assumptions and judgments of future political and economic developments; therefore there may exist uncertainties in these statements. The Company does not undertake any responsibility in updating the information or correcting any subsequent error that may appear. The opinions, estimation or other data contained herein may be changed or revoked by the Company at any time without notification.

(2) The data contained in this section is mainly derived from sources including the National Bureau of Statistics, China Coal Market Network, China Coal Resource and China Electricity Council.

It will still take time for the global economy to recover and uncertainties will still exist in the domestic economic growth. In response to this, the central government will maintain the continuity and stability of its macroeconomic policies in the second half of the year while continuing to implement the proactive financial policy and a moderately loose monetary policy. National economy of the PRC is still expected to achieve a growth in the second half of the year. However, the growth will decelerate to a certain extent as compared with that in the first half of the year. The Company will be confronted with more complex economic conditions in the second half of the year.

Overall, the growth of the macroeconomy in the second half of the year will drive the increase in demand for energy such as coal.

2. Environment of the coal industry

(1) Thermal coal market in China

a Review of the first half of 2010

Major coal consuming industries achieved relatively fast growth in the first half of the year. The national thermal power generation, steel, cement and fertilizer production volumes grew by 21.9%, 26.1%, 17.5% and 6.4% year-on-year, respectively, suggesting the relatively fast growth in coal demand from the major coal consuming industries.

In the wake of the consolidation of the small coal mines in some provinces such as Shanxi in last year, the increase of the raw coal output nationwide slowed down. A relatively significant year-on-year growth in the first half of the year was achieved due to last year's low base. In the first half of the year, the national raw coal output was 1,577.1 million tonnes, representing a year-on-year increase of 19.3% and a growth of 10.6 percentage points compared with the same period of last year. Closure of small coal mines continued to proceed. In the first half of the year, China closed 620 small coal mines and eliminated 75.4 million tonnes of outdated production capacity.

The volume of coal transported by railway increased year-on-year. In the first half of the year, the national volume of coal transported by railway was 980.0 million tonnes, representing a year-on-year increase of 17.5%.

From the end of last year to the beginning of this year, as coal spot prices in the Asia Pacific market were lower than that in domestic market and ocean freight was relatively low, China remained to be a net importer in the first half of 2010. China's national net coal import volume was 71.0 million tonnes, representing a year-on-year increase of 34.4 million tonnes.

In the first half of 2010, the supply and demand in China's thermal coal market was balanced in general. The contract price for thermal coal rose while the spot price increased and fluctuated at high levels. Given the impact of the growth of the general economy, the continuous consolidation of small coal mines and the seasonal factors, the spot price for thermal coal fluctuated at high levels with no distinctive features between peak and weak seasons.

b Prospect for the second half of 2010

It is expected that major coal-consuming industries will still post growth in the second half of the year. However, given the impact of factors such as China's macro adjustment and control, energy-saving and emission reduction policies as well as the relatively higher base in the second half of last year, there will be a slowdown in the growth rate as compared with that in the first half of the year and the growth in coal demand is expected to decline over the first half of the year.

Production capacity resulted from fixed asset investment in coal industry in recent years will be released in the second half of the year. Given the integration of coal resources in provinces such as Henan and Shandong, the government's further expansion of safety and supervision efforts in large mines and other factors, the growth in coal production will be restrained. It is expected that the coal transportation capacity tends to be tight in peak season for coal demand in the second half of this year.

Policy factors such as the potential resource tax reforms will result in an increase in cost of coal.

For the second half of the year, it is expected that the supply and demand in the national thermal coal market will be balanced in general and the spot price will fluctuate depending on peak and weak seasons.

(2) Thermal coal market in Asia Pacific

a Review for the first half of 2010

The economic recovery in Asia Pacific drove the increase in coal demand. The coal imports of Japan and South Korea in the first half of the year recorded a year-on-year increase of 21.0% to 90.4 million tonnes and 22.0% to 56.8 million tonnes respectively, and the coal imports of China for the first half of the year increased by 70.6% year-on-year; there was also a rather substantial increase in the coal imports of India.

There was a relatively big increase in the exports of exporting countries. The increase in Australia's coal exports amounted to over 18.0 million tonnes in the first half of the year and the increase in Indonesia's coal exports was approximately 56.0 million tonnes. Exports of countries such as South Africa and Russia to the Asia Pacific regions also increased rapidly.

The supply and demand in the Asia Pacific thermal coal market was basically balanced and the spot price for thermal coal fluctuated at high levels. Australia BJ thermal coal spot price rose to a highest point of USD108.2/tonne from the lowest point of USD90.6/tonne in the beginning of the year, and was USD99.1/tonne at the end of June of this year.

b Prospect for the second half of 2010

It is expected that coal demand of Japan, South Korea and China Taiwan will increase to a certain extent in the second half of the year. India's economic growth will help maintain the growing trend of coal imports as in the first half of the year. China's coal imports will fall.

Coal production of major coal exporting countries will increase to a certain extent in the second half of the year. With the improvement of transportation conditions in Australia, its coal export capacity will increase correspondingly. The growth in coal exports of Indonesia in the second half of the year will slow down in the wake of rainy season.

It is expected that the supply and demand in the Asia Pacific thermal coal market will be balanced in general and the spot price for thermal coal will continue to fluctuate at high levels.

3. Environment of the power industry

(1) Review for the first half of 2010

In the first half of 2010, national power consumption increased by 21.6% on a year-on-year basis. Given the impact of factors such as the monthly increase in base for the same period of last year, there was a steady decline in the growth of power consumption. The growth of power consumption of the entire society decreased from 26.0% in January-February of this year to 14.1% in June of this year.

The power supply capacity further increased. As at 30 June 2010, China's installed power generating capacity increased from 870 million KW at the end of last year to approximately 910 million KW.

There was a further strengthening in the closure of small coal-fired power generation units. As at 15 July 2010, China eliminated backward and small coal-fired power generation units with a total capacity of 10.71 million KW, realizing the full-year target of shutting down power generation units with a total capacity of 10 million KW in advance.

The supply and demand of power in China was balanced on the whole in the first half year. The average utilization hours of power generating equipments in China accumulated to 2,295 hours, representing a year-on-year increase of 190 hours. Given the impact of factors such as the restoration of the growth of demand for power and the effect of the tariff adjustments in November 2009, the power industry had resumed growth in its overall profit.

(2) Prospect for the second half of 2010

China's domestic economy is still expected to achieve a relatively fast growth in the second half of 2010, which will drive a further increase in the demand for power. Due to the implementation of the policies of structural adjustment, energy saving and emission reduction of the industry and in view of the relatively larger base for the same period of last year, the growth in power consumption of the entire society will be slower in the second half year than in the first half of 2010, indicating a trend of "growth at the beginning and stability at the end".

China's installed capacity of power generation will still continue to expand in the second half year. It is expected to increase from 870 million KW at the end of last year to approximately 950 million KW by the end of 2010.

It is expected that the supply and demand of power in China will be balanced in general in the second half of 2010 and there will be a slight surplus of supply. The average utilization hours of power generating equipments in China will increase on a year-on-year basis. Given that some regions and periods may be affected by uncertainties such as coal supply and climate, power supply crunch may still occur.

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

1. Risk 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 closely to the coastal regions 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 plants. The Company faces competition 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. Risk of insufficient transportation capacity

Other than the transportation system of self-owned railways and ports, the Company also transports coal through third party railways and ports. During the peak season for coal demand, the third party railways and ports may still be unstable 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 the future.

4. Risk of increasing cost

As the mining process proceeds further, the Company's mining cost may increase gradually. Furthermore, potential inflation risk resulting from rapid domestic economic growth and increase of bulk commodity prices may lead to the increase in the Company's costs of materials and fuels. In addition, policy-driven cost, 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. Risk of foreign 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 period may be affected. Currently, there is a lack of financial instruments for hedging risks of exchange rates in China, which may, to a certain extent, limit the Company's ability to manage foreign exchange risk.

6. Risk 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-driven 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 certain risks to the Company's operations.

7. Risk 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. Certain particularly major natural disasters which occurred in China in recent years had adversely impacted the Company's operations to a certain extent. Factors such as unforeseeable natural disasters and bad weather may bring certain risks to the Company's operations.

8. Environmental protection responsibility

The Company has been operating in China for many years. Environmental protection laws and regulations are fully enforced in China, which affected the operations 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 Company in the future. Nevertheless, under the existing legislation, the management of the Company 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 Company's financial position.

9. Group insurance

In accordance with the industry practices in the PRC mining industry known to the Company, the Company has purchased fire, liability or other property insurance for certain properties, equipment or inventories of our coal operations. The Company has purchased business interruption and third party liability insurance for personal injury or environmental damages arising from accidents occurring in the Company's premises or in connection with certain power plants and vehicles related businesses. As for the transportation business, the Company has purchased property insurance for trucks and cars insurance for some ports. In addition, the Company 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 Company has purchased insurance for all of its operating power plants against property, loss of profits, plant and equipment, occupational injury and third party liability. The Company will continue to review and assess its own risk portfolio, and make necessary and appropriate adjustments to the Company's insurance coverage in accordance with the needs of the Company and practices of the insurance industry in China.

B Review on the Company's Investments

(I) Status of capital expenditure

1. Capital expenditure plan and its accomplishment status

Capital expenditure plan	Plan in 2010	Accomplishment in the first half of 2010	Percentage of accomplishment of the plans in the first half of 2010	Percentage of each segment to total plan in 2010
	RMB100 million	RMB100 million	%	%
Coal segment	179.40	30.30	16.9	43.6
Railway segment	126.60	13.61	10.8	30.8
Port segment	19.40	2.82	14.5	4.7
Power segment	85.90	26.03	30.3	20.9
Others	–	0.99	N/A	–
Total	411.30	73.75	17.9	100.0

The Company's capital expenditure in the first half of 2010 was RMB7.375 billion, representing 17.9% of the planned amount for the year, which was mainly because:

- (1) The settlement of project investment of Company in the second half of the year exceeds that in the first half of the year;
- (2) Certain projects did not commence as scheduled due to the delay in obtaining the approval of relevant permits.

The current plans of the Company in relation to future capital expenditures are subject to development of business plans (including potential acquisitions), progress of investment projects, market conditions, outlook for future operation conditions and obtaining of the requisite permissions and regulatory approvals. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance 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.

(II) Use of proceeds

In September 2007, the Company issued 1.8 billion A shares in its initial public offering. The net amount of proceeds was RMB65.988 billion. The amount of proceeds used during the reporting period was RMB0.780 billion, of which RMB0.780 billion was used for investments. The accumulated amount of proceeds used was RMB33.686 billion, of which an accumulated amount of RMB17.686 billion was used for investments.

Directors' Report

The 37th meeting of the first session of Board of Directors of the Company reviewed and approved the temporary use of RMB6.500 billion of the proceeds for liquidity replenishment for a period of six months starting from 21 December 2009. On 18 June 2010, the Company has returned RMB6.500 billion to the account designated exclusively for the proceeds. As at 30 June 2010, the balance of unused proceeds was RMB32.302 billion (balance in the designated account was RMB34.168 billion, slightly higher than the balance of proceeds due to interest income). The unused proceeds are deposited to the designated account for projects committed in the future.

For progress of projects funded by the proceeds, please refer to "Special Report on Deposit and Use of Proceeds of China Shenhua Energy Company Limited" published on the website of Shanghai Stock Exchange on 28 August 2010.

Name of project committed (including projects committed for proceeds in the prospectus etc. and subsequent amended projects)	Whether it is an amended project	Amount committed	Actual amount invested from the date of the proceeds received to the end of the reporting period	Of which: amount invested during the reporting period	Total return generated (calculated by the total profits generated from the beginning of the year to the end of the reporting period)	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
		RMB ten thousand	RMB ten thousand	RMB ten thousand	RMB ten thousand	%		
1. Investments and renovation of coal, power and transportation system	No	1,668,875	1,537,819	37,000	N/A	N/A	Yes	
Of which: Halagou mine project	No	169,300	169,300	-	52,005	1.91	Yes	Yes
Bu'ertai mine construction project	No	344,815	344,815	-	91,313	3.36	Yes	Yes
Haerwusu open-cut mine project	No	538,600	538,600	97	32,313	1.19	Yes	Yes
Baoshen Railway TDCS Dispatching Command System	No	2,028	2,028	2,028	N/A	N/A	Yes	
The 2nd extension line of the Baoshen Railway, from Shigetai to Ciyaowan	No	4,553	4,553	-	N/A	N/A	Yes	
The 2nd extension line of the Baoshen Railway, from Dongsheng to Shigetai	No	5,311	5,311	5,311	N/A	N/A	Yes	
Purchase of locomotives	No	16,800	16,800	-	N/A	N/A	Yes	
Yijing substation, treatment of pollution by power generation	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 cargo dumper improvement works	No	4,426	-	-	N/A	N/A		
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		

Name of project committed (including projects committed for proceeds in the prospectus etc. and subsequent amended projects)	Whether it is an amended project	Amount committed	Actual amount invested from the date of the proceeds received to the end of the reporting period	Of which: amount invested during the reporting period	Total return generated (calculated by the total profits generated from the beginning of the year to the end of the reporting period)	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
		RMB ten thousand	RMB ten thousand	RMB ten thousand	RMB ten thousand	%		
Zhejiang Ninghai power plant phase II	No	105,822	91,883	3,798	31,510	1.16	Yes	Yes
Phase II of Shaanxi Jinjie coal and power integration project	No	64,050	64,050	19,950	41,930	1.54	Yes	Yes
Hebei Huanghua power plant phase II	No	48,690	40,824	–	5,239	0.19	Yes	Yes
Hebei Dingzhou power plant phase II	No	45,500	41,493	–	8,910	0.33	Yes	Yes
Liaoning Suizhong power plant phase II	No	87,482	21,072	5,816	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	N/A	N/A
3. Acquisition of strategic assets	No	3,329,963	230,803	41,035	N/A	N/A	N/A	N/A
Total		6,598,838	3,368,622	78,035				

C Operating conditions and results of major subsidiaries and affiliates

No.	Company	Registered capital	Total assets	Net assets	Net profits
		RMB10,000	RMB10,000	RMB10,000	RMB10,000
1	Shenhua Guohua International Power Co., Ltd.	400,997	2,808,018	997,053	26,853
2	Guangdong Guohua Yuedian Taishan Power Co., Ltd.	270,000	1,526,596	403,963	73,561
3	Shaanxi Guohua Jinjie Energy Co., Ltd.	227,800	1,009,015	360,977	76,793
4	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	303,551	1,601,938	419,648	67,768
5	Shenhua Zhunge'er Energy Co., Ltd.	710,234	1,619,432	1,112,748	133,296
6	Shenhua Beidian Shengli Energy Co., Ltd.	83,000	297,576	110,081	10,118
7	Beijing Shenhua Hengyun Energy Technology Co., Ltd.	5,000	160,516	54,319	25,948
8	Shenhua Shendong Coal Group Co., Ltd.	21,500	2,176,963	986,785	879,536
9	Shuohuang Railway Development Co., Ltd.	588,000	2,075,265	1,522,148	218,992
10	Shenhua Baoshen Railway Co., Ltd.	100,387	529,256	266,232	12,247
11	Yulin Shenhua Energy Co., Ltd.	100,000	250,474	145,789	40,331
12	Hebei Guohua Cangdong Power Co., Ltd.	172,514	843,312	194,704	14,145
13	Hebei Guohua Dingzhou Power Generation Co., Ltd.	150,792	692,580	181,998	10,804
14	Shenhua Huanghua Harbour Administration Co., Ltd.	325,333	741,172	374,911	13,368
15	Shenhua Shendong Power Co., Ltd.	200,000	1,775,529	737,335	8,134

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.

D Reasons for and impacts of the changes in the Company's accounting polices, accounting estimates or correction of significant accounting errors

During the reporting period, the Company has made no change in accounting policies, accounting estimates or correction of significant accounting errors.

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

There were no material changes in the Company's significant accounting policies and accounting estimates from those as disclosed in 2009.

F 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 organized by local 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 remunerations are determined according to factors such as relative importance of their positions, responsibilities and other performance factors.

(II) Charge over assets of the Group

For the six months ended 30 June 2010, the Company has not placed any charges over group assets.

(III) Significant acquisitions and disposals

For the six months ended 30 June 2010, 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
Operating profit	27,206
Profit before income tax	27,189
Net profit attributable to equity shareholders of the Company	18,632
Net profit attributable to holders of ordinary shares of the Company net of extraordinary gain and loss	18,654
Net cash flow from operating activities	30,556

(II) Differences between Domestic and International Accounting Standards

Unit: RMB million

Items	Net profit attributable to equity shareholders of the Company		Net assets attributable to equity shareholders of the Company	
	For the six months ended 30 June		As at 30 June 2010	As at 31 December 2009
	2010	2009		
Under Accounting Standards for Business Enterprises	18,632	15,976	178,003	169,326
Adjustments:				
Adjustment for production maintenance, production safety and other related expenditures	568	885	2,588	2,841
Revaluation of land use rights and others	72	59	(1,485)	(1,506)
Under International Financial Reporting Standards	19,272	16,920	179,106	170,661

Explanations for the differences between domestic and international accounting standards:

- 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.

Major Financial Data and Indicators

2. Revaluation of land use rights and others

Under the Accounting Standards for Business Enterprises, land use rights under the prepayment for operating leases 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.

(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	61
– Others	73
Investment income	
– Income from entrusted loans	22
Non-operating expenses	(158)
Tax effect in respect of the above items	(14)
Total	(16)
Of which: Extraordinary gain and loss that affect net profit attributable to equity shareholders of the Company	(22)
Extraordinary gain and loss that affect net profit attributable to minority shareholders	6

Major Financial Data and Indicators

(IV) Major Financial Data and Indicators

	For the six months ended 30 June		Increase/decrease over the same period of last year
	2010	2009	
Operating income (RMB million)	69,731	57,083	22.2%
Profit before income tax (RMB million)	27,189	22,854	19.0%
Net profit attributable to equity shareholders of the Company (RMB million)	18,632	15,976	16.6%
Net profit attributable to holders of ordinary shares of the Company net of extraordinary gain and loss (RMB million)	18,654	16,022	16.4%
Basic earnings per share (RMB)	0.937	0.803	16.6%
Diluted earnings per share (RMB)	0.937	0.803	16.6%
Basic earnings per share net of extraordinary gain and loss (RMB)	0.938	0.806	16.4%
Fully diluted return on net assets (%)	10.47	10.31	Increased by 0.16 percentage point
Weighted average return on net assets (%)	10.73	10.60	Increased by 0.13 percentage point
Fully diluted return on net assets net of extraordinary gain and loss (%)	10.48	10.34	Increased by 0.14 percentage point
Weighted average return on net assets net of extraordinary gain and loss (%)	10.74	10.63	Increased by 0.11 percentage point
Net cash flow from operating activities (RMB million)	30,556	29,154	4.8%
Net cash flow from operating activities per share (RMB)	1.54	1.47	4.8%

	As at	As at	Increase/decrease over the same period of last year
	30 June 2010	31 December 2009	
Total assets (RMB million)	333,776	310,514	7.5%
Equity attributable to equity shareholders of the Company (RMB million)	178,003	169,326	5.1%
Net assets per share attributable to equity shareholders of the Company (RMB)	8.95	8.51	5.1%

Changes in Equity and Shareholdings of Substantial Shareholders

(I) Changes in equity

1. 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 2010 is as follows:

Unit: Shares

	Type	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%

2. For the six months ended 30 June 2010, 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 "Resolution on Approving a General Mandate to the Board of Directors to Repurchase A shares and H shares of the Company" was considered and approved at the annual general meeting for the year 2009, the 2010 first class meeting of the holders of A shares and the 2010 first class meeting of the holders of H shares of the Company held on 18 June 2010. For specific details, please refer to the related announcements published on the website of the Hong Kong Stock Exchange on 18 June 2010 as well as on China Securities Journal, Shanghai Securities News, Securities Times and the website of the Shanghai Stock Exchange on 19 June 2010.

Changes in Equity and Shareholdings of Substantial Shareholders

(II) Shareholders

1. Total number of shareholders

As at the end of the reporting period, there were a total of 444,686 shareholders of the Company, of which 441,875 are holders of A shares (including Shenhua Group) and 2,811 are registered holders of H shares.

The minimum public float of the Company satisfies the requirement of Rule 8.08 of the Hong Kong Listing Rules.

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

Statement on the connected relationships and whether they are parties acting in concert are as follows: China Life Insurance Company Limited – Traditional – Ordinary Insurance Product – 005L – CT001Hu and China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002Hu are different accounts of the same insurance company; the fund trustees of Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund and Industrial & Commercial Bank of China – Hua Xia Hu Shen 300 Index Securities Investment Fund are Industrial & Commercial Bank of China; other than the above, the Company is not aware of whether any connected relationship exists 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) Shares held by 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 Corporation Limited	State-owned	72.96%	14,511,037,955	–	14,511,037,955	Nil
HKSCC NOMINEES LIMITED	Overseas corporate	17.05%	3,390,188,032	-1,038,348	–	Unknown
Account No. 1 of National Council for Social Security Fund	State-owned	0.90%	180,000,000	–	180,000,000	Nil
Bank of Communications – E Fund 50 Index Securities Investment Fund	Others	0.23%	45,015,020	+1,300,000	–	Nil
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	Others	0.18%	35,502,698	+3,921,534	–	Nil
Baosteel Group Corporation Limited	State-owned corporate	0.15%	29,151,928	–	–	Nil
China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002Hu	Others	0.11%	21,261,056	+4,999,910	–	Nil
Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	Others	0.10%	20,668,942	-794,277	–	Nil
Industrial & Commercial Bank of China – Hua Xia Hu Shen 300 Index Securities Investment Fund	Others	0.08%	15,088,159	+488,470	–	Nil
China Life Insurance Company Limited – Traditional – General Insurance Product – 005L – CT001Hu	Others	0.06%	11,999,904	-2,000,096	–	Nil

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

Changes in Equity and Shareholdings of Substantial Shareholders

(2) Shares held by top ten shareholders without selling restrictions

Unit: Shares

Name of shareholder	Number of shares without selling restrictions	Type of shares
HKSCC NOMINEES LIMITED	3,390,188,032	Foreign shares listed overseas
Bank of Communications – E Fund 50 Index Securities Investment Fund	45,015,020	RMB ordinary shares
Industrial & Commercial Bank of China – Shanghai Index 50 Trading Open-end Index Securities Investment Fund	35,502,698	RMB ordinary shares
Baosteel Group Corporation Limited	29,151,928	RMB ordinary shares
China Life Insurance Company Limited – Bonus – Personal Bonus – 005L – FH002Hu	21,261,056	RMB ordinary shares
Bank of China – Jia Shi Hu Shen 300 Index Securities Investment Fund	20,668,942	RMB ordinary shares
Industrial & Commercial Bank of China – Hua Xia Hu Shen 300 Index Securities Investment Fund	15,088,159	RMB ordinary shares
China Life Insurance Company Limited – Traditional – Ordinary Insurance Product – 005L – CT001Hu	11,999,904	RMB ordinary shares
Zhangjiagang Free Trade Zone Rong Run Trading Co., Ltd.	11,557,243	RMB ordinary shares
Zhangjiagang Free Trade Zone Xu Jiang Trading Co., Ltd.	11,264,618	RMB ordinary shares

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

Unit: Shares

No.	Name of shareholders with selling restrictions	Number of shares with selling restrictions	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 Corporation Limited	14,511,037,955	9 October 2010	14,511,037,955	Shenhua Group shall not transfer or entrust others to manage its shares held directly or indirectly, nor shall such shares be acquired by the Company, within 36 months from the date on which the shares of the Company were listed on Shanghai Stock Exchange
2	Account No. 1 of National Council for Social Security Fund	180,000,000	9 October 2013	180,000,000	Article 13 of the “Implementation Measure for the Transfer of Part of the State-owned Shares to the National Social Security Fund in Domestic Securities Market”

Changes in Equity and Shareholdings of Substantial Shareholders

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

As at 30 June 2010, persons as shown in the table below had an interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register to be kept pursuant to section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong):

Name of shareholder	Capacity	H/domestic shares	Nature of interest	Number of H/domestic shares held	Percentage of H/domestic shares over total issued H/domestic shares respectively	Percentage of total issued share capital of the Company
					%	%
Shenhua Group	Beneficial owner	Domestic shares	N/A	14,511,037,955	87.99	72.96
JPMorgan Chase & Co.	Beneficial owner	H shares	Long position	338,931,976	9.97	1.70
	Investment manager		Short position	9,767,959	0.29	0.05
	Custodian		Lending pool	173,956,265	5.12	0.87
Blackrock, Inc.	Interest of corporation controlled by the substantial shareholder	H shares	Long position	227,454,258	6.69	1.14
			Short position	982,000	0.03	0.005
The Capital Group Companies, Inc.	Investment manager	H shares	Long position	169,960,025	5.00	0.85

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

Save as disclosed above, as at 30 June 2010, 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) which is required to be recorded in the register and kept by the Company 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 were no changes 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 shareholding of the Company held by directors, supervisors and senior management

During the reporting period, there were no changes in shareholding of the Company held by the Directors of the first session and the second session of the Board, the supervisors of the Supervisory Committee and senior management of the Company that were required to be disclosed pursuant to the “Rules on the Management of Shares Held by Directors, Supervisors and Senior Management of Listed Companies and the Changes Thereof” promulgated by China Securities Regulatory Commission.

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

As elected at the Company’s 2009 annual general meeting held on 18 June 2010:

1. The second session of the board of directors comprises Zhang Xiwu, Zhang Yuzhuo and Ling Wen as executive directors, Han Jianguo, Liu Benren and Xie Songlin as non-executive directors, and Fan Hsu Lai Tai, Gong Huazhang and Guo Peizhang as independent non-executive directors, with a term of office of three years (from 18 June 2010 to 17 June 2013). Mr. Huang Yicheng and Mr. Anthony Francis Neoh, being independent non-executive directors of the first session of the board of directors, ceased to serve as directors.
2. The second session of the Supervisory Committee of the Company comprises Sun Wenjian and Tang Ning as shareholder representative supervisors, and Zhao Shibin was elected as the staff representative supervisor by the Company’s staff, with a term of office of three years (from 18 June 2010 to 17 June 2013). Mr. Xu Zufa, Mr. Wu Gaoqian and Mr. Li Jianshe, being supervisors of the first session of the Supervisory Committee of the Company, ceased to serve as supervisors.

Biographical details of the directors and supervisors are set out in the notice and related materials of the Company’s 2009 annual general meeting.

On 11 August 2010, at the fourth meeting of the second session of the Board of the Company, the directors resolved to approve the removal of Dr. Hao Gui, Mr. Xue Jilian and Mr. Wang Pingang as vice presidents of the Company. On 27 August 2010, at the sixth meeting of the second session of the Board of the Company, the directors approved the resignation of Ms. Ng Chai Ngee as the joint company secretary of the Company with effect from 27 August 2010. Please refer to the relevant announcements published on 11 August 2010 and 27 August 2010 on the website of the Hong Kong Stock Exchange and published on 12 August and 28 August in the China Securities Journal, Shanghai Securities News, Securities Times and the website of the Shanghai Stock Exchange for details.

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

As at 30 June 2010, 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 2010, the Company had not granted any equity securities or warrants to its directors, supervisors and senior management or their respective spouses or children under the age of 18.

Directors, Supervisors, Senior Management and Employees

(IV) Employees of the Company

As at 30 June 2010, the Company had 62,811 employees. Composition of the employees was as follows:

1. By function

Functions	As at 30 June 2010	As at 31 December 2009	Percentage change
			%
Operation and maintenance	42,823	41,431	3.4
Management and administration	8,886	7,555	17.6
Finance and accounting	1,046	988	5.9
R&D and technical support	4,832	5,251	(8.0)
Sales and marketing	1,457	1,475	(1.2)
Others	3,767	5,586	(32.6)
Total	62,811	62,286	0.8

2. By education level

Degrees of education	As at 30 June 2010	As at 31 December 2009	Percentage change
			%
Postgraduate or above	893	719	24.2
University graduate	12,676	11,370	11.5
College graduate	16,138	14,873	8.5
Specialized secondary school graduate	13,570	14,072	(3.6)
Technical school graduate	4,485	5,421	(17.3)
High school graduate	9,705	10,096	(3.9)
Middle school graduate or below	5,344	5,735	(6.8)
Total	62,811	62,286	0.8

Significant Events

(I) Corporate governance

During the reporting period, the Company further improved its corporate governance by amending various internal rules including “Information Disclosure Policy of China Shenhua Energy Company Limited” and “Measures on Dealings in the Shares of the Company by Employees of China Shenhua Energy Company Limited” in accordance with international and domestic regulations.

During the reporting period, the Company amended and/or formulated various internal rules including “Manual on Risk Management”, “Guidelines on Application of Risk Categorizations”, “Risk Assessment Measures” and “Assessment Criteria for Internal Control Examination”. With risks and events database for respective business segments in place, the internal control and risk management framework of the Company was improved.

1. Compliance with Code on Corporate Governance Practices

The Company has established a system of corporate governance practices in accordance with the Code on Corporate Governance Practices as set out in Appendix 14 of the Hong Kong Listing Rules. The Company has been in full compliance with the provisions of the Code on Corporate Governance Practices and most of the recommended best practices as specified therein for the six months ended 30 June 2010.

The Company has appointed independent non-executive directors and established an Audit Committee in accordance with the requirements of the Hong Kong Listing Rules. As at the end of the reporting period, the Audit Committee of the board of directors comprised Mr. Gong Huazhang (chairman of the Audit Committee, with relevant professional qualifications and experiences in financial management and accounting), Mr. Xie Songlin and Mr. Guo Peizhang. On 26 August 2010, the Audit Committee reviewed the Company’s interim financial report for the six months ended 30 June 2010 and approved submission of the interim financial report to the board of directors for approval.

2. Securities transactions of directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as provided in Appendix 10 of the Hong Kong Listing Rules. All securities transactions of the Company’s directors are required to be conducted in accordance with the Model Code, which also applies to senior management of the Company. After specific enquiries made by the Company, all directors have confirmed that they had fully complied with the Model Code for the six months ended 30 June 2010.

Other than their working relationships with 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.

Save for their service contracts with the Company, none of the directors and supervisors of the Company had any actual personal interest, directly or indirectly, in any material contracts entered into by the Company or any of its subsidiaries in the first half of 2010.

(II) Implementation of profit distribution policies

At the 2009 annual general meeting held on 18 June 2010, it was approved to declare a final dividend for 2009 of RMB0.530 (inclusive of tax) per share to all shareholders. Such final dividend was distributed on 20 July 2010.

The Company does not have any plan to declare or distribute dividend for the first half of 2010 to its shareholders.

(III) Material litigation and arbitration

As at the end of the reporting period, the Group was not involved in any material litigation or arbitration. As far as the Group was aware, the Group had no material litigation or claim which was pending or threatened against the Group. As at 30 June 2010, the Group was the defendant of certain non-material litigations, and also a party to 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 present, but the management of the Group believes that, any possible legal liability which may be incurred from the aforesaid cases will not have any material adverse impact on the financial position of the Group.

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

Name of the company held	Amount of initial investment	Number of shares held	Percentage of the direct and indirect shareholding in the Company	Book value at the end of the period	Gain or loss during the reporting period	Change in shareholders' equity during the reporting period	Account caption
	RMB million	shares	%	RMB million	RMB million	RMB million	
Shenhua Finance	161	–	40	522	125	125	Long term equity investment

Save as disclosed above, as at the end of the reporting period, the Company has no equity holding in any other listed companies nor has made any equity investment in financial institutions.

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

During the reporting period, the Company did not enter into any significant transactions involving the acquisition and disposal of assets, takeovers and mergers.

(VI) Stock options incentive plan

During the reporting period, the Company did not implement any stock options incentive plan which would involve the issue of new shares of the Company or which would have an impact on the shareholding structure of the Company.

(VII) Material related party transactions

The Company has a related party transaction team led by the Chief Financial Officer, which is responsible for the management of related party transactions; and has established a business process which properly delineates the responsibilities of the Company, its branches and subsidiaries in the management of related party transactions. The team has also established routine examinations, reporting systems and accountability system in the branches and subsidiaries of the Company.

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

1. Related party transactions in relation to daily operations

On 12 March 2010, the board of directors of the Company approved the “Resolution on Increase of Annual Cap of Transactions for 2010 under the Mutual Supply of Products and Services Agreement with Shenhua Group Corporation Limited”. Accordingly, the annual cap of transactions for 2010 for the provision of products and services by the Group to Shenhua Group under the agreement was increased from RMB2,047.74 million to RMB2,670.00 million.

The following matters were considered and approved at the Company's 2009 annual general meeting held on 18 June 2010 as resolutions:

- (1) to approve the increase of the original annual cap of transactions under the Mutual Coal Supply Agreement for the supply of coal by the Group to Shenhua Group to RMB4,500.00 million for year 2010.
- (2) to approve the new Mutual Coal Supply Agreement entered into between the Company and Shenhua Group Corporation Limited, the continuing related party transactions contemplated thereunder and the annual caps for the period from 2011 to 2013.
- (3) to approve the new Mutual Supply of Products and Services Agreement entered into between the Company and Shenhua Group Corporation Limited, the continuing related party transactions contemplated thereunder and the annual caps for the period from 2011 to 2013.

Details of the above resolutions were set out in the relevant announcements published by the Company on the website of the Hong Kong Stock Exchange on 12 March and 18 June 2010, and on China Securities Journal, Shanghai Securities News, Securities Times and the website of the Shanghai Stock Exchange on 13 March and 19 June 2010.

Significant Events

The implementation of related party agreements in relation to daily operations of the Company during the reporting period is set out in the table below, of which the total amount of related party transactions for sale of products and provision of services by the Company to Shenhua Group Corporation Limited and its subsidiaries during the reporting period amounted to RMB1,613.81 million.

No.	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	Percentage of amount to similar transactions	Amount of transactions	Percentage of amount to similar transactions
		RMB million	%	RMB million	%
1	Mutual Coal Supply Agreement between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	1,339.91	2.9	1,206.68	9.7
2	Mutual Supply of Products and Services Agreement between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	260.01	–	752.32	–
	Including: (1) Products	2.41	1.1	729.95	5.1
	(2) Services	257.60	21.1	22.37	0.2
3	Coal Agency Sales Agreement among Shenhua Group Corporation Limited, China Shenhua Energy Company Limited and Xisanju Company of Inner Mongolia Shenhua Coal Transportation & Sales Company Limited	13.89	100.0	–	–
4	Coal Agency Export Agreement between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	–	–	24.47	100.0
5	Agreement on Lease of Land Use Right between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	–	–	–	–
6	Agreement on Property Leasing between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited	–	–	11.66	8.4
7	Agreement on Financial Service between Shenhua Finance Company Limited and China Shenhua Energy Company Limited ^{Note}	–	–	(107.23)	(0.7)

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 to the transaction amount for similar transactions = net changes in deposits/net changes in bank deposits of the Group during the reporting period.

Significant Events

The above-mentioned related party transactions were carried out in the ordinary course of business of the Company, subject to strict review, approval and disclosure procedures of independent directors and independent shareholders. These transactions will not have adverse 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.

3. Debts 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	Balance	Amount	Balance
		RMB million	RMB million	RMB million	RMB million
Shenhua Group and its subsidiaries	Holding company and its subsidiaries	–	–	–	2,162
Other related parties	–	–	816	–	–
Total		–	816	–	2,162

Out of the above: the amount and the balance of funds provided by the Company to Shenhua Group Corporation Limited and its subsidiaries during the reporting period is nil.

Pursuant to Accounting Standards for Business Enterprises, the balance of the above debts and liabilities 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 debts and liabilities due from/to related parties mainly represent entrusted loans provided by the Group to associated companies of subsidiaries of the Company, together with long-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 with repayment on both principal and interests as scheduled.

(VIII) Material contracts and performance thereof

1. During the reporting period, the Company has not established any trust arrangement on, acted as contractor for or leased assets of other companies and no other company has established any trust arrangement on, acted as contractor for or leased any of the Company's assets which would constitute a significant event. Further, none of such arrangement subsisted in the reporting period.

2. Material guarantees

Unit: RMB million

Guarantee provided by the Company to external parties (excluding guarantee given by the Company for the benefit of its subsidiaries)						
Name of guaranteed party	Date of provision of guarantee (execution date of agreement)	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 guaranteed balance at the end of the reporting period						–
Guarantee given by the Company for the benefit of its subsidiaries						
Total guaranteed amount provided to the Company's subsidiaries during the reporting period						643.15
Total guaranteed balance given to the Company's subsidiaries at the end of the reporting period						1,925.06
Aggregated guaranteed amount given by the Company (including guarantee given by the Company for the benefit of its subsidiaries)						
Total guaranteed amount						1,925.06
Percentage of total guaranteed amount to net assets of the Company ^{Note}						1.08%
Among which:						
Amount of guarantees provided for the benefit of shareholders, de facto controller and their related parties						–
Amount of guarantees directly or indirectly provided for the benefit of parties with over 70% in asset-liability ratio						984.56
Portion of the total guaranteed amount in excess of 50% of net assets						–
Aggregated amount of the above three guaranteed amount						984.56

Note: Percentage of total guaranteed amount to net assets of the Company = Guaranteed amount/Equity attributable to equity shareholders of the Company under Accounting Standards for Business Enterprises.

At the end of the reporting period, the guarantee balance given by the Company for the benefit of its subsidiaries amounted to RMB1,925.06 million, including:

- (1) The Company has provided guarantee for and has accepted joint and several liabilities on six bank loans of Huanghua Port amounting to RMB940.50 million. Agreements for the above six loans were entered into prior to the establishment of the Company and the original guarantor was Shenhua Group Corporation Limited. When the Company was established as part of the restructuring in November 2004, the guarantor 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 Company responsible for seaborne coal transportation, with a sound financial condition and good profitability. There was no indication that the Company might be required to bear liabilities under the above guarantee.

Significant Events

- (2) The Company has provided counter-guarantee to EMM Indonesia for loans of no more than US\$231.7 million with a term of 3.5 years. At the end of the reporting period, the actual US loan amount incurred was US\$145 million (equivalent to RMB984.56 million). The guarantee was approved by the Board on 18 December 2009. Please refer to the “Announcement of China Shenhua Energy Company Limited’s External Guarantee” dated 19 December 2009 for details. The gearing ratio of EMM Indonesia did not exceed 70% when the counter-guarantee was made on 18 December 2009. The project progress in the first half of 2010 resulted in an increase in payables arising from equipment acquisition and the construction works. The gearing ratio of EMM Indonesia exceeded 70% as at 30 June 2010. The above payables were incurred under normal commercial arrangements during the procurement process and were periodic in nature. EMM Indonesia will settle the above payables in accordance with relevant commercial arrangements. There was no indication that the Company will be required to bear liabilities under the above counter-guarantee.

Apart from the above guarantee provided for the benefit of the Company’s subsidiaries, the Company has not provided any other guarantee during the reporting period, and there is no other guarantee of which performance is pending.

3. Finance by Mandate

During the reporting period, there was no occurrence of any finance by mandate of the Company that would require disclosure.

4. Material Investments

During the reporting period, there were no new material investments of the Group.

5. Other material contracts

During the reporting period, save as disclosed above, the Company has not entered into any material contract that would require 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 subsisting in the reporting period and the performance of such commitments are as follows:

No.	Commitment	Performance status
1	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 such agreement, Shenhua Group has committed not to compete with the Company in respect of the Company's principal businesses whether in or outside of the PRC, and granted the Company an option and pre-emptive right to acquire from Shenhua Group any potential business in competition.	As at the end of the reporting period, Shenhua Group has strictly abided by its commitments, and there has not been any violation of such commitments.
2	At the time when the Company's A shares were listed, Shenhua Group has agreed not to transfer or entrust others to manage, within 36 months from the date on which the Company's shares were listed on the Shanghai Stock Exchange, the shares in the Company it holds directly and indirectly, nor to allow the Company to repurchase such shares.	As at the end of the reporting period, Shenhua Group has strictly abided by its commitments, and there has not been any violation of such commitments.

(X) Appointment and removal of accounting firms

The interim financial report in this report is unaudited. KPMG Huazhen and KPMG were re-appointed as the domestic and international auditors of the Company respectively at the Company's 2009 annual general meeting held on 18 June 2010.

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

During the reporting period, none of the Company, its directors, supervisors, senior management, controlling shareholders and de facto controller was subject to any investigations conducted by any competent authorities, mandatory measures imposed by any judicial or discipline inspection departments, judicial authority proceedings, or charged for any criminal liabilities, examination conducted by the CSRC, administrative sanctions imposed by CSRC, denial of admission to any stock market, regarded as improper person by the CSRC, sanctions imposed by 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, save for disclosed above, there was no other material matter of the Company that would require 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 2009	–	2010-01-05	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
2	Announcement on the Major Operational Data of December and the Year of 2009	–	2010-01-20	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
3	Announcement on the Major Operational Data of December and the Year of 2009 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-01-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
4	Overseas Regulatory Announcement	–	2010-01-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
5	Announcement on entering into Capital Contribution Agreement by China Shenhua in relation to the increase in the registered capital of Zhuhai New Century Shipping Company Limited	China Securities Journal, Shanghai Securities News and Securities Times	2010-01-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
6	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 January 2010	–	2010-02-01	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
7	Announcement on the Major Operational Data of January 2010	–	2010-02-11	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
8	Announcement on the Major Operational Data of January 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-02-12	Website of Shanghai Stock Exchange (www.sse.com.cn)
9	Notice of Board Meeting	–	2010-03-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
10	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 28 February 2010	–	2010-03-02	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
11	Overseas Regulatory Announcement	–	2010-03-04	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
12	Information Disclosure System of China Shenhua	–	2010-03-05	Website of Shanghai Stock Exchange (www.sse.com.cn)
13	Change of Business Address and Contact Details of Investor Relations Matters	–	2010-03-05	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
14	Announcement on the Change of Business Address and Contact Details of Investor Relations Matters of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-06	Website of Shanghai Stock Exchange (www.sse.com.cn)
15	Announcement of Annual Results for the year ended 31 December 2009	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
16	CSR Report 2009	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
17	Annual Report 2009	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
18	Entering into Coal Supply Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
19	Entering into Coal Supply Framework Agreement	–	2010-03-12	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
20	Entering into Coal Supply Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
21	Entering into Coal Supply Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
22	Entering into Mutual Supplies and Services Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
23	Entering into Mutual Coal Supply Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
24	Entering into Transportation Service Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
25	Revision of Cap for Continuing Connected Transactions under the Transportation Service Framework Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
26	Revision of Cap for Continuing Connected Transactions under the Mutual Supplies and Services Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
27	Revision of Cap for Continuing Connected Transactions under the Mutual Coal Supply Agreement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
28	Overseas Regulatory Announcement	–	2010-03-12	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
29	CSR Report 2009 of China Shenhua	–	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
30	Explanatory Notes on the Appropriation of Non-operational Funds and Inflows and Outflows of Other Related Funds for the Year 2009 of China Shenhua	–	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
31	Announcement on Resolutions Passed at the 40th Meeting of the First Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
32	Announcement on Resolutions Passed at the 20th Meeting of the First Session of the Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
33	Announcement on Regular Related Party Transactions of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
34	Summary of Annual Report of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
35	Annual Report of China Shenhua	–	2010-03-13	Website of Shanghai Stock Exchange (www.sse.com.cn)
36	Announcement on the Major Operational Data of February 2010	–	2010-03-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
37	Announcement on the Major Operational Data of February 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
38	Change of Director	–	2010-03-22	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
39	Overseas Regulatory Announcement	–	2010-03-22	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
40	Announcement on the Change of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-23	Website of Shanghai Stock Exchange (www.sse.com.cn)
41	Overseas Regulatory Announcement	–	2010-03-23	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
42	Announcement on the Explanatory Notes to Securities Investment of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-03-24	Website of Shanghai Stock Exchange (www.sse.com.cn)
43	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 March 2010	–	2010-03-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
44	Revision of Caps for Continuing Connected Transactions and New Continuing Connected Transactions and Proposal for General Mandate to Repurchase A Shares and H Shares	–	2010-04-01	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
45	H Shares Circular of China Shenhua	–	2010-04-02	Website of Shanghai Stock Exchange (www.sse.com.cn)
46	Appointment of Chairman of Audit Committee	–	2010-04-06	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
47	Overseas Regulatory Announcement	–	2010-04-06	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
48	Announcement on Resolutions Passed at the 41st Meeting of the First Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-07	Website of Shanghai Stock Exchange (www.sse.com.cn)
49	Announcement on the Major Operational Data of March and the First Quarter in 2010	–	2010-04-15	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
50	Announcement on the Major Operational Data of March and the First Quarter in 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-16	Website of Shanghai Stock Exchange (www.sse.com.cn)
51	Notice of Board Meeting	–	2010-04-19	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
52	First Quarterly Report for the Year 2010	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
53	Proposed Reappointment and Appointment of Directors and Proposed Appointment of Supervisors	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
54	Form of Proxy for Annual General Meeting	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
55	Form of Proxy for 2010 First Class Meeting of the Holder of H Shares	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
56	Reply Slip	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
57	Reply Slip	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
58	Notice of Annual General Meeting	–	2010-04-29	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
59	Notice of 2010 First Class Meeting of the Holder of H Shares	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
60	Proposed Reappointment and Appointment of Directors and Proposed Appointment of Supervisors	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
61	Overseas Regulatory Announcement	–	2010-04-29	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
62	Notice of 2010 First Class Meeting of the Holder of A Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
63	H Shares Circular of China Shenhua	–	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
64	Announcement on Resolutions Passed at the 21st Meeting of the First Session of the Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
65	Notice of 2009 Annual General Meeting of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
66	Announcement on Resolutions Passed at the 42nd Meeting of the First Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
67	First Quarterly Report of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-04-30	Website of Shanghai Stock Exchange (www.sse.com.cn)
68	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 April 2010	–	2010-04-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
69	Announcement on the Major Operational Data of April 2010	–	2010-05-13	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
70	Announcement on the Major Operational Data of April 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-05-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
71	Overseas Regulatory Announcement	–	2010-05-27	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
72	Information on 2010 First Class Meeting of the Holders of A Shares of China Shenhua	–	2010-05-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
73	Information on the 2009 Annual General Meeting of China Shenhua (A Shares)	–	2010-05-28	Website of Shanghai Stock Exchange (www.sse.com.cn)
74	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 May 2010	–	2010-05-31	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
75	Announcement on the Major Operational Data of May 2010	–	2010-06-11	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
76	Announcement on the Major Operational Data of May 2010 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-12	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
77	Voting Results of 2009 Annual General Meeting, 2010 First Class Meeting of the Holders of A Shares and 2010 First Class Meeting of the Holders of H Shares	–	2010-06-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
78	Change of Board Committee Members	–	2010-06-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
79	Announcement Notice to Creditors in Relation to Repurchase of Shares of the Company	–	2010-06-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
80	Overseas Regulatory Announcement	–	2010-06-18	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
81	Announcement on Resolutions Passed at 2009 Annual General Meeting of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
82	Announcement on Resolutions Passed at 2010 First Class Meeting of the Holders of A Shares and 2010 First Class Meeting of the Holders of H Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
83	Announcement on Resolutions Passed at the 1st and the 2nd Meetings of the Second Session of the Board of Directors of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
84	Announcement – Notice to Creditors in Relation to Repurchase of Shares of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
85	Announcement on Resolutions Passed at the 1st Meetings of the Second Session of the Supervisory Committee of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
86	Announcement on the Repayment of China Shenhua's Provisional Use of Idle Proceeds as Working Capital Upon Maturity	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
87	Legal Opinion on 2009 Annual General Meeting and 2010 First Class Meeting of the Holders of A Shares and H Shares of China Shenhua	–	2010-06-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
88	Overseas Regulatory Announcement	–	2010-06-28	Website of Hong Kong Stock Exchange (www.hkex.com.hk)
89	Announcement on Distribution of Final Dividend for 2009 of China Shenhua	China Securities Journal, Shanghai Securities News and Securities Times	2010-06-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
90	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 June 2010	–	2010-06-30	Website of Hong Kong Stock Exchange (www.hkex.com.hk)

Notes: 1 “–” refers to disclosure on the specified website only without publication of the full text in 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 newspapers.

2 The Company's A Shares have been listed on Shanghai Stock Exchange since 9 October 2007. In compliance with the disclosure requirements of the listing rules in the places of listing, the Company will disclose, simultaneously in both places of listing, the contents of the announcements issued, both of which are hereby listed.

In the first half of 2010, the capital market has been under enormous pressures in the wake of continuous slowdown of growth in china's economy and the European sovereign debt crisis. The relevant indices and the share price of the Company have both undergone substantial adjustments.

(I) Market Performance

In the first half of 2010, the share price of China Shenhua's A Shares declined by 35.9% to RMB21.97 at the end of June from RMB34.27 at the beginning of the year, whereas the share price of China Shenhua's H Shares dropped by 25.8% to HK\$28.5 at the end of June from HK\$38.4 at the beginning of the year. During the same period, the Shanghai Stock Index declined by 27.1%, the Hang Seng Index declined by 7.8% and the China Enterprises Index declined by 10.1%.

(II) Positive Interaction

In the first half of 2010, China Shenhua communicated with investors and analysts in an active and honest manner through various channels such as results announcement conference, roadshows, investment forums, company visits and teleconference, meeting in aggregate more than 1,000 analysts and fund managers. Of which, China Shenhua met over 400 analysts and fund managers through roadshows; met around 400 analysts and fund managers through participation in investment forums; met more than 200 analysts and fund managers through company visits and teleconference.

(III) Expectation Management

In order to establish its image as a blue chip corporate in the capital market, China Shenhua has prioritised the expectation management of the capital market as the focus of investor relations of the first half of 2010. The Company reviewed its previous experience and deficiencies in investor relations in terms of expectation management, studied successful cases in the market and combined such experiences with the actual conditions of the Company. Communications with analysts have been enhanced and necessary data for valuation purpose has been provided through careful selection of valuation methods and the establishment of valuation models. After more than six months' practical experience, the Company has initially achieved the objective of expectation management.

(IV) In-Depth Concern

Apart from systematically explaining the Company's businesses to the market, the Company has also paid special attention to the core problems and the need of minority interests. Efforts have been initiated through communications to eliminate investors' worries on the Company and relieve individual investors from anxiety. The Company has strengthened the hotline services designated for its investors so that no incoming calls would be missed and all calls would be answered in a patient and considerate manner. While stabilizing the investment sentiment of individual investors, the Company has also helped them understand the Company and lift their confidence on the Company.

(V) Systems Construction

Shenhua has been actively engaged in the development of systemic investor relations management and formulated the "Reception System for Investors of China Shenhua" as well as prepared and refined five core work processes in relation to investor relations, namely "Work Process of Results Announcement Conference", "Work Process of Reverse Roadshow", "Work Process of Reception for Investors", "Work Process of Investors' Feedbacks" and "Work Process of Non-Trading Roadshow".

(VI) Making Persistent Efforts

In order to better serve domestic and international investors of China Shenhua, the Company will continue soliciting and gaining a better understanding of the market expectations and suggestions made to the Company through its efforts in investor relations in the second half of 2010. We will also try to answer the questions raised by investors, eliminate their doubts and concerns and lift their confidence in the Company.



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 72 to 100 which comprises the consolidated balance sheet of China Shenhua Energy Company Limited as at 30 June 2010 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 2010 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

27 August 2010

Interim Financial Report

Consolidated statement of comprehensive income

for the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2010 RMB million	2009 RMB million
Revenues			
Coal revenue		46,774	42,175
Power revenue		21,372	13,526
Other revenues	5	1,585	1,382
Total operating revenues	4	69,731	57,083
Cost of revenues			
Coal purchased from third parties		(11,032)	(6,060)
Materials, fuel and power		(4,749)	(3,863)
Personnel expenses		(3,185)	(2,613)
Depreciation and amortisation		(5,894)	(4,971)
Repairs and maintenance		(2,150)	(2,179)
Transportation charges		(4,735)	(4,387)
Others	6	(5,155)	(4,546)
Total cost of revenues		(36,900)	(28,619)
Selling, general and administrative expenses		(3,658)	(3,419)
Other operating expenses, net		(37)	(313)
Total operating expenses	7	(40,595)	(32,351)
Profit from operations		29,136	24,732
Finance income	8	477	927
Finance expenses	8	(1,728)	(1,850)
Net finance costs		(1,251)	(923)
Investment income		1	–
Share of profits less losses of associates		331	375
Profit before income tax		28,217	24,184
Income tax	9	(5,930)	(5,029)
Profit for the period		22,287	19,155
Other comprehensive income	10		
Exchange differences on translation of financial statements of overseas subsidiaries		(287)	347
Total comprehensive income for the period		22,000	19,502
Profit attributable to:			
Equity shareholders of the Company		19,272	16,920
Minority interests		3,015	2,235
Profit for the period		22,287	19,155
Total comprehensive income attributable to:			
Equity shareholders of the Company		18,986	17,265
Minority interests		3,014	2,237
Total comprehensive income for the period		22,000	19,502
Earnings per share (RMB)	12		
– Basic		0.969	0.851
– Diluted		0.969	0.851

The notes on pages 79 to 100 form part of this interim financial report. Details of dividends paid to equity shareholders of the Company are set out in Note 11.

Consolidated balance sheet

at 30 June 2010 – unaudited
(Expressed in Renminbi)

	Note	At 30 June 2010 RMB million	At 31 December 2009 RMB million
Non-current assets			
Property, plant and equipment, net	13	173,451	163,645
Construction in progress		25,335	33,045
Intangible assets		2,721	2,928
Interest in associates		3,178	3,503
Other investments		1,070	805
Other non-current assets	14	9,482	7,435
Lease prepayments	15	8,305	7,202
Deferred tax assets		704	655
Total non-current assets		224,246	219,218
Current assets			
Inventories	16	9,284	7,727
Accounts and bills receivable, net	17	9,685	8,781
Prepaid expenses and other current assets	18	3,100	2,484
Restricted bank deposits		419	656
Time deposits with original maturity over three months		8,367	6,867
Cash and cash equivalents	19(a)	79,868	65,944
Total current assets		110,723	92,459
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	20	21,849	22,252
Accounts and bills payable	21	13,990	13,890
Accrued expenses and other payables	22	27,429	16,338
Current portion of long-term payables	23	392	275
Income tax payable		3,653	2,929
Total current liabilities		67,313	55,684
Net current assets		43,410	36,775
Total assets less current liabilities		267,656	255,993
Non-current liabilities			
Long-term borrowings, less current portion	20	54,781	53,931
Long-term payables, less current portion	23	1,956	2,314
Accrued reclamation obligations	24	1,565	1,513
Deferred tax liabilities		1,015	817
Total non-current liabilities		59,317	58,575
Net assets		208,339	197,418
Equity			
Share capital	25	19,890	19,890
Reserves		159,216	150,771
Equity attributable to equity shareholders of the Company		179,106	170,661
Minority interests		29,233	26,757
Total equity		208,339	197,418

Approved and authorised for issue by the Board of Directors on 27 August 2010.

Zhang Xiwu
Chairman

Ling Wen
Director and President

The notes on pages 79 to 100 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital RMB million (Note 25)	Share premium RMB million (Note (i))	Capital reserve RMB million (Note (ii))	Revaluation reserve RMB million (Note (iii))	Exchange reserve RMB million	Statutory reserves RMB million (Note (iv))	Other reserves RMB million	Retained earnings RMB million	Total RMB million	Minority interests RMB million	Total equity RMB million
At 1 January 2009	19,890	85,001	(6,591)	7,160	(115)	10,064	201	31,822	147,432	24,311	171,743
Total comprehensive income:											
Profit for the 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(b))	-	-	-	-	-	-	-	(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	-	-	-	-	-	-	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 79 to 100 form part of this interim financial report.

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2010 – 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	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Note 25)	(Note (i))	(Note (ii))	(Note (iii))		(Note (iv))					
At 1 January 2010	19,890	85,001	(6,591)	7,135	610	13,658	124	50,834	170,661	26,757	197,418
Total comprehensive income:											
Profit for the period	-	-	-	-	-	-	-	19,272	19,272	3,015	22,287
Other comprehensive income (exchange difference on translation of financial statement of overseas subsidiaries)	-	-	-	-	(286)	-	-	-	(286)	(1)	(287)
Total comprehensive income for the period	-	-	-	-	(286)	-	-	19,272	18,986	3,014	22,000
Other movements:											
Dividend declared (Note 11(b))	-	-	-	-	-	-	-	(10,541)	(10,541)	-	(10,541)
Appropriation of maintenance and production funds (Note (iv))	-	-	-	-	-	1,435	-	(1,435)	-	-	-
Utilisation of maintenance and production funds (Note (iv))	-	-	-	-	-	(614)	-	614	-	-	-
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	77	77
Distributions to minority shareholders	-	-	-	-	-	-	-	-	-	(1,348)	(1,348)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	733	733
Realisation of deferred tax	-	-	-	-	-	-	(10)	10	-	-	-
Realisation of revaluation reserve	-	-	-	(13)	-	-	-	13	-	-	-
Sub-total	-	-	-	(13)	-	821	(10)	(11,339)	(10,541)	(538)	(11,079)
At 30 June 2010	19,890	85,001	(6,591)	7,122	324	14,479	114	58,767	179,106	29,233	208,339

The notes on pages 79 to 100 form part of this interim financial report.

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2010 – 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 (“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.

The notes on pages 79 to 100 form part of this interim financial report.

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2010 – 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”).

According to China Accounting Standards Explanatory Notice No.2 and other relevant 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.

According to China Accounting Standards Explanatory Notice No.3 and other relevant regulations issued in June 2009, effective for the financial periods beginning on or after 1 January 2009, instead of making an appropriation of the maintenance and production funds from retained earnings to the specific reserve, provision for maintenance and production funds is recognised as expense in profit or loss with a corresponding adjustment to the specific reserve. As a result of the change in net profits under the China Accounting Standards arising from the prior year adjustments made, due to the change in the regulations of maintenance and production funds in accordance with the China Accounting Standards Explanatory Notice No.3, appropriations to statutory surplus reserve for prior years were adjusted by the Group in its 2009 consolidated financial statements prepared in accordance with the China Accounting Standards during the year ended 31 December 2009.

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 2010 and 2009.

The notes on pages 79 to 100 form part of this interim financial report.

Consolidated statement of cash flows

for the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2010 RMB million	2009 RMB million
Operating activities			
Cash generated from operations	19(b)	35,701	33,328
Interest received		395	602
Interest paid		(1,822)	(2,142)
Income tax paid		(5,050)	(4,151)
Net cash generated from operating activities		29,224	27,637
Investing activities			
Capital expenditure		(11,667)	(10,413)
Lease prepayments		(1,188)	(191)
Acquisition of a subsidiary	19(c)	473	–
Capital injection in an associate		(16)	(74)
Purchase of other investments		(265)	–
Proceeds from disposal of other investments		–	5
Proceeds from disposal of property, plant and equipment		73	57
Dividend received from associates		24	159
Increase in restricted bank deposits		(156)	(205)
Decrease in restricted bank deposits		393	17
Increase in time deposits with original maturity over three months		(8,514)	(32,993)
Maturity of time deposits with original maturity over three months		7,014	548
Net cash used in investing activities		(13,829)	(43,090)
Financing activities			
Proceeds from borrowings		20,862	21,701
Repayments of borrowings		(21,037)	(24,938)
Contributions from minority shareholders		77	1,383
Distributions to minority shareholders		(1,343)	(1,787)
Dividend paid to equity shareholders of the Company		–	(9,149)
Net cash used in financing activities		(1,441)	(12,790)
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents, at the beginning of the period		65,944	59,054
Effect of foreign exchange rate changes		(30)	–
Cash and cash equivalents, at the end of the period		79,868	30,811

The notes on pages 79 to 100 form part of this interim financial report.

Notes to the unaudited interim financial report

for the six months ended 30 June 2010
(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 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each to Shenhua Group. The shares issued to Shenhua Group represented the entire registered and paid-up share capital of the Company at that date.

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

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

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(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 the International Accounting Standards Board ("IASB"). It was authorised for issue on 27 August 2010.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2009 annual financial statements.

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 2009 annual financial statements. The consolidated interim financial statements 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 71.

The financial information relating to the financial year ended 31 December 2009 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 2009 are available from the Company's registered office. The auditors have expressed an unqualified opinion on those financial statements in their report dated 12 March 2010.

3 New and revised IFRSs

The IASB has issued a number of amendments to IFRSs that are first effective for the current accounting period of the Group. The adoption of these amendments to IFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial report for the periods presented.

The Group has not applied any new standard, amendment 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.

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

5 Other revenues

	Six months ended 30 June	
	2010 <i>RMB million</i>	<i>2009</i> <i>RMB million</i>
Rendering of transportation and other services	1,220	1,124
Sale of ancillary materials and other goods	215	124
Others	150	134
	1,585	1,382

6 Cost of revenues – others

	Six months ended 30 June	
	2010 <i>RMB million</i>	<i>2009</i> <i>RMB million</i>
Coal selection and minery fees	1,958	1,456
Coal extraction service costs	79	129
Taxes and surcharges	604	548
Dredging expenses	194	127
Relocation compensation expenses	559	186
Resources compensation fees	211	294
Pollutants discharge expenses	380	141
Cost of sale of ancillary materials and other goods, and provision of other activities	347	473
Others	823	1,192
	5,155	4,546

7 Total operating expenses

	Six months ended 30 June	
	2010 <i>RMB million</i>	<i>2009</i> <i>RMB million</i>
Personnel expenses, including	4,667	3,938
– contributions to retirement plans	589	482
– fair value (gain)/loss on revaluation of share appreciation rights	(32)	53
Depreciation and amortisation	6,413	5,457
Net (gain)/loss on disposal of property, plant and equipment	(11)	134
Operating lease charges on properties	139	134
(Write back)/allowance for accounts receivable and other receivables and write down of inventories	(1)	63
Impairment losses on property, plant and equipment	–	238

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

8 Finance income/(expenses)

	Six months ended 30 June	
	2010 <i>RMB million</i>	<i>2009</i> <i>RMB million</i>
Interest income	395	602
Foreign exchange gain, net	–	325
Gain on remeasurement of derivative financial instruments at fair value	82	–
Finance income	477	927
Interest on loans from banks and other financial institutions, and other borrowings	(1,910)	(2,190)
Less: Interest expense capitalised	377	570
Net interest expense	(1,533)	(1,620)
Foreign exchange loss, net	(195)	–
Loss on remeasurement of derivative financial instruments at fair value	–	(230)
Finance expenses	(1,728)	(1,850)
Net finance costs	(1,251)	(923)

9 Income tax

	Six months ended 30 June	
	2010 <i>RMB million</i>	<i>2009</i> <i>RMB million</i>
Provision for PRC income tax	5,755	4,812
Deferred taxation	175	217
	5,930	5,029

The provision for PRC current income tax is based on a statutory rate of 25% (six months ended 30 June 2009: 25%) of the assessable profit of the entities comprising the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain branches and subsidiaries of the Company, which are exempted or taxed at preferential rates.

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

The applicable tax rates of the subsidiaries established in Australia and Indonesia are 30% (six months ended 30 June 2009: 30%) and 25% (six months ended 30 June 2009: 28%) respectively. No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during the current and prior periods.

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

10 Other comprehensive income

The components of other comprehensive income do not have any significant tax effect for the six months ended 30 June 2010 and 2009.

11 Dividends

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

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2010 (six months ended 30 June 2009: Nil).

(b) Dividends payable to equity shareholders of the Company attributable to the previous financial year, approved and paid during the interim period

	<i>Six months ended 30 June</i>	
	2010 <i>RMB million</i>	<i>2009</i> <i>RMB million</i>
Final dividend in respect of the previous financial year, approved and paid during the following interim period	10,541	9,149

A final dividend of RMB0.53 per share totalling RMB10,541 million in respect of the year ended 31 December 2009 was approved at the annual general meeting held on 18 June 2010 and was subsequently paid on 20 July 2010.

Pursuant to the shareholders' approval at the annual general meeting held on 5 June 2009, a final dividend of RMB0.46 per share totalling RMB9,149 million in respect of the year ended 31 December 2008 was paid on 30 June 2009.

12 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2010 was based on the profit attributable to equity shareholders of the Company for the period of RMB19,272 million (six months ended 30 June 2009: RMB16,920 million) and the number of shares in issue during the six months ended 30 June 2010 of 19,890 million (six months ended 30 June 2009: 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.

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

13 Property, plant and equipment, net

During the six months ended 30 June 2010, the additions of property, plant and equipment (including transferred from construction in progress) of the Group amounted to RMB15,324 million (six months ended 30 June 2009: RMB6,169 million). Items of property, plant and equipment with net book value totalling RMB62 million were disposed of during the six months ended 30 June 2010 (six months ended 30 June 2009: RMB191 million).

The Group was in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB4,449 million as at 30 June 2010 (31 December 2009: RMB2,256 million). 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 were in the process of obtaining requisite permits from the relevant government authorities at 30 June 2010. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

Impairment losses of RMB238 million were provided for the six months ended 30 June 2009 for certain property, plant and equipment, which were obsolete, damaged or that could not generate future economic benefits. No impairment loss was recognised by the Group during the six months ended 30 June 2010.

14 Other non-current assets

	At 30 June 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Prepayments in connection with construction work, equipment purchases and others	5,253	3,206
Prepayment for mining projects	3,500	3,500
Long-term entrusted loans	729	729
	9,482	7,435

15 Lease prepayments

Lease prepayments represent land use rights paid to the PRC's government authorities. The Group was in the process of applying for the title certificates of certain land use rights with an aggregate carrying amount of RMB1,931 million as at 30 June 2010 (31 December 2009: RMB818 million). 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.

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

16 Inventories

	At 30 June 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Coal	2,824	1,872
Materials and supplies	5,583	5,143
Others (Note)	877	712
	9,284	7,727

Note: Others mainly represent properties under development.

17 Accounts and bills receivable, net

	At 30 June 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Accounts receivable		
Shenhua Group and its affiliates	294	85
Associates	21	6
Third parties	8,304	7,535
	8,619	7,626
Allowance for doubtful debts	(54)	(55)
	8,565	7,571
Bills receivable	1,120	1,210
	9,685	8,781

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 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Current	9,681	8,767
Less than one year past due	4	14
	9,685	8,781

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

18 Prepaid expenses and other current assets

	At 30 June 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Fair value of derivative financial instruments	413	331
Prepaid expenses and deposits	1,736	1,593
Amounts due from Shenhua Group and its affiliates	23	201
Amounts due from associates	146	71
Advances to staff	123	46
Other receivables	659	242
	3,100	2,484

19 Cash and cash equivalents

(a) Cash and cash equivalents comprise:

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

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

	Six months ended 30 June	
	2010 RMB million	<i>2009 RMB million</i>
Profit before income tax	28,217	24,184
Adjustments for:		
Depreciation and amortisation	6,413	5,457
Impairment losses on property, plant and equipment	–	238
Net (gain)/loss on disposal of property, plant and equipment	(11)	134
Investment income	(1)	–
Interest income	(395)	(602)
Share of profits less losses of associates	(331)	(375)
Net interest expense	1,533	1,620
(Gain)/loss on remeasurement of derivative financial instruments to fair value	(82)	230
Unrealised foreign exchange loss/(gain)	182	(359)
	35,525	30,527
(Increase)/decrease in accounts and bills receivable	(791)	1,572
Increase in inventories	(1,537)	(963)
Increase in prepaid expenses and other current assets	(346)	(450)
Increase in accounts and bills payable	748	698
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	2,102	1,944
Cash generated from operations	35,701	33,328

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

19 Cash and cash equivalents (continued)

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

On 25 June 2010, the Group increased its equity interest in Shenhua Zhonghai Shipping Company Limited ("Zhonghai Shipping", formerly Zhuhai New Century Shipping Limited) from 50% to 51% by additional capital injection of RMB222 million. Prior to the capital injection, Zhonghai Shipping was an associate of the Group.

Details of fair values of identifiable assets and liabilities of Zhonghai Shipping as at 25 June 2010 were as follows:

	<i>RMB million</i>
Non-current assets	1,269
Cash and cash equivalents	695
Other current assets	136
Current liabilities	(189)
Non-current liabilities	(416)
Net assets	1,495
Minority interests	(733)
Fair value of previous interest in the acquiree	(540)
Cash consideration	222

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

	<i>RMB million</i>
Cash and cash equivalents acquired	695
Cash consideration	(222)
Net inflow of cash and cash equivalents	473

(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.

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

20 Borrowings

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

	At 30 June 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Short-term borrowings		
Borrowings from banks and other financial institutions	15,923	16,147
Current portion of long-term borrowings	5,926	6,105
	21,849	22,252
Long-term borrowings, less current portion	54,781	53,931
	76,630	76,183

The long-term borrowings were repayable as follows:

	At 30 June 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Within one year	5,926	6,105
After one year but within two years	11,869	10,354
After two years but within five years	17,211	18,926
After five years	25,701	24,651
	60,707	60,036

21 Accounts and bills payable

	At 30 June 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Accounts payable		
Shenhua Group and its affiliates	243	188
Associates	517	475
Third parties	13,230	12,737
	13,990	13,400
Bills payable	–	490
	13,990	13,890

Accounts payable amounting to RMB51 million (31 December 2009: RMB95 million) are expected to be settled after one year.

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

22 Accrued expenses and other payables

	At 30 June 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Accrued staff wages and welfare benefits	3,335	2,541
Financial liability for share appreciation rights	62	95
Accrued interest payable	116	150
Taxes payable other than income tax	4,539	4,989
Dividends payable	11,625	1,079
Receipt in advances	2,961	2,579
Other accrued expenses and payables	4,791	4,905
	27,429	16,338

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 Company's board of directors believes that the accrued reclamation obligations at 30 June 2010 are adequate and appropriate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

25 Share capital

	At 30 June 2010 RMB million	<i>At 31 December 2009 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.

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

25 Share capital (continued)

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

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

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

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

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

26 Commitments and contingent liabilities

(a) Capital commitments

As at 30 June 2010, the Group had capital commitments for land and buildings, equipment and investments as follows:

	At 30 June 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Authorised and contracted for		
– Land and buildings	19,494	16,008
– Machinery and others	17,895	19,002
– Investment in an associate	244	244
	<u>37,633</u>	<u>35,254</u>
Authorised but not contracted for		
– Land and buildings	65,752	30,234
– Machinery and others	29,925	22,967
	<u>95,677</u>	<u>53,201</u>
	<u>133,310</u>	<u>88,455</u>

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

26 Commitments and contingent liabilities (continued)

(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 2010, 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 2010 RMB million	<i>At 31 December 2009 RMB million</i>
Within one year	98	79
After one year but within five years	122	132
After five years	40	63
	260	274

(c) Financial guarantees issued

The Company has issued a guarantee of USD162 million (approximately RMB1,101 million) (31 December 2009: USD162 million, approximately RMB1,108 million) to a bank in respect of a 70% owned overseas subsidiary of the Company. Under the guarantee arrangement, the bank provides guarantee to a group of financial institutions for the subsidiary. In addition, the subsidiary provides a counter guarantee to the Company by certain of its assets. At 30 June 2010, loan from the group of financial institutions drawn by the subsidiary amounted to USD145 million (approximately RMB985 million) (31 December 2009: USD50 million, approximately RMB341 million).

(d) Legal contingencies

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

(e) Environmental contingencies

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

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

27 Related party transactions

(a) Transactions with Shenhua Group and its affiliates, and 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 associates of the Group that were carried out in the normal course of business:

		Six months ended 30 June	
		2010	2009
		RMB million	RMB million
Interest income	(i)	4	2
Income from entrusted loans	(ii)	21	25
Interest expense	(iii)	44	69
Purchases of ancillary materials and spare parts	(iv)	958	695
Ancillary and social services	(v)	136	188
Transportation service income	(vi)	253	269
Transportation service expense	(vii)	588	75
Sale of coal	(viii)	1,510	756
Purchase of coal	(ix)	1,336	2,351
Property leasing	(x)	12	15
Repairs and maintenance service expense	(xi)	11	10
Coal export agency expense	(xii)	24	32
Income from equipment installation and construction work	(xiii)	–	56
Purchase of equipment and construction work	(xiv)	174	165
Other income	(xv)	39	68

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

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

27 Related party transactions (continued)

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

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

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

27 Related party transactions (continued)

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

	Note	At 30 June 2010 RMB million	At 31 December 2009 RMB million
Cash and cash equivalents		522	629
Accounts receivable	17	315	91
Prepaid expenses and other current assets	18	169	272
Other non-current assets		743	743
Total amounts due from Shenhua Group and its affiliates, and associates of the Group		1,749	1,735
Borrowings		2,147	2,147
Accounts payable	21	760	663
Accrued expenses and other payables		299	157
Total amounts due to Shenhua Group and its affiliates, and associates of the Group		3,206	2,967

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

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

27 Related party transactions (continued)

(b) Key management personnel emoluments

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

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

	Six months ended 30 June	
	2010 <i>RMB million</i>	<i>2009</i> <i>RMB million</i>
Short-term employee benefits	2	2
Post-employment benefits	1	1
	3	3
Fair value (gain)/loss on revaluation of share appreciation rights	(13)	18

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

(c) Contributions to post-employment benefit plans

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 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 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 service;
- Construction work;
- Purchases of ancillary materials and spare parts;
- Ancillary and social services; and
- Financial services arrangements.

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

27 Related party transactions (continued)

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

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.

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

	Six months ended 30 June	
	2010	2009
	RMB million	RMB million
Coal revenue	31,791	22,564
Power revenue	21,110	13,288
Transportation costs	2,816	2,294
Interest income	390	600
Interest expenses	1,747	2,025

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

	At 30 June	At 31 December
	2010	2009
	RMB million	RMB million
Accounts receivable	6,525	5,082
Cash and time deposits at banks	87,711	72,181
Borrowings	74,433	74,036
Accrued expenses and other payables	217	304

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(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 2010 were RMB589 million (six months ended 30 June 2009: RMB482 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 fair value of the financial liability for share appreciation rights was remeasured as at 30 June 2010 of RMB62 million (31 December 2009: RMB95 million) and an income of RMB32 million (six months ended 30 June 2009: an expense of RMB53 million) was recognised for the six months ended 30 June 2010.

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

	At 30 June 2010	<i>At 31 December 2009</i>
	Million shares	<i>Million shares</i>
At the beginning of the period/year	6.1	6.7
Exercised during the period/year	(0.1)	(0.5)
Forfeited during the period/year	(0.1)	(0.1)
At the end of the period/year	5.9	6.1

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(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.

(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").

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

29 Segment and other information (continued)

(a) Segment results (continued)

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 2010 and 2009 is set out below.

	Six months ended 30 June									
	Coal		Railway		Port		Power		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue from external customers	47,069	42,470	1,093	913	58	65	21,511	13,635	69,731	57,083
Inter-segment revenue	11,355	5,798	9,280	8,717	1,215	932	171	193	22,021	15,640
Reportable segment revenue	58,424	48,268	10,373	9,630	1,273	997	21,682	13,828	91,752	72,723
Reportable segment profit before income tax	19,564	17,263	4,877	4,989	226	130	3,415	1,473	28,082	23,855
Including:										
Net interest expense	(216)	(272)	(177)	(203)	(123)	(153)	(1,178)	(1,076)	(1,694)	(1,704)
Depreciation and amortisation	(2,543)	(2,180)	(1,026)	(896)	(331)	(336)	(2,492)	(2,036)	(6,392)	(5,448)
Share of profits less losses of associates	169	335	14	15	3	2	65	23	251	375

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

	Six months ended 30 June	
	2010 RMB million	2009 RMB million
Revenues		
Reportable segment revenue	91,752	72,723
Elimination of inter-segment revenue	(22,021)	(15,640)
Consolidated revenues	69,731	57,083
Profit		
Reportable segment profit	28,082	23,855
Elimination of inter-segment (profits)/losses	(353)	78
Unallocated head office and corporate expenses	488	251
Consolidated profit before income tax	28,217	24,184

Notes to the unaudited interim financial report (continued)

for the six months ended 30 June 2010
(Expressed in Renminbi)

29 Segment and other information (continued)

(c) Other information

Certain other information of the Group's segments for the six months ended 30 June 2010 and 2009 is set out below:

	Six months ended 30 June													
	Coal		Railway		Port		Power		Unallocated items		Eliminations		Total	
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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	million
Coal purchased from third parties	11,032	6,060	-	-	-	-	-	-	-	-	-	-	11,032	6,060
Cost of coal production	10,815	9,034	-	-	-	-	-	-	-	-	(3,425)	(2,042)	7,390	6,992
Cost of coal transportation	14,304	13,134	4,232	4,011	766	654	-	-	-	-	(12,931)	(10,722)	6,371	7,077
Power cost	-	-	-	-	-	-	16,263	10,260	-	-	(5,347)	(2,945)	10,916	7,315
Others	340	393	620	516	46	50	185	216	-	-	-	-	1,191	1,175
Total cost of revenues	36,491	28,621	4,852	4,527	812	704	16,448	10,476	-	-	(21,703)	(15,709)	36,900	28,619
Profit/(loss) from operations	19,605	17,180	5,226	4,850	357	260	4,519	2,517	(95)	(153)	(476)	78	29,136	24,732
Capital expenditure (Note (i))	3,030	3,689	1,361	1,244	282	125	2,603	8,767	99	83	-	-	7,375	13,908
	Coal		Railway		Port		Power		Unallocated items		Eliminations		Total	
	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31	At 30	At 31
	June	December	June	December	June	December	June	December	June	December	June	December	June	December
	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009	2010	2009
	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
Total assets (Note (ii))	133,431	111,993	44,830	41,668	10,336	10,129	112,521	112,540	169,626	155,827	(135,775)	(120,480)	334,969	311,677
Total liabilities (Note (iii))	(77,624)	(74,413)	(18,985)	(20,263)	(5,138)	(5,235)	(80,183)	(79,986)	(78,527)	(54,333)	133,827	119,971	(126,630)	(114,259)

Notes:

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

Documents Available for Inspection

1. The interim report for the year 2010 signed by the legal representative;
2. The interim financial report signed and sealed by the legal representative, the accounting officer and the person in charge of the financial department;
3. The original copy of the review report sealed by the accounting firm and signed and sealed by the certified public accountant;
4. The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the China Securities Regulatory Commission and the websites of the stock exchanges on which the Company's shares are listed during the reporting period.

China Shenhua Energy Company Limited

Zhang Xiwu

Chairman

27 August 2010

Signing Page for Opinions

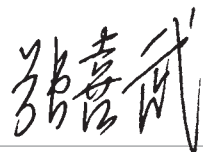
Written Confirmation to the 2010 Interim Report

Article 68 of the Securities Law of the People's Republic of China requires that directors of a listed company shall sign a written confirmation to its regular report, and guarantee the truthfulness, accuracy and completeness of the information disclosed by the listed company.

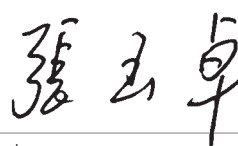
Article 14 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.3 – The Contents and Formats of Interim Report (Revised edition 2007) requires that the board of directors of a listed company and its directors shall guarantee the truthfulness, accuracy and completeness of the information disclosed in its interim report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any director who is unable to guarantee the truthfulness, accuracy and completeness of the interim report or disagrees with the content of the interim report, his reasons and opinion shall be stated separately. The name of any absent director shall be listed separately.

Having fully understood and reviewed the 2010 Interim Report of the Company, the Board and all Directors are of the opinion that information disclosed in the 2010 Interim Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information disclosed in the report.

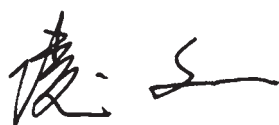
Signature of all Directors of the Company:



Zhang Xiwu



Zhang Yuzhuo



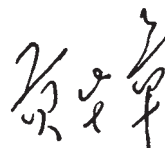
Ling Wen



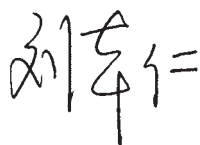
Han Jianguo



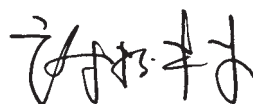
Fan Hsu Lai Tai




Gong Huazhang



Liu Benren



Xie Songlin



Guo Peizhang

China Shenhua Energy Company Limited

27 August 2010

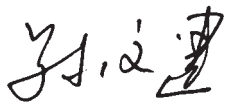
Written Review Opinion on the 2010 Interim Report

Article 68 of the Securities Law of the People's Republic of China requires that the supervisory committee of a listed company shall review the regular report prepared by the board of directors and provide a written review opinion.

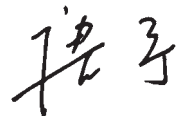
Article 14 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.3 – The Contents and Formats of Interim Report (Revised edition 2007) requires that the supervisory committee of a listed company and its supervisors shall guarantee the truthfulness, accuracy and completeness of the information disclosed in its interim report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any supervisor who is unable to confirm the truthfulness, accuracy and completeness of the interim report or disagrees with the content of the interim report, his reasons and opinion shall be stated separately.

Having fully understood and reviewed the 2010 Interim Report of the Company, the supervisory committee and all supervisors are of the opinion that information disclosed in the 2010 Interim Report is true, accurate and complete. We hereby warrant that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information disclosed in the report.

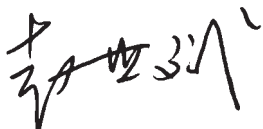
Signature of all supervisors of the Company:



Sun Wenjian



Tang Ning



Zhao Shibin

China Shenhua Energy Company Limited

27 August 2010

Signing Page for Opinions

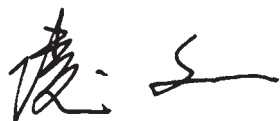
Written Confirmation to 2010 Interim Report

Article 68 of the Securities Law of the People's Republic of China requires that senior management of a listed company shall sign a written confirmation to its regular report, and guarantee the truthfulness, accuracy and completeness of the information disclosed by the listed company.

Article 14 of the Standards Concerning the Contents and Formats of Information Disclosure by Companies Offering Securities to the Public No.3 – The Contents and Formats of Interim Report (Revised edition 2007) requires that senior management of a listed company shall guarantee the truthfulness, accuracy and completeness of the information disclosed in its interim report and warrant that the report does not contain any false representation, misleading statement or material omission, and shall jointly and severally accept full responsibility for this warrant. If there is any senior management member who is unable to confirm the truthfulness, accuracy and completeness of the interim report or disagrees with the content of the interim report, his reasons and opinion shall be stated separately.

Having fully understood and reviewed the 2010 Interim Report of the Company, all senior management members of the Company are of the opinion that information disclosed in the 2010 Interim Report is true, accurate and complete. We hereby guarantee that the information stated in this report does not contain any false representation, misleading statement or material omission, and jointly and severally accept full responsibility for the truthfulness, accuracy and completeness of the information disclosed in the report.

Signature of all senior management members of the Company:



Ling Wen



Wang Jinli



Hua Zeqiao



Huang Qing



Zhang Kehui

China Shenhua Energy Company Limited

27 August 2010

Definitions

Abbreviation

Shenhua Group Corporation
Shenhua Group
China Shenhua or the “Company”
the Group
Shendong Coal Branch
Ha’erwusu Coal Branch
Zhunge’er Energy
Beidian Shengli Energy
Shendong Coal
Shendong Coal Group

Shendong Power
Shenhua Xinjie
Shenshuo Railway Branch
Rolling Stock Branch
Shuohuang Railway
Baoshen Railway
Shenhua Xinzhun
Huanghua Port
Shenhua Tianjin Coal Dock
Guohua Power Branch
Guohua International
Beijing Thermal

Panshan Power
Sanhe Power
Guohua Zhunge’er
Ninghai Power
Shenmu Power
Taishan Power
Huanghua Power
Suizhong Power
Jinjie Energy

Full Name

Shenhua Group Corporation Limited
Shenhua Group Corporation and its subsidiaries
China Shenhua Energy Company Limited
China Shenhua and its subsidiaries
China Shenhua Energy Company Limited Shendong Coal Branch
China Shenhua Energy Company Limited Ha’erwusu Coal Branch
Shenhua Zhunge’er Energy Co., Ltd.
Shenhua Beidian Shengli Energy Co., Ltd.
Shenhua Shendong Coal Group Co., Ltd.
the corporation aggregate consisting of
 Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
Shenhua Shendong Power Co., Ltd.
Shenhua Xinjie Energy Co., Ltd.
China Shenhua Energy Company Limited Shenshuo Railway Branch
China Shenhua Energy Company Limited Rolling Stock Branch
Shuohuang Railway Development Co., Ltd.
Shenhua Baoshen Railway Co., Ltd.
Shenhua Xinzhun Railway Co., Ltd.
Shenhua Huanghua Harbour Administration Co., Ltd.
Shenhua Tianjin Coal Dock Co., Ltd.
China Shenhua Energy Company Limited Guohua Power Branch
Shenhua Guohua International Power Co., Ltd.
Shenhua Guohua International Power Company Limited
 Beijing Thermal Power Branch
Tianjin Guohua Panshan Power Generation Co., Ltd.
Sanhe Power Co., Ltd.
Inner Mongolia Guohua Zhunge’er Power Generation Co., Ltd.
Zhejiang Guohua Zheneng Power Generation Co., Ltd.
CLP Guohua Shenmu Power Co., Ltd.
Guangdong Guohua Yuedian Taishan Power Co., Ltd.
Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power Co., Ltd.
Shaanxi Guohua Jinjie Energy Co., Ltd.

Definitions

Abbreviation

Dingzhou Power
Yuyao Power
Zhunge'er Power

Huizhou Thermal

Australia Holdings

Watermark

EMM Indonesia

Wuhai Energy

Shenhua Finance

Shenhua Trading

Jiahua Power

Shenhua Zhonghai Shipping Company

Branches and Subsidiaries

Accounting Standards for

Business Enterprises

Shanghai Listing Rules

Shanghai Stock Exchange

Hong Kong Listing Rules

Hong Kong Stock Exchange

CSRC

Full Name

Hebei Guohua Dingzhou Power Generation Co., Ltd.

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

Power-generating arm controlled and operated by

Shenhua Zhunge'er Energy Co., Ltd.

China Shenhua Energy Company Limited Guohua Huizhou Thermal
Power Branch

Shenhua Australia Holdings Pty Limited

Shenhua Watermark Coal Pty Limited

PT.GH EMM INDONESIA

Shenhua Wuhai Energy Company Limited

Shenhua Finance Co., Ltd.

Shenhua Coal Trading Co., Ltd.

Zhejiang Zheneng Jiahua Power Co., Ltd.

Shenhua Zhonghai Shipping Co., Ltd.

Branches and subsidiaries of the Company, unless otherwise specified

Accounting Standards for Business Enterprises – Basic Standard and

38 specific accounting standards issued by the Ministry of

Finance of the People's Republic of China on 15 February 2006

and the Application Guidance to Accounting Standards for

Business Enterprises, Interpretations of Accounting Standards for

Business Enterprises and other related requirements subsequently

issued

Rules Governing the Listing of Shares on the Shanghai Stock Exchange

Shanghai Stock Exchange

Rules Governing the Listing of Securities on The

Stock Exchange of Hong Kong Limited

The Stock Exchange of Hong Kong Limited

China Securities Regulatory Commission