



**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

# Embracing a Green Energy Future

2014 Interim Report





Cover Story:

## “Embracing a Green Energy Future”

In the midst of profound changes arising from energy structural adjustment and production and consumption revolution, China Shenhua will adhere to the goal of building itself into a world-class integrated energy company and enrich and improve Shenhua's integrated model by “building itself into an internationally renowned supplier of clean energy with its state-of-the-art technology, advanced management, value creation and innovation-driven approach”, and enhance China Shenhua's international competitiveness.

Becoming an internationally renowned supplier of clean energy is a process of brand building, an industrial transformation and upgrading of Shenhua to turn black coal green, and adding knowledge, technology and value to products.

Firstly, by establishing an industrial system of clean energy, China Shenhua aims to establish a modernized industrial development system of clean energy featuring high integration, deep synergy and chain operation.

Secondly, by striving to become a provider of clean energy solutions, in addition to the provision of clean energy products to customers and society, China Shenhua will provide customers with clean energy solutions through technology service.

Thirdly, by focusing on integrated operations and improving operational performance, China Shenhua will set up a strategy control system that is compatible and coordinative with the integration of mining, power, railway, port, shipping and chemical businesses and that can be used to create maximum value. By improving the capability of integration in terms of strategy, resources, business, culture and management, China Shenhua will promote the standardization, normalization and informatization of businesses to enhance its overall competitiveness.

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## Important Notice

The board of directors, supervisory committee and directors, supervisors and senior management of the Company warrant that this interim report does not contain any misrepresentations, misleading statements or material omissions, and jointly and severally accept full legal responsibility for the authenticity, accuracy and completeness of the information contained in this report.

This report was approved at the 46th meeting of the second session of the board of directors of the Company. 8 out of 8 eligible directors of the Company were present at the meeting.

Deloitte Touche Tohmatsu has issued a report on the review of the financial statements in this report prepared under the International Financial Reporting Standards by the Company.

Explanation for restatement of data: In December 2013, the Company completed the acquisition of the 100% equity interests in Baotou Coal Chemical Company and the 100% equity interests in Jiujiang Power through business combination under common control. The scope of consolidation of the financial statements and operational data of the Company for the first half of 2014 includes these acquired companies, and the financial statements and relevant operational data for prior periods have been restated.

There is no appropriation of the Company's funds for non-operational purpose by any controlling shareholders or its subsidiaries. Also, there is no provision of external guarantees by the Company that violates the required decision-making procedures.

Dr. Zhang Yuzhuo, 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, accuracy and completeness of the financial statements contained in this report.

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

Please refer to the section headed "Definition" of this report for certain defined terms with specific meanings.

# Company Profile

## (1) Information of the Company

Statutory Chinese Name of the Company	中國神華能源股份有限公司
Abbreviation of Statutory Chinese Name of the Company	中國神華
Statutory English Name of the Company	China Shenhua Energy Company Limited
Abbreviation of Statutory English Name of the Company	CSEC/China Shenhua
Legal Representative	Zhang Yuzhuo
Authorised Representatives	Ling Wen, Huang Qing

## (2) Contacts and Contact Information

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E-mail	1088@shenhua.cc	1088@shenhua.cc

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

### (3) Brief Introduction on Particulars

Registered and Office Address	22 Andingmen Xibinhe Road, Dongcheng District, Beijing (Postal Code:100011)
Website on the Internet	<a href="http://www.csec.com">http://www.csec.com</a> or <a href="http://www.shenhuachina.com">http://www.shenhuachina.com</a>
E-mail	1088@shenhua.cc
Registration Number of Corporate Business Licence	100000000039286
Tax Registration Number	Jing Shui Zheng Zi No. 110101710933024
Organisation Code	71093302-4
Date and Location of the First Business Registration	8 November 2004, State Administration for Industry and Commerce
Date and Location of the Latest Change in Business Registration	8 July 2014, State Administration for Industry and Commerce

### (4) Information Disclosure and Location for Document Inspection

Designated Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
Internet Website Designated for Publishing Regular Reports	<a href="http://www.sse.com.cn">http://www.sse.com.cn</a> or <a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a>
Regular reports are available at	Investor Relations Department and Hong Kong Office of the Company

### (5) Basic Information on Shares

	A Share/the PRC	H Share/Hong Kong
Listing Place	Shanghai Sock Exchange	The Stock Exchange of Hong Kong Limited
Abbreviation	China Shenhua	China Shenhua
Stock Code	601088	01088
Listing Date	9 October 2007	15 June 2005

### (6) Others

		A Share/the PRC	H Share/Hong Kong
Auditors	Name	Deloitte Touche Tohmatsu Certified Public Accountants LLP	Deloitte Touche Tohmatsu
	Signing Auditor	Cui Jin, Xu Bin	–
	Address	8th Floor, Tower W2, The Towers, Oriental Plaza, 1 East Chang An Avenue, Beijing	35th Floor, One Pacific Place, 88 Queensway, Hong Kong
Legal Advisor	Name	King & Wood Mallesons	Herbert Smith Freehills
	Address	40th Floor, Tower A, Fortune Plaza, 7 Dongsanhuan Zhonglu, Chaoyang District, Beijing	23rd Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong
Share Registrar and Transfer Office	Name	China Securities Depository and Clearing Corporation Limited Shanghai Branch	Computershare Hong Kong Investor Services Limited
	Address	36th Floor, China Insurance Building, 166 Lu Jia Zui Dong Lu, Pudong New Area, Shanghai	Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong



# Results Highlights

## Operations

Operational indicators	Unit	For the first half of 2014	For the first half of 2013 (Restated)	Change (%)
(I) Coal				
1. Commercial coal production	Million tonnes	<b>155.0</b>	158.3	(2.1)
2. Coal sales	Million tonnes	<b>234.6</b>	242.7	(3.3)
Of which: Export	Million tonnes	<b>0.9</b>	1.3	(30.8)
Import	Million tonnes	<b>4.4</b>	5.9	(25.4)
(II) Power generation				
1. Gross power generation	Billion kwh	<b>106.52</b>	105.46	1.0
2. Total power output dispatch	Billion kwh	<b>99.38</b>	98.31	1.1
(III) Coal chemical				
1. Sales of polyethylene	Thousand tonnes	<b>152.5</b>	133.8	14.0
2. Sales of polypropylene	Thousand tonnes	<b>155.0</b>	135.6	14.3
(IV) Transportation				
1. Turnover of self-owned railway	Billion tonne km	<b>109.5</b>	101.7	7.7
2. Seaborne coal <sup>Note</sup>	Million tonnes	<b>119.5</b>	111.0	7.7
Of which: At Huanghua Port	Million tonnes	<b>67.8</b>	61.1	11.0
At Shenhua Tianjin Coal Dock	Million tonnes	<b>17.3</b>	15.1	14.6
3. Shipping volume	Million tonnes	<b>45.5</b>	43.3	5.1
4. Shipment turnover	Billion tonne nautical miles	<b>38.2</b>	43.3	(11.8)

Note: Seaborne coal = seaborne sales of self-produced and purchased coal for domestic sales + seaborne sales of export sales.

## Financial Data

		For the first half of 2014	For the first half of 2013	Change (%)
			Restated	
Revenues	RMB million	<b>129,197</b>	128,662	0.4
Profit for the period	RMB million	<b>27,653</b>	30,086	(8.1)
Profit for the period attributable to equity holders of the Company	RMB million	<b>22,775</b>	25,295	(10.0)
Basic earnings per share	RMB per share	<b>1.145</b>	1.272	(10.0)
Net cash from operating activities	RMB million	<b>32,081</b>	18,783	70.8
Net cash from operating activities excluding Shenhua Finance Company	RMB million	<b>30,422</b>	29,031	4.8

		As at 30 June 2014	As at 31 December 2013	Change (%)
Total assets	RMB million	<b>560,373</b>	513,298	9.2
Total liabilities	RMB million	<b>216,528</b>	178,656	21.2
Equity attributable to equity holders of the Company	RMB million	<b>281,906</b>	276,903	1.8
Equity attributable to equity holders per share	RMB per share	<b>14.17</b>	13.92	1.8

## Differences between Domestic and International Accounting Standards

Unit: RMB million

Items	Profit for the period attributable to equity holders of the Company		Equity attributable to equity holders of the Company	
	For the first half of 2014	For the first half of 2013	As at 30 June 2014	As at 31 December 2013
		Restated		
Under China Accounting Standards for Business Enterprises	<b>21,546</b>	24,401	<b>277,480</b>	272,362
Adjustment: Adjustment to simple production maintenance, production safety and other related expenditures	<b>1,229</b>	894	<b>4,426</b>	4,541
Under International Financial Reporting Standards	<b>22,775</b>	25,295	<b>281,906</b>	276,903

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

# Chairman's Statement



## Dear Shareholders,

On behalf of the board of directors, I am delighted to present the 2014 interim report of China Shenhua and to report to all shareholders on the Company's performance for the period.

As a result of a number of factors such as the slowing-down economic growth, oversupply of coal and the increasing proportion of non-fossil energy in power generation, spot prices of coal continued to decline and the loss in the coal industry in China continued to increase.

Faced with the challenging situation, China Shenhua, focusing on value creation, actively responded to market changes and adjusted its business structure, thereby mitigating the impact of falling coal prices. Efforts were made to optimize operation and make full use of the advantage of integrated operation, thus effectively delivering a generally stable business performance for shareholders.

As at 30 June 2014, the total market capitalization of China Shenhua reached US\$48.8 billion, ranking the first among all listed coal companies worldwide and the fourth among all listed integrated mining companies worldwide.



## In the first half of 2014: adjustment of structure and optimization of operation fully unleashed the advantages of integrated operation

**Adjustment of structure effectively mitigated the impact of declining coal prices.** The Company continued to adjust its business structure, and effectively mitigated the impact of the sharp fall in the spot prices of coal. Under the International Financial Reporting Standards, operating profit from the coal business before elimination on consolidation dropped by RMB4,962 million to RMB16,164 million in the first half of the year from RMB21,126 million in the same period of last year, while total operating profit before elimination on consolidation from the power, transportation and coal chemical businesses rose by RMB3,050 million to RMB19,841 million from RMB16,791 million. Under the International Financial Reporting Standards, China Shenhua's earnings per share amounted to RMB1.145/share for the first half of 2014, representing a decrease of 10.0% year-on-year. The Company maintained a generally stable level of profit albeit the substantial decrease in profit in the coal industry.

**Optimization of operation fully unleashed the advantages of integrated operation.** Based on the principle of benefit maximization, with the motivation of coal sales taking the leading role, the Company created synergies for each business segment to ensure safe and smooth operation of business integration.

**The coal segment** took the initiative to adjust the coal source structure and sales structure, adopted market-oriented sales and pricing policies, prioritized the output from its own highly profitable coal mines and the sales of seaborne coal, and moderately reduced the amount of coal which were purchased from external parties. Sales of seaborne coal increased year-on-year by 7.7% to 119.5 million tonnes during the first half of 2014 from 111.0 million tonnes during the same period of last year, while sales of domestic trading coal dropped year-on-year by 45.4% to 15.9 million tonnes during the first half of 2014 from 29.1 million tonnes during the same period of last year.

**The power segment** proactively responded to various adverse effects such as the increasing market shares taken up by hydropower generation and decreasing power tariff by strengthening the operation and management of generators, intensifying the marketing efforts and increasing the market share of unplanned electricity with a view to maintain the steady growth of operating efficiency. In the first half of the year, power output dispatch reached 99.38 billion kwh, and the average utilization hours of coal-fired generators reached 2,574 hours, surpassing the national average utilization hours of coal-fired power generators by 199 hours.

**The transportation segment** increased the number of trains with a capacity of ten thousand tonnes; optimized the travelling routes of trains; strengthened the management of port inventory capacity; improved the coordination of production, transportation and marketing; and coped with the impact of bad weather and fluctuation in dispatch arrangements, with a view to ensure the efficient use of capacity as well as the safe and smooth operation of the integrated system.

**The coal chemical segment** placed emphasis on the management of production organization as well as on safety and environmental protection. The sales of polyethylene and polypropylene products rose by 14.0% and 14.3% respectively as compared with the same period of last year, representing the continuous growth of operating efficiency.

**Proactively pushed forth preliminary preparation of projects and advanced construction of key projects in an orderly manner.** Progress was made during preliminary preparation of projects with significant breakthroughs achieved in some key events. Reasonable arrangements were made for future capacity planning by pushing forward the construction schedule for the key projects in an orderly manner, such as Guojiawan Coal Mine, Qinglongsi Coal Mine, Chongqing Wanzhou Port and Power Integration Project and Zhunchi Railway, to further optimize the integration of the coal, power and transportation segments. The successful development of the Jinjie Digital Mine Project demonstrated the effectiveness of reformation to refined and intellectualized management. Progress was made in the geological exploration for the shale gas project in Baojing, while overseas projects such as the PT.GH EMM Indonesia Project, Watermark Coal Project in Australia, shale gas joint venture project in the United States and railway construction project at China-Mongolia port were advancing in an orderly manner.

**Continued to raise the quality of operations.** Faced with a number of unfavorable factors such as complex geological conditions for coal production, upward adjustment to national railway freight rates as well as increased investment in safety and environmental protection, the Company further strengthened budgetary management; stepped up the recovery of notes and accounts receivable; and implemented stringent cost and expense control measures. In the first half of the year, under the International Financial Reporting Standard, the unit production cost of the Company's self-produced coal was RMB127.2/tonne, representing an increase of 2.4% year-on-year. The Company continued to maintain its low-cost competitive edge, thus having maintained healthy financial status and cash flow.

**Stable production safety and energy conservation reaped significant results.** The Company continued to improve the intrinsic safe management system, and strengthened the control and regulation of major potential hazards, which in turn procured the stableness of production safety. The fatality rate per million tonnes of raw coal production was 0.0118 in the first half of 2014, enabling the Company to continue to maintain the international advanced standards.

The Company implemented the atmosphere action plan and focused on accomplishing desulfurization, denitrification and dedust renovation projects for coal-fired generators to achieve "near-zero emission". As at the end of June 2014, all of the Company's coal-fired generators were already installed with operating desulfurization facilities. Generators installed with operating denitrification facilities accounted for 92.9% of coal-fired generators, an increase of 20.9 percentage points compared with the end of 2013, making the Company a leading player in the industry. After the "near-zero emission" renovation project, the air pollutant discharge of the Company's coal-fired generators have met and outperformed the national standard of air pollutant emissions for gas-fired generators. The Company also commenced the "near-zero emission" technological renovation to the operational generators in Beijing, Tianjin and Hebei regions and spared no effort to apply the same technology on newly built generators.

## **Looking ahead: maintain steady growth, boost transformation and build the Company into an internationally renowned supplier of clean energy**

Currently, the coal industry in China is at a stage of significant adjustment and transformation characterized by oversupply, exacerbated competition, falling prices, increased pressure on environmental protection and an expanding scale of loss in the industry. But in the long run, through comprehensive and in-depth reform, the Chinese economy will continue to grow steadily and healthily, providing vast potential of development for the coal industry. After this round of adjustment, the coal industry will become more stable, and we are fully confident about the prospect of the coal industry, especially the business related to the clean and efficient utilization of coal.

Firstly, the richness of coal energy, poverty in oil energy and lack of gas energy in China are the determinants that have shaped the status of coal as the main energy in China, which will remain unchanged for a considerable length of time in future. Since China is still in the industrialization and urbanization phase, total coal consumption will still witness moderate increase in the medium and long run in order to maintain the growth of national economy.

Secondly, the extensive development and utilization of coal is unsustainable and the Chinese government aims to reform the energy production and consumption. It is essential for the coal industry to accelerate transformation and upgrade and advocate the clean and efficient utilization of coal with an aim to transform coal into clean energy.

Thirdly, the application of innovative technologies in the efficient utilization and clean conversion of coal at home and abroad has proved that coal could be utilized in an efficient and clean way. Coal as a clean energy holds a promising future.

Faced with the opportunities and challenges from the transitional development of the coal industry, China Shenhua will **“focus on one goal, grasp two changes, push forward four developments and achieve five enhancements”**.

**Becoming a world-class integrated energy enterprise is the development goal of China Shenhua as well as the leading strategy for China Shenhua over the next few years.** To become a world-class enterprise, China Shenhua will build itself into an internationally renowned supplier of clean energy based on its fundamental features of state-of-the-art technology, advanced management, value creation and innovation-driven approach, achieving improvement in core competitiveness and creating Shenhua’s new features and new advantages.

**To grasp “two changes”** means to grasp the change in the concept and mode of development.

**As to the change in the concept of development,** China Shenhua needs to switch gradually from the pursuit of expanding its scale to the strengthening and improvement of its principal business, and increase its anti-risk capability and market competitiveness by strengthening its business chain, fine-tuning its products and optimizing its management. Further, China Shenhua needs to reinforce the concept of value creation. Aiming to create greater value, China Shenhua will enhance the safety and stability of primary energy supply as well as the added value of coal to increase the proportion of clean energy provision. Lastly, China Shenhua needs to further strengthen the concept of innovation. China Shenhua will vigorously promote energy consumption revolution and develop new technologies for energy consumption to accelerate clean coal transformation and effective utilization of coal.

**As to the change in the mode of development,** China Shenhua needs to push forward its switch from a resource-dependent model to an innovation-driven model, and from the role as the world’s major coal dealer to the role as an internationally renowned supplier of clean energy. Firstly, by establishing an industrial system of clean energy, China Shenhua will establish a modernized industrial development system of clean energy featuring high integration, deep synergy and chain operation. Secondly, by striving to become a provider of clean energy solutions, in addition to the provision of clean energy products to customers and the society, China Shenhua will provide customers with clean energy solutions in the form of technology service. Thirdly, by focusing on integrated operations and improving operational performance, China Shenhua will set up a strategic control system that is compatible and coordinative with the integration of mining, power, railway, port, shipping and chemical businesses and that can be used to create maximum value. By improving the capability of integration in terms of strategy, resources, business, culture and management, China Shenhua will promote the standardization, normalization and informatization of businesses to enhance its overall competitiveness.

**To push forward “four developments”** means to push forward safe development, transitional development, innovative development and harmonious development.

Safe development is the foundation and prerequisite of the overall development of China Shenhua. China Shenhua needs to focus attention on production safety, environmental safety and market safety and stable corporate operations.

Transitional development is the key. China Shenhua focuses on enhancing quality and efficiency, green and low carbon, clean transformation as well as industrial upgrade, ensuring the synergetic and balanced integrated operation, the quality improvement and efficiency enhancement of principal business, and exploration of unconventional oil and gas and globalized operation.

Innovative development is the impetus. China Shenhua needs to focus on innovation in system, management and technology.



Harmonious development is a responsibility. Being an outstanding corporate citizen, China Shenhua will achieve a win-win situation with all stakeholders. China Shenhua will place great emphasis on the common development with stakeholders like customers, the government, shareholders, the public, the media and employees; strengthen Shenhua's cohesion and solidarity and enhance Shenhua's brand image and social reputation.

**To achieve "five enhancements"** means to enhance, by means of the aforesaid efforts, the quality and efficiency of development, the standards of management, the capability of internationalization, the soft power of the enterprise and the ability to fulfill social responsibilities.

## **In the second half of 2014: overcoming difficulties to create more value for shareholders**

In the second half of the year, China Shenhua will, based on ensuring the safe and smooth operation of business integration, further optimize the organizational coordination of production, transportation and sales, and strive to excel for its shareholders. The Company will focus on the following tasks:

**Adapting to market changes, capitalizing on comparative advantages and vigorously boosting sales.** Firstly, China Shenhua will carry out timely adjustment on the types of coal for sales and the sales flow in accordance with market changes, improve coal sources and ensure the high priority for the sales of seaborne coal which yield the highest profitability. Secondly, China Shenhua will expand its market share by leveraging on the environmental protection advantages of Shenhua Coal. Pursuant to the national requirements on loose coal cleaning and treatment, the substitution of clean Shenhua coal is under way in Beijing, Tianjin and Hebei regions. China Shenhua will take advantage of the low-sulfur and low-dust features of Shenhua coal to increase its coal market share. Thirdly, China Shenhua will enhance its service quality by promoting differentiated sales to satisfy the service needs of different types of customers. Fourthly, China Shenhua will adopt an innovative trading model with an emphasis on e-bidding procurement and sales.

**Scheduling production and operation in a scientific manner.** China Shenhua will adapt to market changes and adjust production volume of mines, so as to optimize the product mix. The technological and management innovations such as digital mine will create value and enhance efficiency in course of achieving refined and intellectualized management. Focusing on the increase of market share in power generation market, China Shenhua will seize development opportunities arising from macro policies, regional development, industrial upgrade as well as periodic peak periods of power demand, endeavoring to boost power generation volume. The number of trains with capacity of ten thousand tonnes will be further increased by the accelerated renovation of stations and railways for capacity expansion. The preparation for the operation of trains with capacity of 20,000 tonnes and the scheduled completion of the entire Zhunchi railway will effectively enhance the transportation capacity. By achieving safe, stable, long-time, full load and high quality operation of coal chemical business, China Shenhua will reduce the consumption of materials, energy and water and improve the quality of products.

**Constantly promoting refined management, effectively enhancing management performance and operational efficiency.** Firstly, China Shenhua will tighten cost control, implement regular dispatch, monitoring and assessment, and minimize non-productive expenses, aiming to reduce finance costs as far as possible. Secondly, China Shenhua will strengthen investment management, reasonably control the investment scale and prevent investments with low efficiency. Thirdly, China Shenhua will emphasize the cash flow management and secure cash flows by controlling the increase of inventories and accounts and bills receivable. Fourthly, China Shenhua will optimize resources allocation and strengthen the disposal of non-efficiency and low-efficiency assets so as to improve asset quality and operational efficiency.

**Strengthening environmental protection, energy saving and emission reduction, and accelerating the construction of environmental risk prevention and control system.** Firstly, China Shenhua will continue to promote the construction of clean production system. Aiming at green and highly efficient mining, coal business will ensure the stable supply of low-sulfur and low-dust “Shenhua coal”. Aiming at “near-zero emission”, power business will strictly implement an air pollution control plan, expedite the renovation of the operating power plants and reinforce environmental protection in newly built power plants, securing the leading position in green power generation. Aiming at green development, coal chemical business will strengthen technological research and continue to promote the clean conversion of coal. Secondly, China Shenhua will focus on the key inspection of pollutant emission and disposal at newly built projects pursuant to the highest national standards, map out environmental protection facilities far in advance and ensure parallel design and construction. Thirdly, China Shenhua will improve and optimize its online surveillance platform, conduct comprehensive monitoring and warning, and ensure the normal operation of the environmental protection system.

**Constantly pushing forward asset injection of Shenhua Group.** On the basis of the previous five asset injections, the Board of the Company has approved the sixth asset injection to be commenced at the second half of the year with target assets mainly including “near-zero emission” and coal-fired power generators with relatively high capacity.

The management and all the employees of China Shenhua will overcome difficulties with strong determination, in a bid to push forward transformation and upgrade, accelerate the establishment of a clean energy supply system bearing the characteristics of Shenhua, and build itself into an internationally renowned supplier of clean energy to create more value for all shareholders.



**Zhang Yuzhuo**  
Chairman

22 August 2014

# Overview of the Company's Operating Results for the first half of 2014

		The first half of 2014	The first half of 2013 (Restated)	Change %
Commercial coal production (million tonnes)		155.0	158.3	(2.1)
Coal sales (million tonnes)		234.6	242.7	(3.3)
Of which: Export (million tonnes)		0.9	1.3	(30.8)
Import (million tonnes)		4.4	5.9	(25.4)
Gross power generation <sup>(1)</sup> (billion kwh)		106.52	105.46	1.0
Total power output dispatch <sup>(1)</sup> (billion kwh)		99.38	98.31	1.1
Polyethylene sales (thousand tonnes)		152.5	133.8	14.0
Polypropylene sales (thousand tonnes)		155.0	135.6	14.3
Transportation turnover of self-owned railway (billion tonne km)		109.5	101.7	7.7
Seaborne coal <sup>(2)</sup> (million tonnes)		119.5	111.0	7.7
Of which: At Huanghua Port (million tonnes)		67.8	61.1	11.0
At Shenhua Tianjin Coal Dock (million tonnes)		17.3	15.1	14.6
Shipping volume (million tonnes)		45.5	43.3	5.1
Shipment turnover (billion tonne nm)		38.2	43.3	(11.8)

	The first half of 2014 (million tonnes)	The first half of 2013 (Restated) (million tonnes)	Change %
Shenhua Zhonghai Shipping Company			
The Group's internal customers	24.8	22.6	9.7
External customers	20.7	20.7	-
<b>Total of shipping volume</b>	<b>45.5</b>	<b>43.3</b>	<b>5.1</b>

	The first half of 2014 (million tonnes)	The first half of 2013 (Restated) (million tonnes)	Change %
<b>Self-owned ports</b>	<b>87.8</b>	<b>76.2</b>	<b>15.2</b>
Huanghua Port	67.8	61.1	11.0
Shenhua Tianjin Coal Dock	17.3	15.1	14.6
Zhuhai Coal Dock	2.7	-	N/A
<b>Third-party ports</b>	<b>31.7</b>	<b>34.8</b>	<b>(8.9)</b>
<b>Total seaborne coal</b>	<b>119.5</b>	<b>111.0</b>	<b>7.7</b>

Mines	Recoverable coal reserve (under PRC standard)			Marketable coal reserve (under JORC standard)			Coal resources		
	As at 30 June 2014	As at 31 December 2013 <sup>(3)</sup>	Change %	As at 30 June 2014	As at 31 December 2013 <sup>(3)</sup>	Change %	As at 30 June 2014	As at 31 December 2013 <sup>(3)</sup>	Change %
	100 million tonnes	100 million tonnes	%	100 million tonnes	100 million tonnes	%	100 million tonnes	100 million tonnes	%
Shandong Mines	89.77	85.94	4.5	44.57	45.56	(2.2)	169.63	170.69	(0.6)
Zhunge'er Mines	33.66	34.50	(2.4)	20.31	20.62	(1.5)	41.70	41.99	(0.7)
Shengli Mines	14.38	14.42	(0.3)	7.52	7.60	(1.1)	20.84	20.88	(0.2)
Baorixle Mines	12.75	12.86	(0.9)	13.17	13.31	(1.1)	14.91	15.02	(0.7)
Baotou Mines <sup>(5)</sup>	0.61	0.66	(7.6)	0.15	0.16	(6.3)	1.04	1.13	(8.0)
<b>Total of China Shenhua</b>	<b>151.17</b>	<b>148.38</b>	<b>1.9</b>	<b>85.72</b>	<b>87.25</b>	<b>(1.8)</b>	<b>248.12</b>	<b>249.71</b>	<b>(0.6)</b>

		The first half of 2014 (million tonnes)	Proportion of domestic sales %	The first half of 2013 (Restated) (million tonnes)	Change %
<b>(I) Domestic sales</b>					
By coal source:	Self-produced coal and purchased coal	226.9	100.0	237.6	(4.5)
	Coal purchased through domestic trade	206.6	91.1	202.6	2.0
	Imported coal	15.9	7.0	29.1	(45.4)
	Others	4.4	1.9	5.9	(25.4)
By customers:	External customers	182.8	80.6	196.7	(7.1)
	Power segment of the Group	42.0	18.5	38.9	8.0
	Coal chemical segment of the Group	2.1	0.9	2.0	5.0
By region:	Northern China	119.0	52.5	118.7	0.3
	Eastern China	63.4	27.9	73.0	(13.2)
	Central China and Southern China	24.8	10.9	25.9	(4.2)
	Northeast China	12.2	5.4	18.8	(35.1)
	Others	7.5	3.3	1.2	525.0
By usage:	Thermal coal	141.3	62.3	179.3	(21.2)
	Metallurgy	3.8	1.7	3.8	-
	Chemical (including coal slurry)	18.7	8.2	2.2	750.0
	Others	63.1	27.8	52.3	20.7
<b>(II) Export Sales</b>					
	South Korea	0.9	100.0	1.3	(30.8)
	China Taiwan	0.6	66.7	0.6	-
	Japan	-	-	0.4	(100.0)
	Others	0.3	33.3	0.3	-
<b>(III) Foreign sales</b>					
		6.8		3.8	78.9
<b>Total sales</b>		<b>234.6</b>		<b>242.7</b>	<b>(3.3)</b>

	The first half of 2014 (million tonnes)	The first half of 2013 (Restated) (million tonnes)	Change %
<b>Shandong Coal Group</b>	<b>87.1</b>	<b>89.0</b>	<b>(2.1)</b>
Buliuta	14.3	13.4	6.7
Daliuta-Huojitu	18.0	17.3	4.0
Yujialiang	8.4	8.5	(1.2)
Shangwan	7.3	7.4	(1.4)
Halagou	7.5	7.2	4.2
Baode (Kangjiatan)	3.3	5.0	(34.0)
Shigetai	5.4	5.3	1.9
Wulanmulun	3.9	3.7	5.4
Bu'ertai	8.7	8.5	2.4
Wanli No.1 mine (Changhangou)	2.3	5.2	(55.8)
Liuta mine	2.0	2.0	-
Cuncaota No. 1 mine	2.0	2.2	(9.1)
Cuncaota No. 2 mine	2.8	2.0	40.0
Others	1.2	1.3	(7.7)
<b>Zhunge'er Energy Company</b>	<b>14.5</b>	<b>15.3</b>	<b>(5.2)</b>
Heidaigou Mine	14.5	15.3	(5.2)
<b>Ha'erwusu Branch</b>	<b>15.5</b>	<b>15.4</b>	<b>0.6</b>
<b>Beidian Shengli Energy</b>	<b>8.6</b>	<b>9.5</b>	<b>(9.5)</b>
<b>Jinjie Energy</b>	<b>9.9</b>	<b>8.7</b>	<b>13.8</b>
<b>Shenbao Energy Company</b>	<b>13.9</b>	<b>15.8</b>	<b>(12.0)</b>
<b>Baotou Energy Company</b>	<b>4.1</b>	<b>3.6</b>	<b>13.9</b>
Shuiquan Open-cut Mine	0.5	1.2	(58.3)
Adaohai Mine	0.4	0.4	-
Lijiahao Mine	3.2	2.0	60.0
<b>Shandong Power Company</b>	<b>0.4</b>	<b>-</b>	<b>N/A</b>
Huangyuchuan Mine	0.4	-	N/A
<b>EMM Indonesia</b>	<b>1.0</b>	<b>1.0</b>	<b>-</b>
<b>Total production</b>	<b>155.0</b>	<b>158.3</b>	<b>(2.1)</b>
<b>By Regions</b>			
Inner Mongolia	101.0	104.7	(3.5)
Shaanxi	49.7	47.6	4.4
Shanxi	3.3	5.0	(34.0)
Overseas	1.0	1.0	-

Power plants	Regional grid	Location	Gross power generation 100 million kwh	Total power output dispatch 100 million kwh	Average utilisation hours	Standard coal consumption rate for power output dispatch g/kwh	Power tariff RMB/mwh	Total installed capacity as at 31 December 2013 MW	Increase/(decrease) in installed capacity for the first half of 2014 MW	Total installed capacity as at 30 June 2014 MW	Equity installed capacity as at 30 June 2014 MW
Cangdong Power	North China Power Grid	Hebei	65.6	62.3	2,604	309	353	2,520	-	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	35.6	32.9	2,738	302	368	1,300	-	1,300	501
Dingzhou Power	North China Power Grid	Hebei	67.4	62.1	2,675	323	352	2,520	-	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	26.6	24.9	2,583	314	402	1,030	-	1,030	469
Zhunge'er Power	North China Power Grid	Inner Mongolia	23.3	21.1	2,431	364	251	960	-	960	554
Shandong Power	Northwest/North China/Shaanxi Provincial Local Power Grid	Inner Mongolia	105.0	96.1	2,519	354	253	4,167	-	4,167	3,657
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	35.8	32.5	2,712	312	259	1,320	-	1,320	639
Guohua Hulubei'er Power	Northeast Power Grid	Inner Mongolia	21.5	19.3	1,792	294	271	1,200	-	1,200	960
Beijing Thermal	North China Power Grid	Beijing	11.7	10.3	2,913	272	421	400	-	400	280
Suizhong Power	Northeast Power Grid	Liaoning	71.7	67.2	1,991	320	349	3,600	-	3,600	1,800
Zhenneng Power	East China Power Grid	Zhejiang	124.9	118.7	2,840	302	402	4,400	-	4,400	2,640
Taicang Power	East China Power Grid	Jiangsu	36.6	34.9	2,901	302	356	1,260	-	1,260	630
Jinjie Energy	North China Power Grid	Shaanxi	79.6	73.3	3,316	328	315	2,400	-	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	7.2	6.4	3,266	377	322	220	-	220	112
Taishan Power	South China Power Grid	Guangdong	121.6	114.5	2,429	311	431	5,000	-	5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	19.5	17.8	2,959	325	438	660	-	660	660
Mengjin Power	Central China Power Grid	Henan	29.3	27.6	2,443	311	378	1,200	-	1,200	612
Chenjiayang Power	East China Power Grid	Jiangsu	36.1	34.2	2,732	292	346	1,320	-	1,320	726
Shenwan Energy	East China Power Grid	Anhui	73.1	69.1	2,813	324	361	2,600	-	2,600	1,326
Shenhua Sichuan Energy <sup>(4)</sup>	Sichuan Power Grid	Sichuan	23.5	22.0	1,869	326	412	1,260	-	1,260	604
Fujian Energy	East China Power Grid	Fujian	27.1	25.5	2,187	345	382	1,240	-	1,240	481
EMM Indonesia	PLN (Perusahaan Listrik Negara)	Indonesia	9.4	8.3	3,135	380	421	300	-	300	210
<b>Total for coal-fired power plants/Weighted average</b>			<b>1,052.1</b>	<b>981.0</b>	<b>2,574</b>	<b>319</b>	<b>356</b>	<b>40,877</b>	<b>-</b>	<b>40,877</b>	<b>24,847</b>
<b>Other power plants</b>											
Zhuhai Wind	South China Power Grid	Guangdong	0.1	0.1	812	N/A	598	16	-	16	12
Yuyao Power <sup>(6)</sup>	East China Power Grid	Zhejiang	10.4	10.1	1,334	232	773	780	-	780	624
Shenhua Sichuan Energy <sup>(4)</sup>	Sichuan Provincial Local Power Grid	Sichuan	2.6	2.6	2,108	N/A	256	125	-	125	48

	The first half of 2014 (billion tonne km)	The first half of 2013 (Restated) (billion tonne km)	Change %
<b>Self-owned railways</b>	<b>109.5</b>	<b>101.7</b>	<b>7.7</b>
Shenshuo Railway	25.8	24.5	5.3
Shuohuang-Huangwan Railway	67.8	62.7	8.1
Dazhun Railway	10.7	9.7	10.3
Baoshen Railway	5.2	4.8	8.3
<b>State-owned railways</b>	<b>21.4</b>	<b>22.4</b>	<b>(4.5)</b>
<b>Total railway turnover</b>	<b>130.9</b>	<b>124.1</b>	<b>5.5</b>

Name	Length km	Commencement date
Watermark Coal Project in Australia (applying for approval of the EIA)		
Xinjie Taigemiao Exploration Area (applying for exploration license)		
Ganquan Railway (under trial operation)		
Bazhun Railway (under trial operation)		
<b>Railway</b>		
Zhunchi Railway (under construction)	180	October 2011
Huangda Railway (under construction)	224	August 2014

Notes: (1) The figures include the power generation and power output dispatch of coal-fired power generation business and other power generation businesses.  
 (2) Seaborne coal in ports = self-produced and purchased coal for seaborne sales of domestic sales + seaborne sales of export sales. The calculation of seaborne coal in ports does not include seaborne coal purchased through domestic trade.  
 (3) The data of Baotou Mines as at 30 June 2014 include Adaohai Mine and Shuiquan Open-cut Mine. The data as at 31 December 2013 have been reclassified according to the adjustment in the scope of data.  
 (4) Shenhua Sichuan Energy operates thermal power generation and hydropower generation businesses.  
 (5) The standard coal consumption for power output dispatch of Yuyao Power is a converted amount.



## Overview of Consolidated Operating Results for the first half of 2014

	The first half		Change
	of 2014	of 2013 (Restated)	
	RMB million	RMB million	%
<b>Revenue</b>	<b>129,197</b>	128,662	0.4
<b>Cost of sales</b>	<b>(89,101)</b>	(86,673)	2.8
<b>Gross profit</b>	<b>40,096</b>	41,989	(4.5)
Selling, general and administrative expenses	(4,010)	(4,223)	(5.0)
Other gains and losses	(256)	(188)	36.2
Other income	315	180	75.0
Other expenses	(142)	(122)	16.4
Interest income	293	338	(13.3)
Finance costs	(1,915)	(1,310)	46.2
Share of results of associates	138	265	(47.9)
<b>Profit before income tax</b>	<b>34,519</b>	36,929	(6.5)
Income tax expense	(6,866)	(6,843)	0.3
<b>Profit for the period attributable to</b>	<b>27,653</b>	30,086	(8.1)
Equity holders of the Company	22,775	25,295	(10.0)
Non-controlling interests	4,878	4,791	1.8
<b>Earnings per share</b>			
- Basic (RMB)	1.145	1.272	(10.0)

### Breakdown of revenue

	The first half		Change
	of 2014	of 2013 (Restated)	
	RMB million	RMB million	%
Revenue	113,075	124,477	(9.2)
Coal revenue	71,230	82,957	(14.1)
Power revenue	36,334	36,463	(0.4)
Transportation revenue	2,330	2,399	(2.9)
Coal chemical revenue	3,181	2,658	19.7
Other revenue	16,122	4,185	285.2
<b>Total revenue</b>	<b>129,197</b>	128,662	0.4

### Breakdown of cost of sales

	The first half		Change
	of 2014	of 2013 (Restated)	
	RMB million	RMB million	%
Cost of coal purchased	26,324	36,023	(26.9)
Materials, fuel and power	9,007	9,972	(9.7)
Personnel expenses	5,054	5,475	(7.7)
Depreciation and amortization	8,963	8,424	6.4
Repairs and maintenance	4,389	3,969	10.6
Transportation charges	7,864	8,194	(4.0)
Taxes and surcharges	1,869	2,409	(22.4)
Other operating costs	25,631	12,207	110.0
<b>Total cost of sales</b>	<b>89,101</b>	86,673	2.8

### Breakdown of coal sales price

	The first half of 2014			The first half of 2013 (Restated)			Change	
	Percentage to total sales		Price RMB/tonne	Percentage to total sales		Price RMB/tonne	Sales volume %	Sales price %
Sales volume million tonnes	volume %	Sales volume million tonnes		volume %				
<b>I. Domestic sales</b>	<b>226.9</b>	<b>96.7</b>	<b>361.0</b>	237.6	97.9	400.6	(4.5)	(9.9)
(I) Self-produced coal and purchased coal	<b>206.6</b>	<b>88.0</b>	<b>356.3</b>	202.6	83.5	385.4	2.0	(7.6)
1. Direct arrival	<b>88.0</b>	<b>37.5</b>	<b>259.1</b>	92.9	38.3	280.4	(5.3)	(7.6)
2. Seaborne	<b>118.6</b>	<b>50.5</b>	<b>428.5</b>	109.7	45.2	474.3	8.1	(9.7)
(II) Sales of domestic trading coal	<b>15.9</b>	<b>6.8</b>	<b>390.5</b>	29.1	12.0	486.0	(45.4)	(19.7)
(III) Sales of imported coal	<b>4.4</b>	<b>1.9</b>	<b>470.9</b>	5.9	2.4	501.5	(25.4)	(6.1)
<b>II. Export sales</b>	<b>0.9</b>	<b>0.4</b>	<b>571.7</b>	1.3	0.5	634.5	(30.8)	(9.9)
<b>III. Overseas coal sales</b>	<b>6.8</b>	<b>2.9</b>	<b>586.7</b>	3.8	1.6	663.0	78.9	(11.5)
1. EMM Indonesia	<b>1.0</b>	<b>0.4</b>	<b>122.8</b>	1.0	0.4	65.6	-	87.2
2. Re-export trade	<b>5.8</b>	<b>2.5</b>	<b>665.9</b>	2.8	1.2	871.1	107.1	(23.6)
<b>Total sales volume/weighted average price</b>	<b>234.6</b>	<b>100.0</b>	<b>368.4</b>	242.7	100.0	406.0	(3.3)	(9.3)

### Statement of cash flows from operating activities

	The first half		Change
	of 2014	of 2013 (Restated)	
	RMB million	RMB million	%
<b>Profit before income tax</b>	<b>34,519</b>	36,929	(6.5)
Adjustments for:			
Depreciation and amortization	10,146	9,280	9.3
Other gains and losses	256	188	36.2
Interest income	(293)	(338)	(13.3)
Share of results of associates	(138)	(265)	(47.9)
Interest expense	1,789	1,790	(0.1)
Fair value losses (gains) on derivative financial instruments and trading debt securities	(26)	136	(119.1)
Exchange gain, net	152	(616)	(124.7)
<b>Operating cash flows before movements in working capital</b>	<b>46,405</b>	47,104	(1.5)
Increase in inventories	(730)	(3,471)	(79.0)
Increase in accounts and bills receivable	(7,554)	(6,507)	16.1
Increase in prepaid expenses and other current assets	(3,759)	(8,337)	(54.9)
Increase (decrease) in accounts and bills payable	405	(791)	(151.2)
Increase in accrued expenses and other payables	4,020	485	728.9
<b>Cash generated from operations</b>	<b>38,787</b>	28,483	36.2
<b>Income tax paid</b>	<b>(6,706)</b>	(9,700)	(30.9)
<b>Net cash generated from operating activities</b>	<b>32,081</b>	18,783	70.8

### Cost of sales – Breakdown of others

	The first half		Change
	of 2014	of 2013 (Restated)	
	RMB million	RMB million	%
Coal selection and minery fees	4,395	4,788	(8.2)
Taxes and fees	396	449	(11.8)
Dredging expenses	154	204	(24.5)
Relocation compensation expenses	730	794	(8.1)
Operating lease charges	104	109	(4.6)
Resources compensation fees	288	300	(4.0)
Environmental related expenses	2,061	1,957	5.3
Utilities service expenses	52	34	52.9
Cost of sale of ancillary materials and other goods, and provision of other services	14,603	3,064	376.6
Others	2,848	508	460.6
<b>Total cost of sales-others</b>	<b>25,631</b>	12,207	110.0

## Overview of Operating Conditions by Business Segment for the first half of 2014

Segment results	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	The first half of 2014	The first half of 2013 (Restated)	The first half of 2014	The first half of 2013 (Restated)	The first half of 2014	The first half of 2013 (Restated)	The first half of 2014	The first half of 2013 (Restated)	The first half of 2014	The first half of 2013 (Restated)	The first half of 2014	The first half of 2013 (Restated)	The first half of 2014	The first half of 2013 (Restated)	The first half of 2014	The first half of 2013 (Restated)	The first half of 2014	The first half of 2013 (Restated)
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Revenue from external customers	85,888	86,023	36,855	36,868	1,566	1,549	152	81	769	948	3,430	2,895	537	298	-	-	129,197	128,662
Revenue from inter-segment transactions	17,678	17,407	219	232	13,467	12,868	1,906	1,728	976	822	-	-	414	239	(34,660)	(33,296)	-	-
Sub-total of segment revenue	103,566	103,430	37,074	37,100	15,033	14,417	2,058	1,809	1,745	1,770	3,430	2,895	951	537	(34,660)	(33,296)	129,197	128,662
Segment cost of sales	(85,589)	(80,251)	(25,927)	(27,736)	(6,799)	(6,939)	(972)	(900)	(1,452)	(1,666)	(2,362)	(2,102)	(88)	(68)	34,088	32,989	(89,101)	(86,673)
Segment profit (loss) from operations	16,164	21,126	10,030	8,299	7,746	6,945	841	752	244	67	980	728	407	(30)	(572)	(235)	35,840	37,652
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
Segment total assets	241,075	224,803	189,141	178,457	116,434	104,061	21,957	20,709	8,207	8,114	13,215	13,340	364,514	320,241	(394,170)	(356,427)	560,373	513,298
Segment total liabilities	(126,106)	(115,964)	(108,530)	(106,656)	(60,370)	(54,601)	(10,402)	(10,877)	(2,434)	(2,643)	(6,990)	(7,780)	(195,921)	(137,031)	294,225	256,896	(216,528)	(178,656)

### Cost of sales of coal segment

	The first half of 2014			The first half of 2013 (Restated)			Change 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	26,324	80.8	325.8	36,023	91.4	394.1	(17.3)
Production cost of self-produced coal	19,562	153.8	127.2	18,789	151.3	124.2	2.4
Materials, fuel and power	3,807	153.8	24.8	3,579	151.3	23.6	5.1
Personnel expenses	2,187	153.8	14.2	2,143	151.3	14.2	-
Repairs and maintenance	1,297	153.8	8.4	1,200	151.3	7.9	6.3
Depreciation and amortization	2,965	153.8	19.3	2,722	151.3	18.0	7.2
Others	9,306	153.8	60.5	9,145	151.3	60.5	-
Taxes and surcharges	1,248			1,457			
Cost of coal transportation <sup>Note</sup>	22,041			19,761			
Other operating costs	16,414			4,221			
<b>Total cost of sales of coal segment</b>	<b>85,589</b>			<b>80,251</b>			

### Cost of sales of power segment

	The first half of 2014			The first half of 2013 (Restated)			Change of unit cost %
	Cost RMB million	Power output dispatch 100 million kwh	Unit cost RMB/mwh	Cost RMB million	Power output dispatch 100 million kwh	Unit cost RMB/mwh	
Cost of power output dispatch	25,235	993.8	253.9	26,990	983.1	274.5	(7.5)
Materials, fuel and power	18,145	993.8	182.6	19,693	983.1	200.3	(8.8)
Personnel expenses	1,401	993.8	14.1	1,571	983.1	16.0	(11.9)
Repairs and maintenance	1,220	993.8	12.3	1,137	983.1	11.6	6.0
Depreciation and amortization	3,621	993.8	36.4	3,768	983.1	38.2	(4.7)
Others	848	993.8	8.5	821	983.1	8.4	(1.2)
Taxes and surcharges	338			333			
Other operating costs	354			413			
<b>Total cost of sales of power segment</b>	<b>25,927</b>			<b>27,736</b>			

### Cost of sales of railway segment

	The first half of 2014	The first half of 2013 (Restated)	Change %
	Cost RMB million	Cost RMB million	%
Cost of internal transportation business	5,677	5,552	2.3
Materials, fuel and power	1,222	1,342	(8.9)
Personnel expenses	977	1,184	(17.5)
Repairs and maintenance	1,396	1,254	11.3
Depreciation and amortization	1,312	994	32.0
External transportation charges	267	152	75.7
Others	503	626	(19.6)
Cost of external transportation	821	748	9.8
Sub-total	6,498	6,300	3.1
Taxes and surcharges	147	471	(68.8)
Other operating costs	154	168	(8.3)
<b>Total cost of sales of railway segment</b>	<b>6,799</b>	<b>6,939</b>	<b>(2.0)</b>

### Cost of sales of port segment

	The first half of 2014	The first half of 2013 (Restated)	Change %
	Cost RMB million	Cost RMB million	%
Cost of internal transportation business	869	800	8.6
Materials, fuel and power	162	118	37.3
Personnel expenses	98	90	8.9
Repairs and maintenance	47	52	(9.6)
Depreciation and amortization	304	227	33.9
Others	258	313	(17.6)
Cost of external transportation	88	41	114.6
Sub-total	957	841	13.8
Taxes and surcharges	8	52	(84.6)
Other operating costs	7	7	-
<b>Total cost of sales of port segment</b>	<b>972</b>	<b>900</b>	<b>8.0</b>

### Cost of sales of shipping segment

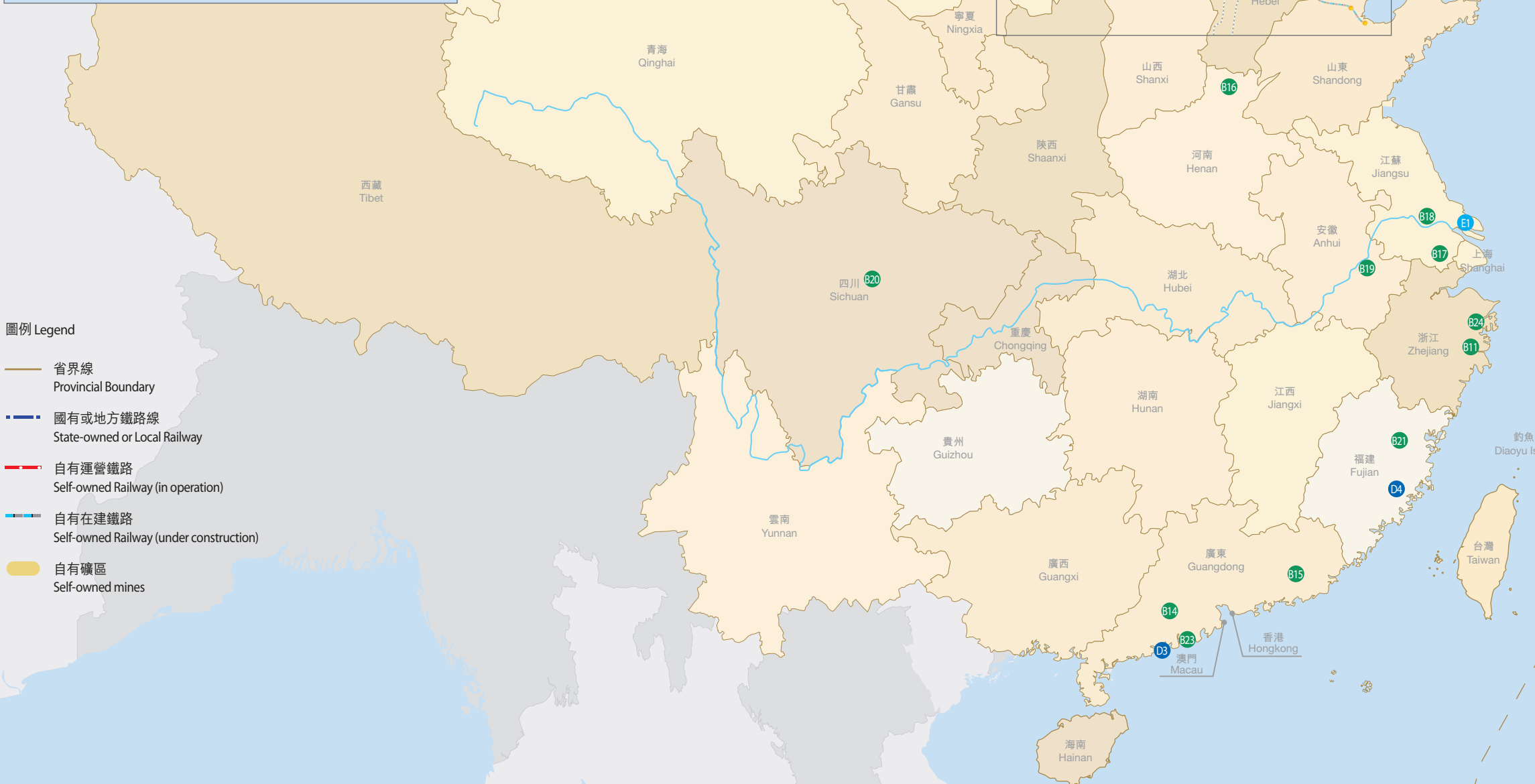
	The first half of 2014	The first half of 2013 (Restated)	Change %
	Cost RMB million	Cost RMB million	%
Cost of internal transportation business	682	733	(7.0)
Materials, fuel and power	226	121	86.8
Personnel expenses	-	18	(100.0)
Repairs and maintenance	9	12	(25.0)
Depreciation and amortization	67	42	59.5
External transportation charges	272	489	(44.4)
Others	108	51	111.8
Cost of external transportation	770	931	(17.3)
Taxes and surcharges	-	2	(100.0)
<b>Total cost of sales of shipping segment</b>	<b>1,452</b>	<b>1,666</b>	<b>(12.8)</b>

### Cost of sales of coal chemical segment

	The first half of 2014	The first half of 2013 (Restated)	Change %
	Cost RMB million	Cost RMB million	%
Cost of coal chemical product	2,076	1,839	12.9
Materials, fuel and power	1,116	1,073	4.0
Personnel expenses	139	146	(4.8)
Repairs and maintenance	256	141	81.6
Depreciation and amortization	378	378	-
Others	187	101	85.1
Taxes and surcharges	40	26	53.8
Other operating costs	246	237	3.8
<b>Total cost of sales of coal chemical segment</b>	<b>2,362</b>	<b>2,102</b>	<b>12.4</b>

Note: Cost of coal transportation refers to the transportation cost before elimination on consolidation.

## 主要資產分佈圖 Assets Distribution Map



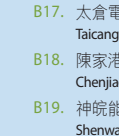
煤礦  
Coal Mine

- A1. 神東礦區  
Shendong Mines
- A2. 准格爾礦區  
Zhunge'er Mines
- A3. 勝利礦區  
Shengli Mines
- A4. 寶日希勒礦區  
Baoride Mines
- A5. 包頭礦區  
Baotou Mines
- A6. 澳大利亞沃特馬克煤礦項目 (環評審批中)  
Watermark Coal Project in Australia (applying for approval of the EIA)
- A7. 新街台格廟勘查區 (探礦權申請中)  
Xinjietaijiaomiao Exploration Area (applying for exploration license)



電廠  
Power

- B1. 滄東電力  
Cangdong Power
- B2. 三河電力  
Sanhe Power
- B3. 定州電力  
Dingzhou Power
- B4. 盤山電力  
Panshan Power
- B5. 准能電力  
Zhunge'er Power
- B6. 神東電力  
Shendong Power
- B7. 國華准格爾  
Guohua Zhunge'er
- B8. 國華呼電  
Guohua Hulunbeier Power
- B9. 北京熱電  
Beijing Thermal
- B10. 綏中電力  
Suizhong Power
- B11. 浙能電力  
Zheneng Power
- B12. 錦界能源  
Jinjie Energy
- B13. 神木電力  
Shenmu Power
- B14. 台山電力  
Taishan Power
- B15. 惠州熱電  
Huizhou Thermal
- B16. 孟津電力  
Mengjin Power



煤化工  
Coal Chemical

- B17. 太倉電力  
Taicang Power
- B18. 陳家港電力  
Chenjia gang Power
- B19. 神皖能源  
Shenwan Energy
- B20. 神華四川能源  
Shenhua Sichuan Energy
- B21. 神華福建能源  
Shenhua Fujian Energy
- B22. 印尼煤電  
EMM Indonesia
- B23. 珠海風能  
Zhuhai Wind
- B24. 余姚電力  
Yuyao Power



鐵路  
Railway

- C1. 神朔鐵路  
Shenshuo Railway
- C2. 朔黃鐵路  
Shuohuang Railway
- C3. 黃萬鐵路  
Huangwan Railway
- C4. 大准鐵路  
Dazhun Railway
- C5. 包神鐵路  
Baoshen Railway
- C6. 巴准鐵路 (試運行)  
Bazhun Railway (trial operation)
- C7. 甘泉鐵路 (試運行)  
Ganquan Railway (trial operation)
- C8. 准池鐵路 (在建)  
Zhunchi Railway (under construction)
- C9. 黃大鐵路 (在建)  
Huangda Railway (under construction)



港口  
Port

- D1. 黃驊港  
Huanghua Port
- D2. 天津煤碼頭  
Tianjin Coal Dock
- D3. 珠海煤碼頭  
Zhuhai Coal Dock
- D4. 羅源灣項目 (籌備中)  
Luoyuan Wan Project (under preparation)



航運  
Shipping

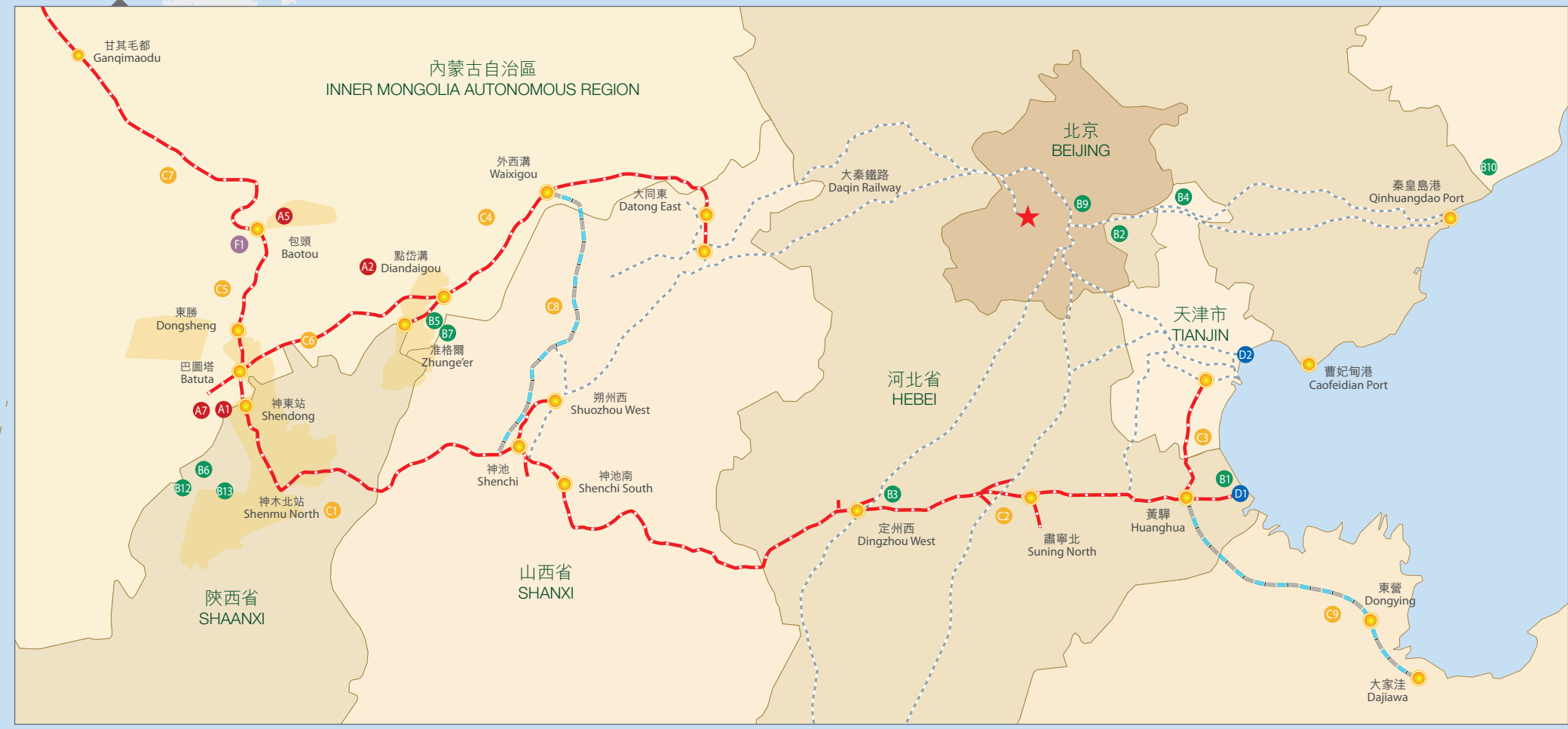
- E1. 神華中海航運  
Shenhua Zhonghai Shipping Company



煤化工  
Coal Chemical

- F1. 包頭煤化工  
Baotou Coal Chemical

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



註：於2014年8月22日之分佈圖，僅做示意。  
Note: This map as at 22 August 2014 is for illustrative purpose only.



# Assets Distribution Map



# Directors' Report

## Management Discussion and Analysis

### ▼ Discussion and Analysis on Operations during the Reporting Period

#### Summary of operations

In the first half of 2014, the management of China Shenhua proactively responded to market changes to ensure operations of various business segments with safety, synergy and efficiency by flexibly adjusting sales strategies, strengthening organization of production and transportation and strictly controlling costs, fees and expenses, striving to maintain steady results against headwinds.

In the first half of 2014, the Company maintained its market share and stabilized production for the coal business. The commercial coal production volume reached 155.0 million tonnes (first half of 2013: 158.3 million tonnes (restated)), representing a year-on-year decrease of 2.1%. Coal sales volume reached 234.6 million tonnes (first half of 2013: 242.7 million tonnes (restated)), representing a year-on-year decrease of 3.3%. Through optimizing the operation of generators of the power business, the Company strived to increase its power generation. In the first half of 2014, total power output dispatch reached 99.38 billion kwh (first half of 2013: 98.31 billion kwh (restated)), representing a year-on-year increase of 1.1%. Transportation business went through meticulous adjustments, achieving orderly operations of the newly added transportation lines and steady increase in transportation capabilities. The transportation turnover of self-owned railway reached 109.5 billion tonne km (first half of 2013: 101.7 billion tonne km (restated)), representing a year-on-year increase of 7.7%. Seaborne coal reached 119.5 million tonnes (first half of 2013: 111.0 million tonnes (restated)), representing a year-on-year increase of 7.7%. Shipping volume reached 45.5 million tonnes (first half of 2013: 43.3 million tonnes (restated)), representing a year-on-year increase of 5.1%. Production equipment for the coal chemical business operated with stability, coal-to-polyethylene products sales in the first half of 2014 reached 152.5 thousand tonnes (first half of 2013: 133.8 thousand tonnes (restated)), representing a year-on-year increase of 14.0% and coal-to-polypropylene products sales reached 155.0 thousand tonnes (first half of 2013: 135.6 thousand tonnes (restated)), representing a year-on-year increase of 14.3%.

In accordance with the International Financial Reporting Standards (“IFRSs”), the Group’s revenue for the first half of 2014 was RMB129,197 million (first half of 2013: RMB128,662 million (restated)), representing a year-on-year increase of 0.4%. Profit for the period attributable to equity holders of the Company was RMB22,775 million (first half of 2013: RMB25,295 million (restated)), representing a year-on-year decrease of 10.0%. Basic earnings per share<sup>1</sup> were RMB1.145 per share (first half of 2013: RMB1.272 per share (restated)), representing a year-on-year decrease of 10.0%.

As at 30 June 2014, equity attributable to equity holders of the Group per share was RMB14.17, representing an increase of 1.8% from RMB13.92 as at 31 December 2013. As at 30 June 2014, the Group’s return on total assets<sup>2</sup> was 4.9%. Return on net assets<sup>3</sup> as at the end of the period was 8.1% (first half of 2013: 9.4% (restated)), representing a year-on-year decrease of 1.3 percentage points. EBITDA<sup>4</sup> was RMB46,149 million (first half of 2013: RMB46,916 million (restated)), representing a year-on-year decrease of 1.6%. As at 30 June 2014, the Group’s liability ratio (total liabilities/total assets) was 38.6%, representing an increase of 3.8 percentage points from 34.8% as at 31 December 2013. Total debt to capital ratio<sup>5</sup> was 23.9%, representing an increase of 2.3 percentage points as compared to 21.6% as at 31 December 2013.

- 
- 1 Basic earnings per share are calculated on the basis of profit for the period attributable to equity holders of the Company and the weighted average number of shares for the period.
  - 2 Return on total assets is calculated on the basis of the aggregate of the profit for the period and the assets at the end of the period.
  - 3 Return on net assets is calculated on the basis of the profit for the period attributable to equity holders of the Company and the equity attributable to equity holders of the Company as at the end of the period.
  - 4 EBITDA is a method for the management to assess the performance of the Company. It is defined as profit for the current period plus finance costs, income tax and depreciation and amortization, and excluding share of results of associates and interest income. The EBITDA presented herein by the Company is used as extra reference for investors with regard to business performance, as the management of the Company considers EBITDA is popularly used by securities analysts, investors and other parties concerned as a criterion for the evaluation of the performance of mining companies, which is believed to be helpful to investors. EBITDA is not yet an item acknowledged by the Accounting Standards for Business Enterprises. It should not be taken 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 that 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 capital ratio =  $[\text{long-term interest bearing debts} + \text{short-term interest bearing debts (including bills payable)}] / [\text{long-term interest bearing debts} + \text{short-term interest bearing debts (including bills payable)} + \text{total equity}]$ .

## Review on Consolidated Operating Results

### 1. Consolidated operating results

(1) Items of consolidated statement of profit and loss and other comprehensive income

No.	Item	First half of 2014	First half of 2013 (restated)	Change	Main reasons for changes
		RMB million	RMB million	%	
1	Revenue	<b>129,197</b>	128,662	0.4	Decrease in coal sales price and volume; increase in material trading volume and sales volume of coal to polyethylene and polypropylene products
2	Cost of sales	<b>(89,101)</b>	(86,673)	2.8	Increase in purchase cost relating to material trading; decrease in cost of purchased coal
3	Other gains and losses	<b>(256)</b>	(188)	36.2	Increase in asset impairment loss
4	Other income	<b>315</b>	180	75.0	Increase in income subsidies
5	Finance costs	<b>(1,915)</b>	(1,310)	46.2	Effect from exchange gains or losses of borrowings denominated in Japanese Yen due to appreciation in Japanese Yen for the reporting period as compared to depreciation in Japanese Yen for the same period of last year
6	Share of results of associates	<b>138</b>	265	(47.9)	Decrease in profit of associates engaged in coal and power business
7	Income tax expense	<b>(6,866)</b>	(6,843)	0.3	The average income tax rate for the Group was 19.9%, representing an increase of 1.4 percentage points as compared to 18.5% of the same period of last year, mainly attributable to the decrease in profit of the coal segment that was entitled to a higher preferential tax rate and increase in profit of the power generation segment and transportation segment that were entitled to a lower preferential tax rate

(2) Research and development expenditure

		First half of 2014	First half of 2013 (restated)	Change (%)
Expensed research and development expenditure in the period	RMB million	<b>100</b>	138	(27.5)
Capitalised research and development expenditure in the period	RMB million	<b>435</b>	169	157.4
Total research and development expenditure	RMB million	<b>535</b>	307	74.3
Percentage of total research and development expenditure to revenue	%	<b>0.41</b>	0.24	Increased by 0.17 percentage point



In the first half of 2014, the total research and development expenditure of the Group was RMB535 million, representing a year-on-year increase of 74.3%, which was mainly attributable to the strengthened research of the Group in areas including technology on safe coal production, upgrade and renovation of power generators, complete technologies on heavy-haul railways, comprehensive use of coal ash, coal chemical technologies, development of information technology. The increase in research and development investment is in line with the Group's strategic principle of leveraging on technological advancement to secure safe and efficient production, which allows the Group to enhance its competitiveness and its ability to maintain sustainable growth.

## 2. Consolidated assets and liabilities

### (1) Items of consolidated statement of financial position

No.	Item	As at 30 June 2014		As at 31 December 2013		Change	Main reasons for changes
		Amount	Percentage of total assets	Amount	Percentage of total assets		
		RMB million	%	RMB million	%	%	
1	Exploration and evaluation assets	2,420	0.4	2,251	0.4	7.5	Increase in investment in Watermark Coal Project and Shale gas project in Baojing as well as appreciation of Australian dollars
2	Other non-current assets	35,910	6.4	28,148	5.5	27.6	Increase in long-term loans granted by Shenhua Finance Company and increase in prepayment relating to project construction and equipment procurement
3	Accounts and bills receivable	34,775	6.2	27,221	5.3	27.8	Increase in receivables from coal sales, power output dispatch and material trading, and increase in bank acceptance bills relating to the coal business
4	Restricted bank deposits	7,402	1.3	6,648	1.3	11.3	Increase in statutory reserve fund placed with People's Bank of China by Shenhua Finance Company
5	Cash and cash equivalents	63,469	11.3	38,332	7.5	65.6	Increase in net borrowings
6	Short-term debentures	19,959	3.6	9,982	1.9	99.9	Increase in net amount of the super short-term financing debentures issued by the Company during the reporting period
7	Accrued expenses and other payables	64,830	11.6	42,692	8.3	51.9	The Company's final dividend for the year 2013 had not been distributed as at the end of the reporting period

(2) During the reporting period, the Group has not placed any charges over its assets that are significant.

(3) During the reporting period, there was no material change in measurement attributes for major assets of the Group.

### 3. Consolidated statement of cash flows

No.	Item	First half of 2014	First half of 2013 (restated)	Change	Main reasons for changes
		RMB million	RMB million	%	
1	Net cash inflow from operating activities	<b>32,081</b>	18,783	70.8	Increase in deposits placed with and decrease in loans granted by Shenhua Finance Company
	Of which: net cash inflow (outflow) from operating activities of Shenhua Finance Company <sup>note</sup>	<b>1,659</b>	(10,248)	(116.2)	
	Net cash inflow from operating activities excluding the effects of Shenhua Finance Company	<b>30,422</b>	29,031	4.8	
2	Net cash outflow from investing activities	<b>(18,257)</b>	(20,087)	(9.1)	Decrease in cash payment for acquisition and construction of fixed assets
3	Net cash inflow (outflow) from financing activities	<b>11,311</b>	(9,579)	(218.1)	Increase in net external debt financing

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

### Review on Operating Results by Business Segment

In the first half of 2014, the Company highlighted its efforts in maximization of value creation to increase synergic co-operations between segments, continuously optimize business structure and achieve safe and steady development, resulting in further increase in risk resistance capabilities.

In the first half of 2014, profit from operations of the coal segment reached RMB16,164 million, representing a year-on-year decrease of 23.5%. However, the profit from operations of power, transportation and coal chemical segments achieved RMB10,030 million, RMB8,831 million and RMB980 million, respectively, representing a year-on-year increase of 20.9%, 13.7% and 34.6%, respectively. Coal, power, transportation and coal chemical businesses had margin of profit from operations before elimination on consolidation of 45%, 28%, 24% and 3%, respectively (first half of 2013: 56%, 22%, 20% and 2% (restated)).

#### (I) Coal Segment

##### 1. Coal production and mining operation

In the first half of 2014, the Company was affected by the oversupply situation in the coal market. The commercial coal production volume of the Company was 155.0 million tonnes, representing a year-on-year decrease of 3.3 million tonnes, of which commercial coal production volume in Shendong Mines was 97.0 million tonnes, representing a year-on-year decrease of 0.7 million tonnes. Commercial coal production volume in Zhunge'er Mines was 30.0 million tonnes, representing a year-on-year decrease of 0.7 million tonnes. Commercial coal production volume in Baorixile Mines was 13.9 million tonnes, representing a year-on-year decrease of 1.9 million tonnes. Commercial coal production volume in Shengli Mines was 8.6 million tonnes, representing a year-on-year decrease of 0.9 million tonnes. The Company accomplished footage of advancing tunnels of 319 thousand meters, representing a year-on-year decrease of 53 thousand meters, of which Shendong Mines had a decrease of 46 thousand meters and Baotou Mines had a decrease of 7 thousand meters.

The Company continued its effort in optimizing production arrangements by increasing the production in profitable coal mines and that of marketable types of products; enhanced refined management for coal production to raise productivity of work faces; and adopted various measures for cost reduction and efficiency enhancement. Shendong Mines timely increased production in mines with high gross profit, such as Daliuta and Bulianta. Baorixile Mines strengthened management of coal quality to raise product competitiveness and consolidate market share. Shengli Mines increased efficiency through enhancement of coal structure.

In the first half of 2014, the PT.GH EMM Indonesia Project recorded commercial coal production volume of 1.0 million tonnes.

## 2. Coal sales

In the first half of 2014, under the guidance of integrated operational safety and maximization of overall efficiency, the Company realized sales volume of commercial coal of 234.6 million tonnes (first half of 2013: 242.7 million tonnes (restated)), representing a year-on-year decrease of 3.3%.

### (1) By sales types

	First half of 2014			First half of 2013 (restated)			Percentage change	
	Sales volume	Proportion of total sales	Price	Sales volume	Proportion of total sales	Price	Sales volume	Price
	million tonnes	%	RMB/tonne	million tonnes	%	RMB/tonne	%	%
I. Domestic sales	<b>226.9</b>	<b>96.7</b>	<b>361.0</b>	237.6	97.9	400.6	(4.5)	(9.9)
(1) Self-produced coal and purchased coal	<b>206.6</b>	<b>88.0</b>	<b>356.3</b>	202.6	83.5	385.4	2.0	(7.6)
1. Direct arrival	<b>88.0</b>	<b>37.5</b>	<b>259.1</b>	92.9	38.3	280.4	(5.3)	(7.6)
2. Seaborne	<b>118.6</b>	<b>50.5</b>	<b>428.5</b>	109.7	45.2	474.3	8.1	(9.7)
(2) Sales of domestic trading coal	<b>15.9</b>	<b>6.8</b>	<b>390.5</b>	29.1	12.0	486.0	(45.4)	(19.7)
(3) Sales of imported coal	<b>4.4</b>	<b>1.9</b>	<b>470.9</b>	5.9	2.4	501.5	(25.4)	(6.1)
II. Export Sales	<b>0.9</b>	<b>0.4</b>	<b>571.7</b>	1.3	0.5	634.5	(30.8)	(9.9)
III. Overseas sales	<b>6.8</b>	<b>2.9</b>	<b>586.7</b>	3.8	1.6	663.0	78.9	(11.5)
1. EMM Indonesia	<b>1.0</b>	<b>0.4</b>	<b>122.8</b>	1.0	0.4	65.6	-	87.2
2. Re-export trade	<b>5.8</b>	<b>2.5</b>	<b>665.9</b>	2.8	1.2	871.1	107.1	(23.6)
Total sales volume/weighted average price	<b>234.6</b>	<b>100.0</b>	<b>368.4</b>	242.7	100.0	406.0	(3.3)	(9.3)

The Company strived to increase the sales of seaborne coal. In the first half of 2014, the sales volume of self-produced coal and purchased coal in the Company's domestic seaborne coal sales amounted to 118.6 million tonnes (first half of 2013: 109.7 million tonnes (restated)), representing a year-on-year growth of 8.1%, while the coal shipment transfer for domestic coal sales through domestic ports in the same period was 335.4 million tonnes<sup>1</sup>, based on which the market share of China Shenhua in coastal coal markets was estimated at approximately 35.4%.

To safeguard the Company's self-produced commercial coal sales, the Company reduced the sales volume of domestic trading coal. In the first half of the 2014, the sales volume of domestic trading coal was 15.9 million tonnes (first half of the 2013: 29.1 million tonnes (restated)), representing a year-on-year decrease of 45.4%.

<sup>1</sup> Source: CCTD

The scale of electronic trading of Shenhua Coal Trading Network (www.e-shenhua.com) has undergone continuous expansion. In the first half of 2014, the Company had a coal sales volume through electronic trading of 113.3 million tonnes.

During the reporting period, the Company has adopted a flexible market-oriented pricing mechanism. In the first half of 2014, the average coal sales price of the Company was RMB368.4/tonne (first half of 2013: RMB406.0/tonne (restated)), representing a year-on-year decrease of 9.3%.

(2) *By internal and external customers*

	First half of 2014			First half of 2013 (restated)			Change in price
	Sales volume	Percentage of total sales	Price	Sales volume	Percentage of total sales	Price	
	million tonnes	%	RMB/tonne	million tonnes	%	RMB/tonne	%
Sales to external customers	<b>189.5</b>	<b>80.8</b>	<b>375.9</b>	200.8	82.8	413.1	(9.0)
Sales to internal power segment	<b>43.0</b>	<b>18.3</b>	<b>339.0</b>	39.9	16.4	376.4	(9.9)
Sales to internal coal chemical segment	<b>2.1</b>	<b>0.9</b>	<b>296.0</b>	2.0	0.8	294.2	0.6
Total coal sales volume/weighted average price	<b>234.6</b>	<b>100.0</b>	<b>368.4</b>	242.7	100.0	406.0	(9.3)

The Company capitalized on its competitive edge of integrated operation of coal, power and coal chemical to increase the internal consumption of Shenhua coal. In the first half of 2014, the Company sold 43.0 million tonnes of coal to the internal power segment, representing a year-on-year increase of 7.8%, and sold 2.1 million tonnes of coal to the internal coal and chemical segment, representing a year-on-year increase of 5.0%.

The coal sales business of each mine area of the Group is mainly coordinated by Shenhua Trading Group, with the majority of the coal products sold by the Company being thermal coal. For details of the operations of the major subsidiaries of the coal segment, please refer to “Major subsidiaries and associated companies” in this chapter.

3. Coal mine production safety, energy saving and environmental protection

In the first half of 2014, the Company continued to improve its intrinsic safety system and arranged various safety inspections to rectify safety hazards. As a result, the fatality rate per million tonnes of raw coal production was 0.0118.

Upholding the philosophy of “producing environmental-friendly coal and constructing ecological mines”, the Company has continued to keep up with its work on soil and water conservation, land reclamation and reforestation. As at the end of the reporting period, the balance of the Company’s “accrued reclamation obligations” amounted to RMB2.036 billion, serving as a strong financial guarantee for ecological construction. In the first half of 2014, the Company’s overall energy consumption for coal production was 2.16 kilograms of standard coal/tonne, decreased by 0.05 kilograms of standard coal/tonne as compared to that of the previous year.



#### 4. Project progress

Conversion of exploration rights to mining rights of Guojiawan and Qinglongsi Mines is in the process of approval, and the mine construction works and engineering works of the coal mines are being advanced in an orderly manner. Exploration rights of Xinjie Taigemiao Mines are going through relevant administrative review and approval procedures. Shenhua Watermark Coal Project in Australia is going through environmental assessment and approval.

#### 5. Coal resources

As at 30 June 2014, the Group had coal resources amounting to 24.812 billion tonnes and recoverable coal reserve amounting to 15.117 billion tonnes under the PRC Standard; the Group's marketable coal reserve amounted to 8.572 billion tonnes under the JORC Standard.

In the first half of 2014, the Company's exploration expenses<sup>1</sup> amounted to approximately RMB13 million (first half of 2013: RMB14 million (restated)), which was mainly attributable to the exploration expenses relating to the Watermark Coal Project in Australia.

In the first half of 2014, the Company's relevant capital expenditure of mining development and exploration amounted to approximately RMB2,588 million (first half of 2013: RMB3,843 million (restated)), which was mainly attributable to the exploitation expenses of Guojiawan, Qinglongsi and Huangyuchuan Mines as well as the expense arising from the acquisition of mining equipment.

The commercial coal of the Company mainly includes high quality thermal coal with low sulfur and medium to high calorific value. Characteristics of the commercial coal produced by the Company's major mines are as follows:

No.	Mines	Major types of coal	Calorific value of major commercial coal products (kcal/kg)	Sulphur content
1	Shandong Mines	Long flame coal/non-caking coal	>5,250	≤0.6%
2	Zhunge'er Mines	Long flame coal	>4,500	≤0.6%
3	Shengli Mines	Lignite	>3,200	≤0.8%
4	Baorixile Mines	Lignite	>3,600	≤0.8%
5	Baotou Mines	Long flame coal/non-caking coal	>4,500	≤0.8%

Note: The calorific value range relates to major commercial coal products produced by each mine, which may be inconsistent with the characteristics of the commercial coal products produced by individual mines and those of the commercial coal products sold by the Company due to such factors as geological conditions, mining area, coal washing and preparation, transportation loss and coal blending ratio.

<sup>1</sup> Exploration expenses, which are incurred before the conclusion of feasibility study, represent the expenses related to exploration and evaluation of coal resources.

## 6. Operating results

(1) *The operating results of the coal segment of the Group before elimination on consolidation in the first half of 2014 are as follows:*

		First half of 2014	First half of 2013 (restated)	Change (%)	Major reasons
Revenue	RMB million	<b>103,566</b>	103,430	0.1	Decrease in sales price and sales volume of coal as well as increase in material trading revenue
Cost of sales	RMB million	<b>85,589</b>	80,251	6.7	Increase in purchasing cost of material trading and decrease in cost of coal purchased from third parties
Of which:					
1. Production cost of self-produced coal	RMB million	<b>19,562</b>	18,789	4.1	
2. Cost of coal purchased from third parties	RMB million	<b>26,324</b>	36,023	(26.9)	Decrease in sales volume and purchase price of coal purchased from third parties
Gross profit margin	%	<b>17.4</b>	22.4	Decreased by 5.0 percentage points	
Profit from operations	RMB million	<b>16,164</b>	21,126	(23.5)	
Profit margin	%	<b>15.6</b>	20.4	Decreased by 4.8 percentage points	

(2) *Unit production cost of self-produced coal*

In the first half of 2014, unit production cost of self-produced coal in the coal segment was RMB127.2/tonne (first half of 2013: RMB124.2/tonne (restated)), representing a year-on-year increase of 2.4%. The main reasons affecting the unit production cost are:

1. Costs of raw materials, fuel and power were RMB24.8/tonne (first half of 2013: RMB23.6/tonne (restated)), representing a year-on-year increase of 5.1%, mainly due to (1) the change in settlement method for materials consumed in mining engineering from being settled as mining engineering expense to material expense; and (2) the overall advancement of mine production lines in some open-cut mines, leading to the increased transportation distance and the growth in consumption of machinery accessories, fuel and power;
2. Personnel expenses were RMB14.2/tonne (first half of 2013: RMB14.2/tonne (restated)), which was flat as compared with that in the same period of last year;
3. Repairs and maintenance were RMB8.4/tonne (first half of 2013: RMB7.9/tonne (restated)), representing a year-on-year increase of 6.3%. The increase was mainly due to the increase in repairs of mining equipment and coal-washing and selecting equipment;

4. Depreciation and amortization was RMB19.3/tonne (first half of 2013: RMB18.0/tonne (restated)), representing a year-on-year increase of 7.2%, which was mainly due to the increase in fixed assets purchased using the specific reserve of simple production maintenance and production safety expenditures;
5. Other costs were RMB60.5/tonne (first half of 2013: RMB60.5/tonne (restated)), which were the same as that in the same period of last year. Other costs consist of the following three components: (1) expenses directly related to production, including maintenance and safety expenses, coal washing, selecting and processing expenses, and mining engineering expenses, etc., accounting for 56%; (2) auxiliary production expenses, accounting for 9%; (3) land acquisition and surface subsidence compensation, environmental protection expenses, fees levied by local government, etc., accounting for 35%.

(3) *Cost of coal purchased from third parties*

Coal purchased from third parties of the Company included coal purchased near its mines and along the railways, domestic trading coal, import and re-export trade.

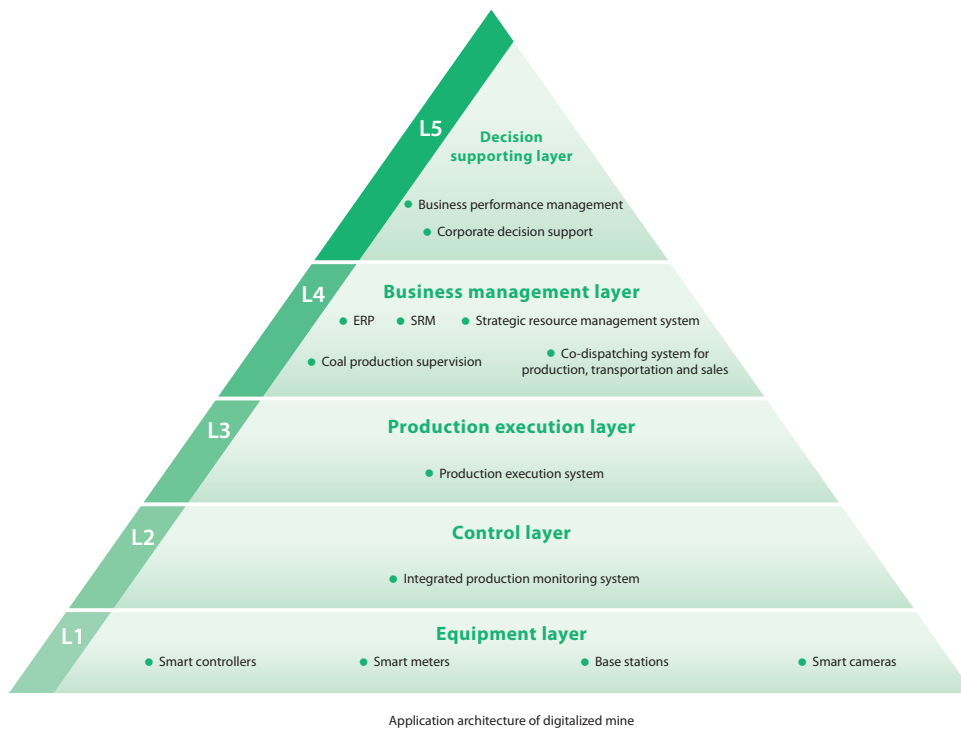
In the first half of 2014, costs of coal purchased from third parties were RMB26,324 million (first half of 2013: RMB36,023 million (restated)), representing a year-on-year decrease of 26.9%. This was mainly due to the following reasons: firstly, the sales volume of coal purchased from third parties amounted to 80.8 million tonnes (first half of 2013: 91.4 million tonnes (restated)) in the first half of the year, representing a year-on-year decrease of 11.6%, and coal purchased from third parties as a proportion of the total coal sales volume of the Company decreased to 34.4% from 37.7% (restated) in the same period of last year; and secondly, purchasing price of coal purchased from third parties decreased.

7. Overview of the “Digitalized Mine Project” of Jinjie Mine in Shendong Mines

The “Digitalized Mine Project” of Jinjie Mine in Shendong Mines, a digitalized mine model project (underground mine) constructed by China Shenhua, commenced construction in August 2012 and was put into operation at the end of 2013. Through optimal business processes, digitalized mines have fundamentally changed the traditional philosophy of mine management, realizing the transition of models of mine management from function-based to process-oriented, from business processing to analysis and decision support, and from extensive management to refined management and to intellectualized management.

After six months of practice, the project achieved sound effects in aspects including head count downsizing and efficiency boosting, higher safety assurance and refined production scheduling. Based on preliminary estimation, the comprehensive single-well output of Jinjie Mine increased from 500,000 tonnes/unit • month to 530,000 tonnes/unit • month; comprehensive productivity increased from 114 tonnes/head/day to 123 tonnes/head/day; the number of coal mining workers decreased by 80.

Under the “Digitalized Mines” plan of China Shenhua, the Company will steadily promote the digitalized mine model in the newly constructed mines and the existing mines in operation.





Item	Comparison in application	
	Digitalized mine	Traditional mine
Equipment layer	<ol style="list-style-type: none"> <li>1. The 57,000 data control and collection points constitute a comprehensive information network for all-round detection and real-time collection;</li> <li>2. Information technology system helps to consolidate the advanced management philosophy and methodology.</li> </ol>	<ol style="list-style-type: none"> <li>1. Non-systematic information collection methods;</li> <li>2. Rely on learning from previous experiences to consolidate the management philosophy and methodology.</li> </ol>
Control layer	<ol style="list-style-type: none"> <li>1. All control systems are integrated onto a uniform platform;</li> <li>2. The ground remote control system for underground wells has facilitated the automation-to-intelligence upgrade, allowing for unattended operation;</li> <li>3. Through data analysis, the failure (accident) warning and rational equipment power on/off technologies help to improve safety assurance and equipment utilization rate.</li> </ol>	<ol style="list-style-type: none"> <li>1. Multiple systems; decentralized control;</li> <li>2. Underground onsite direct control in most occasions;</li> <li>3. Passive tracking of failure (accident).</li> </ol>
Production execution layer	Production systems are integrated onto a uniform platform, where resources are rebalanced for scientific dispatching and optimal production scheduling. Refined production scheduling is hence achieved.	Decentralized production, scheduling, technology, safety and coal quality management systems.
Business management layer	The vertically connected management across three levels of mines, branches/subsidiaries and headquarters helps to provide data and information on a timely and accurate basis to ensure rational and responsive business analysis and decision-making.	<ol style="list-style-type: none"> <li>1. A dispatching and commanding model heavily depending on reporting;</li> <li>2. Rely on ex post facto management and empirical decisions of managers.</li> </ol>
Decision support layer		

## (II) Power segment

### 1. Business operations

In the first half of 2014, as the power segment of the Company implemented a series of marketing strategies, the gross power generation amounted to 106.52 billion kwh, representing a year-on-year increase of 1.0%. The total power output dispatch amounted to 99.38 billion kwh, representing a year-on-year increase of 1.1%. The Company placed priority on environmental protection and accelerated its desulphurization and denitrification of coal-fired generators. In terms of emissions results of sulphur dioxide and nitrogen oxide, the Company continues to lead the industry. The volume of Shenhua coal consumed was further increased to a total consumption of 39.5 million tonnes, accounting for 88.2% of the 44.8 million tonnes of coal consumed by the Group's power generation business in the first half of 2014, representing an increase of 2.2 percentage points compared with 86.0% of the same period of last year.

In the first half of 2014, the coal-fired generators of the Company remained steady in operation, with power generation and power output dispatch of 105.21 billion kwh and 98.10 billion kwh respectively. The average utilization hours amounted to 2,574 hours, 199 hours above the national average of 2,375 hours<sup>1</sup> for thermal power plants during the same period. Eight units of generators of the Group obtained the title of Reliable Golden Units in the 2013 National Golden Units Assessment on Reliability of Coal-fired Generators, which was organized by the National Energy Administration.

Phase I of Shenhua Chongqing Wanzhou Port and Power Integration Project (2x1,000 MW) and Shenhua Hequ Low Calorific Value Coal Power Project in Shanxi (2x350 MW) had made steady progress in their construction. The Beijing Gas Thermal Power Project is scheduled for trial operation at the end of the year and the Luoyuanwan Power Plant Project in Fujian (2x1,000 MW) is undergoing pre-construction preparations.

## 2. Operating results

The operating results of the power segment of the Group before elimination on consolidation in the first half of 2014 are as follows:

		First half of 2014	First half of 2013 (restated)	Change (%)	Major reasons
Revenue	RMB million	<b>37,074</b>	37,100	(0.1)	Decrease in power tariff
Cost of sales	RMB million	<b>25,927</b>	27,736	(6.5)	Decrease in coal price
Gross profit margin	%	<b>30.1</b>	25.2	Increased by 4.9 percentage points	
Profit from operations	RMB million	<b>10,030</b>	8,299	20.9	
Profit margin	%	<b>27.1</b>	22.4	Increased by 4.7 percentage points	

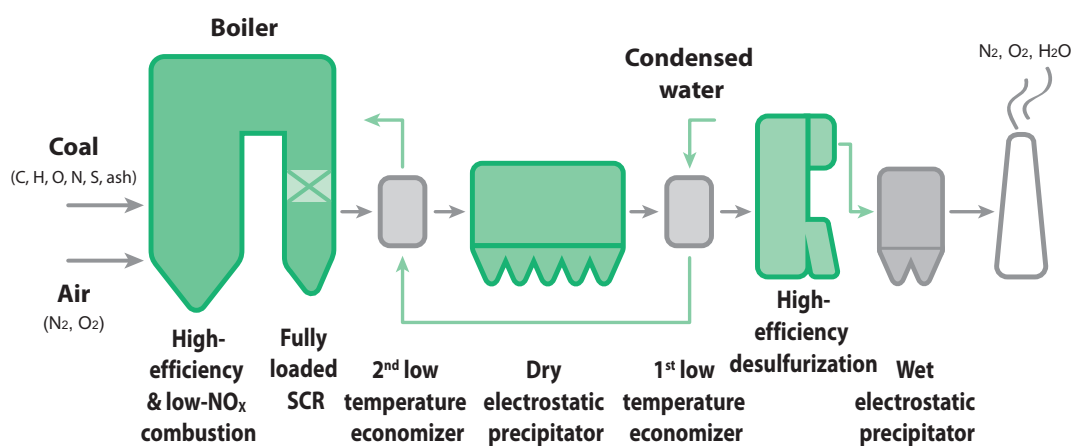
Benefiting from the decrease in fuel costs of power plants due to the declined thermal coal price, the power segment recorded a remarkable growth in operating results. In the first half of 2014, the unit cost of power output dispatch of the Company was RMB253.9/mwh (first half of 2013: RMB274.5/mwh (restated)), representing a year-on-year decrease of 7.5%. The average power tariff amounted to RMB360.0/mwh (first half of 2013: RMB365.4/mwh (restated)), representing a year-on-year decrease of 1.5%.

<sup>1</sup> Source: China Electricity Council

### 3. Overview of the “Near-zero Emission” Technology for Coal-fired Generators and its Implementation

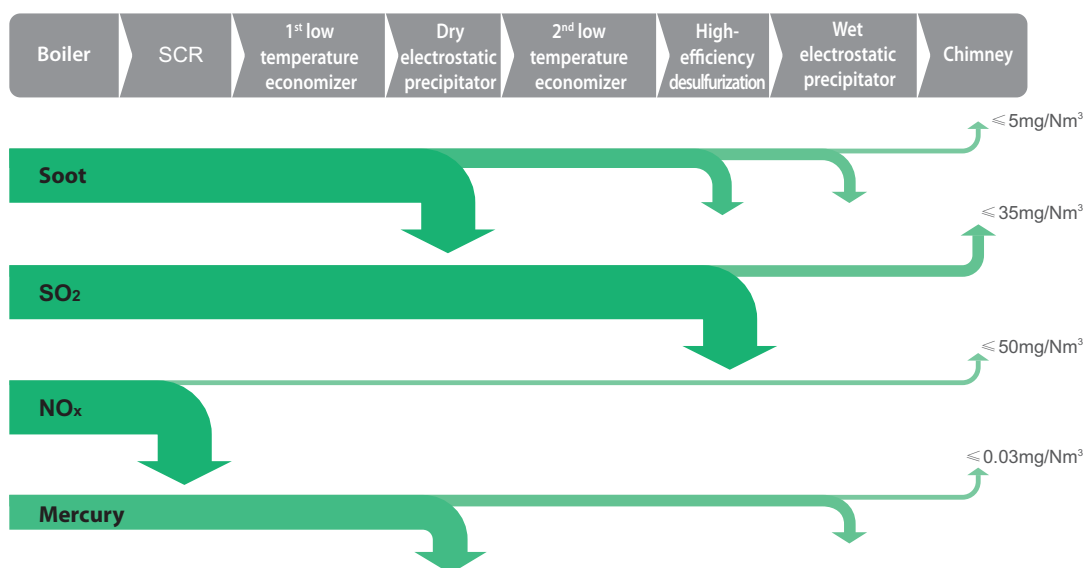
To implement the air pollution control program, China Shenhua started its research on the “near-zero emission” technology on air pollutants from coal-fired generators in 2013. As at July 2014, the first “near-zero emission” coal-fired generator of the Company has commenced operation, and tasks will be deployed by the Company in accordance with the following principles in future: (1) ensuring that the emission of all air pollutants from coal-fired generators will meet the required national and local standards; (2) adopting the “near-zero emission” standards in principle for the coal-fired generators to be newly constructed in regions subject to national and local special emission limits; and (3) accelerating the technological upgrade for the existing coal-fired generators operated in Beijing, Tianjin and Hebei regions.

(1) Diagram of the “near-zero emission” technology route



- Notes:
1. Economizer: the heating surface at convection flue gas pass of a boiler where feed water is heated into saturated water at the drum pressure. Economizer can absorb heat of low-temperature flue gas and reduce its exhaust temperature.
  2. Selective Catalytic Reduction (SCR): a chemical process through which reducing agents (such as NH<sub>3</sub>, ammonia, urea) are used in conjunction with catalysts to “selectively” react with NO<sub>x</sub> in flue gas, thus generating nontoxic and non-polluting N<sub>2</sub> and H<sub>2</sub>O.

(2) Illustration of emission reduction of air pollutants in each step of the “near-zero emission” technology



Note: “Nm<sup>3</sup>” in the unit of emission measurement refers to gas volume at 0°C and under 1 standard atmospheric pressure (similarly hereinafter).

(3) Key indicators of the “near-zero emission” technology

At the end of July 2014, no. 1 generator of Sanhe Power of China Shenhua as upgraded by the “near-zero emission” technology, being the first of its kind under the “National Environmental Protection Renovation Demonstration Project for Coal-fired Generators” in areas of Beijing, Tianjin and Hebei, passed the 168-day trial operation. According to monitoring data in the trial operation period, the emission levels of its main air pollutants have met and outperformed the emission limits on air pollutants from gas-fired generators (see the figures in the table below). Currently, the generator is in smooth operation.

**Comparison of air pollutant emission indicators (unit: mg/Nm<sup>3</sup>)**

No.	Air pollutant	U.S. New Source Performance Standards (NSPS, 2005) <sup>1</sup>	EU’s “Directive on the Limitation of Emissions of Certain Pollutants into the Air from Large Combustion Plants (2001/80/EC)” <sup>1</sup>	PRC’s National Air Pollutant Emission Standards on Thermal Power Plants <sup>2</sup> (GB13223-2011)		Emission level of no. 1 generator (upgraded) of Sanhe Power of China Shenhua <sup>3</sup>	Emission level of no. 4 generator (newly constructed) of Zhoushan Power of Shenhua Group
				Standard limits on coal-fired power plants in key areas	Standard limits on gas-fired power plants		
1	Soot	≤20	≤30 (above 100MW)	≤20	≤5	5	3
2	Sulfur dioxide (SO <sub>2</sub> )	≤184	≤200 (above 300MW)	≤50	≤35	9	3
3	Nitrogen oxides (NO <sub>x</sub> )	≤135	≤200 (above 300MW)	≤100	≤50	35	23
4	Mercury and its compounds	≤0.02	≤0.03	≤0.03	/	~0.01	~0.01

- The information of the Standards is prepared and demonstrated by reference to Appendix III: Emission Standard of Air Pollutants for Thermal Power Plants of the “Notice on Seeking Comments on the National Environmental Protection Standards of the ‘Emission Standard of Air Pollutants for Thermal Power Plants’ (Second Draft for Comment)” (Huanbanhan [2011] No. 51) issued by the General Office of the Ministry of Environmental Protection of the PRC.
- Air Pollutant Emission Standards on Thermal Power Plants (effective from 1 January 2012), published by the Ministry of Environmental Protection and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC.
- On 21 July 2014, generator no. 1 of Sanhe Power of China Shenhua passed the 168-day trial operation. An inspection report on soot, SO<sub>2</sub> and NO<sub>x</sub> emission levels of the generator during the trial operation was issued by the provincial environmental monitoring center.

(4) *Estimated cost of “near-zero emission” technological upgrade*

Taking the “near-zero emission” upgrade for no. 1 generator of Sanhe Power for example, assuming annual operation of 5,500 hours and equipment service life of 15 years, the additional operating cost from compliance with the emission standard to “near-zero emission” is approximately RMB0.01/kwh.

The estimated cost above has taken into account factors such as additional equipment expenses of the “near-zero emission” upgrade for coal-fired generators, as well as the cost reduction due to lower pollution discharge fee (not taking into account of the marginal benefit in energy-efficient scheduling due to less emission).

### **(III) Railway Segment**

#### 1. Business operations

In the first half of 2014, the Company improved transporting efficiency through optimized transportation arrangement, increased the number of trains with capacity of ten thousand tonnes, and put newly-acquired locomotives and trains into operation through coordination, thus ensuring the realization of transportation capacity and the smooth operations of the integrated business model. In the first half of 2014, the transportation turnover of self-owned railways of the Group was 109.5 billion tonne km, representing a year-on-year increase of 7.7%, which accounted for 83.7% of the total turnover, representing an increase of 1.7 percentage points as compared to that in the same period of last year.

The Company rolled out additional trains with capacity of ten thousand tonnes for Baoshen and Shenshuo Railways to improve transportation capacity, ensuring the outbound coal transportation in the Shendong Mines. The Company sought to unleash the potential transportation capacity of Shuohuang Railway, and continuously improved the transportation capacity of the three south-bound transportation businesses and reverse transportation. The newly constructed Zhunchi Railway is expected to be fully completed in the fourth quarter of 2014, and preliminary works for Huangda Railway are progressing in an orderly manner.



## 2. Operating results

The operating results of the railway segment of the Group before elimination on consolidation in the first half of 2014 are as follows:

		First half of 2014	First half of 2013 (restated)	Change (%)	Main reasons for changes
Revenue	RMB million	<b>15,033</b>	14,417	4.3	Increase in turnover of railway transportation
Cost of sales	RMB million	<b>6,799</b>	6,939	(2.0)	Input tax related to materials, fuel and power was no longer included in costs after the replacement of business tax with value-added tax in the railway transportation industry, and decrease in related taxes and surcharges
Gross profit margin	%	<b>54.8</b>	51.9	Increased by 2.9 percentage points	
Profit from operations	RMB million	<b>7,746</b>	6,945	11.5	
Profit margin	%	<b>51.5</b>	48.2	Increased by 3.3 percentage points	

In the first half of 2014, the revenue generated from the internal transportation services provided by the railway segment for the Group amounted to RMB13,467 million (first half of 2013: RMB12,868 million (restated)), representing a year-on-year increase of 4.7%, accounting for 89.6% of the revenue of the railway segment. Certain railway lines of the Group utilized their spare transportation capacity to provide transportation services to third parties and generated transportation revenue.

In the first half of 2014, the unit transportation cost of the railway segment was RMB0.059/tonne km (first half of 2013: RMB0.062/tonne km (restated)), representing a year-on-year decrease of 4.8%. The decrease was mainly due to the replacement of business tax with value-added tax, leading to a decrease in related cost of sales, taxes and surcharges, and the diluted unit transportation cost as a result of the increase in railway transportation turnover.

#### (IV) Port Segment

##### 1. Business operations

In the first half of 2014, faced with the impact of high-level coal inventory, the port segment strived to enhance its stacking capacity and strengthen its planning and coordination with other segments to effectively relieve the inventory pressure. Huanghua Port fully capitalized on capacity expansion projects, completed seaborne coal of 67.8 million tonnes, representing a year-on-year increase of 11.0%. Tianjin Coal Dock strengthened production safety and transportation coordination, completed seaborne coal of 17.3 million tonnes, representing a year-on-year increase of 14.6%. In the first half of the year, the seaborne coal sales through the self-owned ports of the Company accounted for 73.5% of the total seaborne coal sales, representing an increase of 4.9 percentage points as compared to 68.6% of the same period of last year.

Phase IV Project of Huanghua Port was approved by NDRC, Phase II Project of Tianjin Coal Dock progressed with order, and Phase I Construction Project of Shenhua Coal Storage and Transportation Center in Gaolan Port Area of Zhuhai Port is undergoing trial operation.

##### 2. Operating results

The operating results of the port segment of the Group before elimination on consolidation in the first half of 2014 are as follows:

		First half of 2014	First half of 2013 (restated)	Change (%)	Main reasons for changes
Revenue	RMB million	<b>2,058</b>	1,809	13.8	Increase in loading volume of ports
Cost of sales	RMB million	<b>972</b>	900	8.0	Increase in loading volume of ports; and new ports and port capacity expansion projects were put into operation, leading to increase in depreciation and amortization costs
Gross profit margin	%	<b>52.8</b>	50.2	Increased by 2.6 percentage points	
Profit from operations	RMB million	<b>841</b>	752	11.8	
Profit margin	%	<b>40.9</b>	41.6	Decreased by 0.7 percentage point	

In the first half of 2014, the revenue generated from the internal transportation services provided by the port segment for the Group amounted to RMB1,906 million (first half of 2013: RMB1,728 million (restated)), representing a year-on-year increase of 10.3% and accounting for 92.6% of the revenue of the port segment. Cost of internal transportation services provided for the Group amounted to RMB869 million.

## (V) Shipping Segment

### 1. Business operations

In the first half of 2014, faced with the unfavorable situation where demand for coal was low and transportation capacity was in excess, the Shipping Company leveraged on the Group's internal market and maintained a steady development by increasing allocation of self-owned port and power plant capacity, adopting an innovative operational management model and increasing efforts to expand external markets. In the first half of 2014, shipping volume amounted to 45.5 million tonnes, representing a year-on-year increase of 5.1%. Shipment turnover amounted to 38.2 billion tonne nautical miles, representing a year-on-year decrease of 11.8%.

### 2. Operating results

The operating results of the shipping segment of the Group before elimination on consolidation in the first half of 2014 are as follows:

		First half of 2014	First half of 2013 (restated)	Change (%)	Main reasons for changes
Revenue	RMB million	<b>1,745</b>	1,770	(1.4)	Decrease in freight rate and shipment turnover
Cost of sales	RMB million	<b>1,452</b>	1,666	(12.8)	Decrease in shipment turnover and the rental price of ships
Gross profit margin	%	<b>16.8</b>	5.9	Increased by 10.9 percentage points	
Profit from operations	RMB million	<b>244</b>	67	264.2	
Profit margin	%	<b>14.0</b>	3.8	Increased by 10.2 percentage points	

In the first half of 2014, the unit transportation cost of the shipping segment was RMB0.038/tonne nautical mile (first half of 2013: RMB0.038/tonne nautical mile (restated)), remaining the same as that of the same period of last year.

## (VI) Coal Chemical Segment

### 1. Business operations

In the first half of 2014, the production facilities of Baotou Coal Chemical Company were operated in a safe, stable and high-capacity manner and produced polyethylene products of 145.8 thousand tonnes and polypropylene products of 148.9 thousand tonnes. With total sales of polyethylene products reaching 152.5 thousand tonnes and polypropylene products of 155.0 thousand tonnes.

Baotou Coal Chemical Company's coal-to-olefins project has passed the national completion verification in June. The levels of water consumption and integrated power consumption of the olefin products dropped year-on-year.

	First half of 2014		First half of 2013		Year-on-year change	
	Sales volume	Price	Sales volume	Price	Sales volume	Price
	Thousand tonnes	RMB/tonne	Thousand tonnes	RMB/tonne	%	%
Polyethylene	152.5	9,053.7	133.8	8,556.5	14.0	5.8
Polypropylene	155.0	8,766.5	135.6	8,379.4	14.3	4.6

## 2. Operating results

(1) The operating results of the coal chemical segment of the Group before elimination on consolidation in the first half of 2014 are as follows:

		First half of 2014	First half of 2013 (Restated)	Change (%)	Main reasons for changes
Revenue	RMB million	3,430	2,895	18.5	Increase in sales volume and sales price
Cost of sales	RMB million	2,362	2,102	12.4	Increase in production volume
Gross profit margin	%	31.1	27.4	Increased by 3.7 percentage points	
Profit from operations	RMB million	980	728	34.6	
Profit margin	%	28.6	25.1	Increased by 3.5 percentage points	

(2) Unit production cost

	First half of 2014		First half of 2013		Year-on-year change	
	Production volume	Unit production cost	Production volume	Unit production cost	Production volume	Unit production cost
	Thousand tonnes	RMB/tonne	Thousand tonnes	RMB/tonne	%	%
Polyethylene	145.8	5,891.2	130.1	5,981.9	12.1	(1.5)
Polypropylene	148.9	5,685.1	132.9	5,737.3	12.0	(0.9)

In the first half of 2014, the unit production costs of polyethylene and polypropylene products were RMB5,891.2/tonne and RMB5,685.1/tonne respectively, representing a year-on-year decrease of 1.5% and 0.9% respectively. The decrease was mainly due to the diluted unit production cost as a result of the increase in production volume.

## Changes in Core Competitiveness

The Company is principally engaged in the production and sales of coal, power and coal chemical related products, as well as railway, port and shipping transportation and other businesses. The Company also has a professional management team, technical staff, facilities, patents and land use rights, all of which are relevant to the businesses engaged by the Company. The core competitiveness of the Company are manifested mainly in: (1) deepened cooperation, shared resources, synergy, integration of coal, power, railway, port, shipping and coal chemical into unified operation chain with low-cost operation; (2) abundant pool of high-quality coal resources; (3) management team and operating principle focusing on coal-based integrated energy business; (4) the industrial technology and technological innovation in coal exploitation, production safety, clean energy power, heavy-loaded railway transportation and coal chemical with a leading position in both domestic and global markets; (5) the option and pre-emptive right to acquire retained businesses and certain future businesses from Shenhua Group under the Non-Competition Agreement executed between the Company and its controlling shareholder Shenhua Group Corporation.

There were no material changes in the core competitiveness of the Company during the reporting period.

## The Investments made by the Company

### 1. Capital expenditure plan and status of accomplishment

	Accomplishment in the first half of 2014	Plan for 2014		Percentage of accomplishment to the plan (after adjustment)
		Before adjustment	After adjustment	
	(RMB100 million)	(RMB100 million)	(RMB100 million)	(%)
Coal segment	29.45	69.6	59.1	49.8
Power segment	68.91	195.0	185.0	37.2
Transportation segment	56.41	226.6	208.4	27.1
Of which: Railway	45.96	177.8	163.6	28.1
Port	4.89	39.0	28.4	17.2
Shipping	5.56	9.8	16.4	33.9
Coal chemical business	1.02	10.3	2.9	35.2
Strategic reserve and others	3.76	2.3	30.5	12.3
Total	159.55	503.8	485.9	32.8

Note: Due to factors including changes in the operating environment and adjustments to the progress of project approval, and after consideration and approval by the 46th meeting of the second session of the board of directors of the Company held on 22 August 2014, the Company made adjustments to the capital expenditure plan in 2014.



In the first half of 2014, the capital expenditures of the Company amounted to RMB15.955 billion, which were mainly used in the Shenhua Hequ Power Project Fueled by Low Calorific Value Coal, Chongqing Wanzhou Port and Power Integration Project, acquisition of mining equipment and railway locomotives and Huanghua Port Locomotive and Train Inspection and Repair Centre Project, etc. In the second half of the year, the Company will accelerate the construction of key projects in a systematic way and form a more rationalized business layout.

The current plans of the Company regarding capital expenditure in 2014 are subject to development of business plans, progress of investment projects, market conditions, outlook for future operation conditions and the 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 its capital expenditure 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 (if necessary).

## **2. External equity investment**

In the first half of 2014, the equity investment of the Company amounted to RMB5.30 billion, representing a decrease of RMB0.46 billion or 8.0% from RMB5.76 billion of the same period last year. Equity investments in the reporting period mainly included capital increase in Baoshen Railway Group, Huanghua Harbour Administration Company, Shendong Power Company and Overseas Company, etc.

The Company was not engaged in any securities investment and did not hold any equity in other listed companies. Apart from directly and indirectly controlling 100% equity interest in Shenhua Finance Company, the Company did not hold any equity in other finance companies.

## **3. Use of proceeds**

For the use of proceeds raised from the Company's initial public offering of A shares in September 2007 during the reporting period, please refer to the Company's "Special Report on Deposit and Actual Use of Proceeds" which was disclosed on the website of the Shanghai Stock Exchange on 23 August 2014.

## **4. Significant investments using funds other than proceeds**

For the six months ended 30 June 2014, the Group has no significant investment using funds other than proceeds, which involves a total investment amount exceeding 10% of the Group's latest audited net assets.

## **5. Asset management on trust, entrusted loans and derivative transactions**

### (1) Asset management on trust

As at 30 June 2014, the Group was not involved in any non-financial corporate asset management on trust.

### (2) Entrusted loans

As at 30 June 2014, the Group had not granted entrusted loans with an amount exceeding 10% of the Group's latest audited net assets to any single party. No entrusted loan was granted by utilizing the proceeds raised, nor was there any entrusted loan that was involved in litigations.

In order to centralize the capital management of the Group, the entrusted loans of the Company were mainly provided to subsidiaries to meet their needs for operation and development. As at the end of the reporting period, the balance of entrusted loans that the Company granted to its non-wholly owned subsidiaries amounted to RMB42.425 billion. During the reporting period, among the aforesaid entrusted loans, except for two entrusted loans granted to EMM Indonesia and some short-term entrusted loans to power plants that have been extended on condition that repayment of the interest can be made according to the prescribed schedule, all other borrowers of the entrusted loans have a sound repayment capacity and are repaying the principal with interest on schedule.

Save for the aforesaid entrusted loans, the balance of other entrusted loans of the Company amounted to RMB37 million, and the relevant interest income during the reporting period was RMB1 million.

No.	Name of borrower	Balance of entrusted loans at the end of the period	Maturity	Interest rate	Connected relations	Whether it is extended	Gain or loss from investment for the period
		RMB million					RMB million
1	20 subsidiaries of the Company including Taishan Power and Ninghai Power	24,017	Six months	5.04%	Subsidiary (lender is controlling shareholder)	Yes	383
2	20 subsidiaries of the Company including Taishan Power and Ninghai Power	1,924	One year	6.00%	Subsidiary (lender is controlling shareholder)	No	4
3	20 subsidiaries of the Company including Taishan Power and Ninghai Power	1,008	Three years	6.15%	Subsidiary (lender is controlling shareholder)	No	1
4	Shenhua Baoshen Railway Co., Ltd.	150	Three years	5.54%	Subsidiary (lender is controlling shareholder)	No	3
5	Shenhua Baoshen Railway Co., Ltd.	1,280	Five years	5.66%	Subsidiary (lender is controlling shareholder)	No	46
6	Shenhua Xinzhun Railway Co., Ltd.	2,000	Three years	5.54%	Subsidiary (lender is controlling shareholder)	No	28
7	Hulunbeier Shenhua Clean Coal Co., Ltd.	230	Three years	0.00%	Subsidiary (lender is controlling shareholder)	No	-
8	Hulunbeier Shenhua Clean Coal Co., Ltd.	51	One year	5.40%	Subsidiary (lender is controlling shareholder)	No	1
9	Hulunbeier Shenhua Clean Coal Co., Ltd. <sup>Note</sup>	290	One year	0.50%	Subsidiary (lender is controlling shareholder)	No	-
10	Shenhua Ganquan Railway Co., Ltd.	990	Five years	5.66%	Subsidiary (lender is controlling shareholder)	No	36
11	Shenhua Ganquan Railway Co., Ltd.	120	Three years	5.54%	Subsidiary (lender is controlling shareholder)	No	1
12	Shenhua Tianjin Coal Dock Co., Ltd.	10	One year	5.40%	Subsidiary (lender is controlling shareholder)	No	2
13	Shenhua Tianjin Coal Dock Co., Ltd.	55	One year	5.28%	Subsidiary (lender is controlling shareholder)	No	-
14	Shenhua Tianjin Coal Dock Co., Ltd.	250	Five years	5.66%	Subsidiary (lender is controlling shareholder)	No	9
15	Shenhua Sichuan Energy Co., Ltd.	130	Five years	5.66%	Subsidiary (lender is controlling shareholder)	No	5
16	Shenhua Sichuan Energy Co., Ltd.	500	One year	0.50%	Subsidiary (lender is controlling shareholder)	No	1
17	Shenhua Zhunchi Railway Company Limited	1,000	One year	5.40%	Subsidiary (lender is controlling shareholder)	No	2
18	Shenhua Zhunchi Railway Company Limited	185	Five years	5.66%	Subsidiary (lender is controlling shareholder)	No	7
19	PT.GH EMM INDONESIA	274	Two years	libor+400bps	Subsidiary (lender is controlling shareholder)	Yes	9
20	PT.GH EMM INDONESIA	199	Ten years	libor+280bps	Subsidiary (lender is controlling shareholder)	Yes	-
21	Shenhua Bayannur Energy Co., Ltd.	411	Three years	5.54%	Subsidiary (lender is controlling shareholder)	No	9
22	Shenhua Bayannur Energy Co., Ltd.	240	One year	5.40%	Subsidiary (lender is controlling shareholder)	No	-

No.	Name of borrower	Balance of entrusted loans at the end of the period	Maturity	Interest rate	Connected relations	Whether it is extended	Gain or loss from investment for the period
		RMB million					RMB million
23	Shenhua Zhuanlongwan Coal Transportation Co., Ltd.	460	Two years	5.23%	Subsidiary (lender is controlling shareholder)	No	6
24	Shenwan Energy Company Limited	200	Five years	5.66%	Subsidiary (lender is controlling shareholder)	No	7
25	Shenwan Energy Company Limited	463	One year	5.40%	Subsidiary (lender is controlling shareholder)	No	-
26	Shenwan Energy Company Limited	1,075	Three years	5.54%	Subsidiary (lender is controlling shareholder)	No	20
27	Yulin Shenhua Energy Co., Ltd.	364	Three years	5.54%	Subsidiary (lender is controlling shareholder)	No	13
28	Yulin Shenhua Energy Co., Ltd.	500	One year	5.40%	Subsidiary (lender is controlling shareholder)	No	
29	Shenhua Huanghua Harbour Administration Co., Ltd.	1,320	Five years	5.66%	Subsidiary (lender is controlling shareholder)	No	48
30	Shenhua Zhonghai Shipping Co., Ltd.	500	One year	5.10%	Subsidiary (lender is controlling shareholder)	No	10
31	Shenhua Zhonghai Shipping Co., Ltd.	710	One year	6.00%	Subsidiary (lender is controlling shareholder)	No	
32	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.	642	One year	6.00%	Subsidiary (lender is controlling shareholder)	No	15
33	Shenhua Funeng Power Generation Co., Ltd.	748	One year	6.30%	Subsidiary (lender is controlling shareholder)	No	3
34	Shenhua (Fuzhou) Luoyuanwan Power Plant Co., Ltd.	128	One year	6.30%	Subsidiary (lender is controlling shareholder)	No	1
35	Inner Mongolia Sanxin Railway Co., Ltd.	37	One year	6.00%	Associated company	No	1

### (3) Derivative transactions

On 30 June 2014, the Company had entered into swap contracts with fair value of RMB95 million. During the reporting period, gains from the fair value change of the swap contracts amounted to RMB16 million. The purpose of the swap transactions conducted by the Company was to hedge the risk exposure of the loans denominated in Japanese Yen, instead of procuring profits. The specific measures adopted were in the nature of risk-hedging with risk under control. As at the end of the reporting period, the balance of loans dominated in Japanese Yen that the Company conducted risk-hedging amounted to RMB275 million, which was a proportion of loans denominated in Japanese Yen owed by the Company. The swap transactions conducted by the Company were not involved in any litigation.

## 6. Major subsidiaries and associated companies

No.	Name of subsidiary	Registered capital	Total assets	Net assets	Net profit
		RMB million	RMB million	RMB million	RMB million
1	Shenhua Shendong Coal Group Co., Ltd.	4,989	46,393	34,078	7,124
2	Shuohuang Railway Development Co., Ltd.	5,880	30,474	24,359	2,861
3	Shaanxi Guohua Jinjie Energy Co., Ltd.	2,278	10,995	7,382	1,375
4	Guangdong Guohua Yudean Taishan Power Co., Ltd.	4,500	14,859	9,008	1,213
5	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	3,255	13,813	7,101	1,073
6	Shenhua Railway Transportation Co., Ltd.	2,100	19,669	2,926	804
7	Shenhua Zhunge'er Energy Co., Ltd.	7,102	26,801	20,416	801
8	Shenhua Baotou Coal Chemical Co., Ltd.	5,132	13,215	6,219	717
9	Shenwan Energy Co., Ltd.	4,146	10,103	5,593	514
10	Hebei Guohua Dingzhou Power Generation Co., Ltd.	1,561	6,251	2,397	479

- Note:
1. The financial information of the major subsidiaries and associated companies disclosed in the above table was prepared in accordance with the Accounting Standards for Business Enterprises. "Net profit" which has not been audited or reviewed refers to net profit attributable to the owners of the parent company.
  2. Shendong Coal Group Corporation recorded operating income of RMB29,008 million and operating profit of RMB8,492 million in the first half of 2014.
  3. Shuohuang Railway Company recorded operating income of RMB7,627 million and operating profit of RMB3,738 million in the first half of 2014.

During the reporting period, the Company did not derive any investment income from any single associated company that exceeded 10% of the net profit of the Company.

As at 30 June 2014, China Shenhua directly and indirectly controlled 100% equity interest in Shenhua Finance Company.

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

During the reporting period, Shenhua Finance Company strictly implemented the above resolutions passed at the 12th meeting of the second session of the Board of China Shenhua and no violation of such resolutions had occurred.



## ▼ Discussion and Analysis in relation to Future Development of the Company

### Status of accomplishment of 2014 business targets

Item		Accomplishment in the first half of 2014	Target of 2014 (before adjustment)	Target of 2014 <sup>Note</sup> (after adjustment)
Commercial coal production	million tonnes	155.0	318.1	305.4
Coal sales	million tonnes	234.6	514.8	444.4
Power output dispatch	billion kwh	99.38	210.18	200.00
Revenue	RMB billion	129.197	274.1	245.7
Cost of sales	RMB billion	89.101	207.7	181.0
Total of selling, general and administrative expenses and net finance costs	RMB billion	5.632	13.5	13.5

- Notes: 1. Due to factors including changes in the operating environment, and after consideration and approval by the 46th meeting of the second session of the board of directors of the Company held on 22 August 2014, the Company made adjustments to the business targets for 2014.
2. Net finance costs = Finance costs - Interest income
3. The above business targets are forward-looking statements made on the basis of subjective assumptions and judgments on future policy and economy. These statements are subject to risks, uncertainties and assumptions. Actual outcome may differ materially from the forward-looking statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to investment risks.

Due to factors such as demand for coal, thermal electricity and changes in coal price, the realization of the above business targets are subject to a certain extent of uncertainties. Investors should pay attention to announcements made by the Company in a timely manner.

### Warning and explanation on potential loss or substantial changes in expected accumulated net profit from the beginning of this year to the end of next reporting period as compared with the same period last year

- Applicable       Not applicable

## Review and Prospect of Business Environment<sup>1</sup>

### I. Macroeconomic conditions

During the first half of 2014, Chinese government focused on the improvement of the quality and efficiency of economic growth to rationally formulate an overall plan on steady growth, in-depth reform, structural adjustment and well-being of the general public, stabilizing national economy as a whole. In the first half of the year, the gross domestic product (GDP) of China grew by 7.4% year-on-year, representing a decrease of 0.2 percentage point from the same period last year; and consumer price index (CPI) recorded a year-on-year increase of 2.3%, a slowdown of 0.1 percentage point from the same period last year.

Looking to the second half of the year, the Chinese government will adhere to the key note of “making progress while maintaining stability” to maintain a stable economic momentum and further vitalize the market mechanism to ensure the annual economic growth target at 7.5%. Stability in macroeconomic development will be conducive to stabilize the demand for coal and other types of energy.

### II. Market environment of the coal industry

#### 1. Thermal coal market in China

##### *Review for the first half of 2014*

The first half of 2014 witnessed an overall oversupply and declining coal prices in domestic coal market, due to factors such as slower macroeconomic growth and excessive coal production capacity. As at the end of June 2014, the Bohai Bay Thermal Coal Price Index (5,500 kcal/kg) dropped to RMB528/tonne, representing a decrease of 13.4% from RMB610/tonne at the beginning of the year.

The falling coal prices resulted in significantly lower profitability of coal enterprises, coupled with production suspension or reduction for certain coal mines and hence a decline in total coal production. In the first half of 2014, China produced a total of 1.816 billion tonnes of raw coal, representing a year-on-year decrease of 1.8%.

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

In the first half of 2014, China imported 160 million tonnes of coal, representing a year-on-year increase of 0.9%, which was 14.1 percentage points less than that of the same period last year.

The coal consumption of major coal-consuming industries declined, mainly as a result of weak macroeconomic dynamics and energy structural adjustment. In the first half of 2014, 1.79 billion tonnes of coal was consumed in China, representing a year-on-year decrease of 3.7%.

In the first half of 2014, coal outbound transportation through railway continued to grow on the back of the increasing railway transportation capacity. Coal transportation volume through railways of China was 1.147 billion tonnes, representing a year-on-year increase of 0.7%. Coal outbound shipment through major ports in northern areas was 316 million tonnes, representing a year-on-year increase of 8.1%.

In the first half of 2014, inventories of coal products in China ranged at high levels, mainly attributable to the depressed coal demand. As at 30 June 2014, coal inventories at major ports and coal enterprises in China reached 52.64 million and 99.00 million tonnes, respectively, representing an increase of 56% and 39% as compared with that in the beginning of the year.

#### *Prospect for the second half of 2014*

Given the falling coal prices and lower profitability across coal enterprises, certain small and medium coal mines are expected to continue to cut their production while large coal enterprises should maintain a reasonable output in the second half of 2014. Thus, there should be no substantial increase in coal supply.

Looking into the second half of the year, coal import is expected to stay at a considerable scale due to the price competitiveness of Indonesia and other major coal exporters.

As China economy is expected to stabilize slowly, a recovery in coal demand is expected in the second half of 2014, driven by seasonal factors such as summer demand peaks and winter heating season. However, domestic coal market will still be characterized by an oversupply in the second half of the year due to coal overcapacity lingering in the PRC.

## 2. Thermal coal market in Asia Pacific region

#### *Review for the first half of 2014*

The global coal market saw an oversupply during the first half of 2014, dragged by international economic conditions and the depressed demand from traditional coal consuming countries. The spot price of Australian BJ thermal coal decreased from US\$86.35/tonne at the beginning of 2014 to US\$70.90/tonne at the end of June.

In the first half of 2014, Australia exported a total of 186 million tonnes of coal, representing a year-on-year increase of 10.16%. Indonesia exported 158 million tonnes of coal, representing a year-on-year increase of 6.8%.

The coal demand growth in the Asia Pacific region was mainly contributed by China and India. In the first half of 2014, India imported 87 million tonnes of thermal coal, representing a year-on-year growth of 11.6%. Japan and South Korea posted slightly increased coal import. Japan imported 92 million tonnes of coal, representing a year-on-year increase of 0.6%. South Korea imported 66 million tonnes of coal, representing a year-on-year increase of 4.3%.

#### *Prospect for the second half of 2014*

The coal supply in the Asia Pacific region in the second half is expected to remain stable. Major suppliers will continue to be Indonesia and Australia. The volume of coal from Russia, Mongolia Republic and other countries may increase.

In the second half of 2014, China and India will remain to be major coal consuming countries. India is expected to increase its coal import to address the shortage in supply. Coal consumption in countries such as Japan and South Korea is expected to remain steady in general.

Looking ahead into the second half of 2014, there should be no substantial increase in global coal demand due to the slow recovery of global economy and the gradual adjustment to energy structure. Thermal coal price is expected to remain at lows, given the slim possibility for a quick turnaround from the prolonged oversupply in international coal market.

### **III. Market environment of the power industry**

#### Review for the first half of 2014

In the first half of 2014, while power consumption continued to grow steadily, power supply was generally sufficient to meet the demand in China. Power consumption in China was 2,627.6 billion kwh, representing a year-on-year growth of 5.3% which was 0.2 percentage point faster than the same period last year. The power consumption of the primary industry decreased by 4.6% year-on-year; the power consumption of the secondary industry saw a year-on-year growth of 5.1%; and the power consumption of the tertiary industry and urban and rural residents saw a year-on-year growth of 6.9% and 6.6% respectively, both registering a slowdown.

In the first half of 2014, thermal power generation from large-scale power plants in the PRC was 2,099.5 billion kwh, representing a year-on-year growth of 4.7%, which was 2.1 percentage points higher than that of the same period last year. Hydroelectric power generation from large-scale power plants in the PRC was 371.3 billion kwh, representing a year-on-year growth of 9.7%. The increase in hydropower output posed a constraint to the growth in thermal coal demand.

In the first half of 2014, the utilization hours of various power equipment dropped year-on-year due to the increase in installed capacity and the slow growth in power demand. The utilization hours of thermal power equipment reached 2,375 hours, representing a year-on-year decrease of 37 hours.

As at the end of June 2014, the nationwide capacity of power generation equipment of power plants with capacity of 6,000 kw and above reached 12,512.2 billion kw, representing a year-on-year growth of 9.4%, of which the thermal power installed capacity was 8,788.5 billion kw, representing a year-on-year growth of 5.4%. Power generation through hydropower and new energies grew rapidly, and hydropower installed capacity reached 253.72 million kw, representing a year-on-year increase of 14.4%. Installed capacity of wind power and nuclear power increased year-on-year by 22.6% and 21.7% respectively, both significantly higher than the national growth in total installed capacity.

Prospect for the second half of 2014

Looking into the second half of 2014, considering the steady economic growth and the regulation over total energy consumption and the national campaign of air pollution control in China, power consumption in China should maintain stable or slightly increase through the second half of the year.

Clean energy will maintain a sound growth momentum. It is expected that hydropower, nuclear power and wind power will stay in the fast track in the second half of 2014.

A recovery in the utilization hours of thermal power generators is expected for the second half of 2014, mainly attributable to the gradually decreasing thermal energy investment, the slowing growth in the number of generators commencing operation and a rebound in residential power demand expected in the third quarter.

Amid an overall equilibrium between power supply and demand, the power consumption in China is expected to maintain stable in the second half of 2014.

### ▼ **Implementation of Profit Distribution Policy**

On 27 June 2014, the Company's Annual General Meeting of 2013 approved the distribution of a final dividend for the year 2013 of RMB0.91 per share (inclusive of tax), totaling approximately RMB18.10 billion (inclusive of tax), to all of the shareholders. The above mentioned final dividend for A Shares and H Shares had been distributed on 14 July and 8 August 2014 respectively. The distribution of final dividend is made in accordance with the resolution of general meeting.

The Company does not have plan for declaring any interim dividend for 2014.



# Changes in Equity and Shareholdings of Substantial Shareholders

## Changes in equity

### ▼ Number of shares and the shareholding structure

		As at 30 June 2014	
		Number	Percentage (%)
I.	Shares with selling restrictions	0	0
II.	Shares without selling restrictions	19,889,620,455	100.00
	1. RMB ordinary shares (A shares)	16,491,037,955	82.91
	2. Overseas listed foreign shares (H shares)	3,398,582,500	17.09
III.	Total number of shares	19,889,620,455	100.00

During the reporting period, there were no changes in the total number of shares, shareholding structure and assets and liabilities structure of the Company as a result of bonus issue, capital conversion, share placing, issuance of new shares, non-public offering of shares, exercise of warrants, implementation of share options incentive plan, business combination, conversion of convertible bonds, reduction of share capital, listing of shares held by internal employees, issuance of preference shares or otherwise.

During the reporting period, the Company successfully completed the issuance of three tranches of super short-term debentures for 2014 and raised proceeds of RMB5 billion, RMB5 billion and RMB10 billion respectively. The aforesaid issuance of bonds did not change the total number of shares and shareholding structure of the Company.

During the reporting period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities as defined under the Hong Kong Listing Rules.

## Shareholders

### ▼ Total number of shareholders

Unit: accounts

	As at 30 June 2014
Total number of shareholders	298,864
Of which: Registered holders of A shares (including Shenhua Group Corporation)	296,315
Registered holders of H shares	2,549

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

## ▼ Top ten shareholders

A shares of the Company are underlying securities listed on the Shanghai Stock Exchange issued for margin trading and securities refinancing business. In accordance with the requirements of disclosure for securities, the Company has consolidated ordinary securities accounts and credit securities accounts of holders of A shares based on the shareholders' registration records provided by China Securities Depository and Clearing Corporation Limited for the purpose of calculating the number of shares held by such holders and increase or decrease in shareholdings.

As at the end of the reporting period, there were no selling restrictions attached to the issued shares of the Company, which are statutorily or publicly undertaken.

Statements on the connected relationships of shareholders and whether they are parties acting in concert are as follows: the Company is not aware of whether any connected relationship existing among the top ten shareholders, and whether they are parties acting in concert under the "Measures for the Administration of Acquisition of Listed Companies".

Unit: Shares

No.	Name of shareholder	Increase(+)/ decrease(-) during the reporting period	Total number of shares held at the end of the reporting period	Shareholding percentage (%)	Number of shares subject to pledge or lock-up	Nature of shareholders	Type of shares
1	Shenhua Group Corporation	0	14,521,846,560	73.01	Nil	State – owned	RMB ordinary shares
2	HKSCC NOMINEES LIMITED	-86,997	3,390,346,630	17.05	Unknown	Overseas legal entity	Overseas listed foreign shares
3	Account No. 1 of National Council for Social Security Fund	0	180,000,000	0.90	Nil	State – owned	RMB ordinary shares
4	Industrial & Commercial Bank of China –Shanghai Index 50 Trading Open-end Index Securities Investment Fund	+152,936	30,471,678	0.15	Nil	Others	RMB ordinary shares
5	UBS AG	+14,571,597	26,003,662	0.13	Nil	Overseas legal entity	RMB ordinary shares
6	CSOP Asset Management Limited – CSOP FTSE China A50 ETF	+6,638,922	24,280,445	0.12	Nil	Others	RMB ordinary shares
7	Credit Suisse Group AG (Hong Kong)	+4,193,409	20,200,332	0.10	Nil	Overseas legal entity	RMB ordinary shares
8	Bank of Communications – E Fund 50 Index Securities Investment Fund	+1,499,847	18,058,130	0.09	Nil	Others	RMB ordinary shares
9	Morgan Stanley & Co. International plc.	+13,553,807	17,958,352	0.09	Nil	Overseas legal entity	RMB ordinary shares
10	Bank of China – Jia Shi Hu Shen 300 Trading Open-end Index Securities Investment Fund	-300,332	17,444,117	0.09	Nil	Others	RMB ordinary shares

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

## ▼ Interests and short positions in the shares of the Company held by substantial shareholders

As at 30 June 2014, the persons as disclosed in the table below had interest and/or short position in the shares or underlying shares of the Company which is required to be recorded in the register of equity interests and/or short positions to be kept under section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of the laws of Hong Kong):

No.	Name of shareholder	Capacity	H Shares/ Domestic shares	Nature of interest	Number of H shares/ domestic shares held	Percentage of H shares/ domestic shares over total issued H shares/ domestic shares respectively	Percentage of total share capital of the Company
						%	%
1	Shenhua Group Corporation	Beneficial owner	Domestic shares	N/A	14,521,846,560	88.06	73.01
2	JPMorgan Chase & Co.	Beneficial owner; Investment Manager Custodian – corporation/ Approved lending agent	H Shares	Long position	408,575,397	12.02	2.05
				Short position	10,643,435	0.31	0.05
				Lending pool	274,078,667	8.06	1.38
3	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	311,430,520	9.16	1.57
				Short position	7,373,000	0.22	0.04
4	Walter Scott & Partners Limited	Investment Manager	H Shares	Long position	206,484,582	6.08	1.04
5	The Bank of New York Mellon Corporation	Interest of corporation controlled by the substantial shareholder	H Shares	Long position	172,175,956	5.07	0.87
				Short position	122,629,018	3.61	0.62

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

As at 30 June 2014, save as disclosed above, there was no other person who held 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 under section 336 of Part XV of the SFO, or was a substantial shareholder of the Company.

## ▼ Changes in controlling shareholder and de facto controller

During the reporting period, there was no change in the controlling shareholder and the de facto controller of the Company.

# Directors, Supervisors, Senior Management and Employees

## Changes in shareholding and disclosure of interests

During the reporting period, there were no changes in shareholding in the Company held by the directors, supervisors 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 the CSRC. As at the end of the reporting period, there were no directors, supervisors and senior management of the Company who held any shares of the Company.

After making enquiries, all the directors and supervisors have confirmed that they have fully complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Hong Kong Listing Rules, which was adopted by the Company, for the six months ended 30 June 2014.

As at 30 June 2014, none of the directors, supervisors or senior management of the Company 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 under the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 30 June 2014, the Company did not grant any equity securities or warrants to its directors, supervisors and senior management or their respective spouses or children under the age of 18.

## Changes in Directors, Supervisors or Senior Management

On 5 March 2014, Dr. Zhang Xiwu conveyed to the board of directors of the Company his request to resign as the chairman of the board of directors and an executive director, and his posts of the chairman of the Strategy Committee of the board of directors and member of the Nomination Committee of the of board of directors terminated at the same time. The resignation became effective immediately.

On 27 June 2014, the 45th meeting of the second session of the board of directors of the Company considered and approved the following resolutions: (1) election of Dr. Zhang Yuzhuo as the chairman of the second session of the board of directors of the Company; (2) election of Dr. Ling Wen as the vice chairman of the second session of the board of directors of the Company; (3) appointment of Mr. Han Jianguo as the president of the Company. For details, please refer to the Announcement on Resolutions of the 45th Meeting of the Second Session of the Board and Changes in the Chairman, Vice Chairman and President of the Company dated 28 June 2014 (A Shares) and Appointment of New Chairman and Vice Chairman of the Board and Appointment of New President dated 27 June 2014 (H Shares).

## Employees of the Company

As at 30 June 2014, the Company had 92,436 employees in total. The total number of retired employees in respect of which the Group was responsible for bearing costs was 10,179. The composition of the employees of the Group was as follows:

No	By function	As at 30 June 2014	As at 31 December 2013	Change
		Number	Number	%
1	Operation and maintenance	<b>61,442</b>	60,762	1.1
2	Management and administration	<b>12,402</b>	12,769	(2.9)
3	Finance and accounting	<b>1,534</b>	1,531	0.2
4	R&D and technical support	<b>10,218</b>	9,587	6.6
5	Sales and marketing	<b>2,332</b>	2,302	1.3
6	Others	<b>4,508</b>	4,536	(0.6)
	Total	<b>92,436</b>	91,487	1.0

No	By educational level	As at 30 June 2014	As at 31 December 2013	Change
		Number	Number	%
1	Postgraduate or above	<b>2,576</b>	2,440	5.6
2	University graduate	<b>25,624</b>	24,155	6.1
3	College graduate	<b>24,386</b>	24,201	0.8
4	Specialised secondary school graduate	<b>14,541</b>	15,330	(5.1)
5	Technical school graduate, high school graduate or below	<b>25,309</b>	25,361	(0.2)
	Total	<b>92,436</b>	91,487	1.0

# Significant Events

## Corporate Governance

During the reporting period, the Company further improved its level of corporate governance by establishing a standardized and comprehensive corporate governance structure in strict compliance with the Companies Law, Securities Law and other laws and regulations as well as the domestic and foreign regulatory requirements. There is no material difference between the corporate governance of the Company and the relevant rules and requirements under the Companies Law and the CSRC.

The board of directors is responsible for the corporate governance of the Company. The Company has adopted the corporate governance policies as set out in Appendix 14 of the Hong Kong Listing Rules, and established its own system of corporate governance. The Company and its directors have been in full compliance with the principles and provisions and most of the recommended best practices as specified therein. For the terms of the scope of the role and authority of the board of directors and the Board Committees to perform duties under the Corporate Governance Code, please refer to the Articles of Association, Rules of Procedure of Meetings of the Board of Directors and rules of procedure of the Board Committees, which have been published on the website of the stock exchange of the areas where the Company are listed and on the Company's website.

The Company has formulated its board diversity policy, the relevant information of which is set out on the Company's website. In designing the Board's composition, Board diversity shall be considered from a number of aspects, including but not limited to gender, age, cultural and educational background, ethnicity, skills, knowledge and professional experience. All Board appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard to the benefits of diversity on the Board. The Nomination Committee will report annually, in the Corporate Governance Report, on the Board's composition in terms of diversity, and monitor the implementation of this policy. Members of the current board of directors of the Company are from a variety of backgrounds, which guarantees the rationality and reasonableness of decisions made by the board of directors. Members of the board of directors are individuals from various domestic and overseas industries, including one female director. The number of non-executive directors accounts for more than half of the number of all directors. Each director's knowledge base and field of expertise are professional and complementary in the overall board structure.

The Company has appointed independent non-executive directors and established an Audit Committee in accordance with the Hong Kong Listing Rules. As at the end of the reporting period, the Audit Committee comprised Mr. Gong Huazhang (chairman of the Audit Committee, with professional qualifications and experience in accounting and other fields of financial management), Mr. Guo Peizhang and Mr. Chen Hongsheng. On 18 August 2014, the Audit Committee reviewed the Group's interim financial statements for the six months ended 30 June 2014 and approved the submission of the same to the board of directors for consideration and approval.

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

The Company was entrusted by Shenhua Group Corporation to provide daily operation management services for the existing assets and businesses of Shenhua Group upon the completion of relevant procedures. As at the end of the reporting period, the Company appointed seven deputy general managers of Shenhua Group Corporation as the president and senior vice presidents of the Company. While preserving its independent and complete business system and its market-oriented self-operation capability, the Company shall further regulate related party transactions, reduce potential peer competition and strive to maximise the interest of the shareholders.



## **Material Litigation, Arbitration and Matters Normally Questioned by the Media**

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 against it which was pending, imminent or ongoing. As at 30 June 2014, 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. However, the management of the Group believes that any possible legal liability which may arise from the aforesaid cases will not have material adverse impact on the financial position of the Group.

During the reporting period, the Group was not involved in any matter which is normally questioned by the media.

## **Insolvency or Restructuring Related Matters**

During the reporting period, the Group did not have any insolvency or restructuring related matters.

## **Material Transactions involving Acquisition and Disposal of Assets**

During the reporting period, the Group did not have any material transactions involving acquisition and disposal of assets.

## **Details of the Implementation of the Equity Incentive Plan**

During the reporting period, the Company did not implement any equity 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.

## **Material Connected Transactions**

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

### **▼ Discloseable Connected Transactions**

During the reporting period, the Company did not have any discloseable non-exempt connected transactions (including connected transactions arising from the acquisition and disposal of assets, and material connected transactions regarding joint external investment).

## ▼ Agreement of Continuing Connected Transaction

During the reporting period, no adjustment was made to the annual caps of the continuing connected transactions.

Set out below are the annual caps and implementation of the discloseable continuing connected transactions during the reporting period. For information including the purposes of entering into such agreements and pricing guidance, please refer to the 2013 Annual Report of the Company.

In particular, the total amount of connected transactions regarding the provision of products and services by the Group to Shenhua Group amounted to RMB6,146 million during the reporting period, accounting for 4.76% of the Group's operating income during the reporting period.

	Agreement of continuing connected transaction	Provision of products and services by the Group to Connected Persons and other inflows			Purchase of products and services from Connected Persons by the Group and other outflows		
		Prevailing annual cap	Transaction amount during the reporting period	Percentage of amount of similar transactions	Prevailing annual cap	Transaction amount during the reporting period	Percentage of amount of similar transactions
		RMB million	RMB million	%	RMB million	RMB million	%
1.	Mutual Coal Supply Agreement between the Company and Shenhua Group	25,500	2,676	3.8	24,400	3,866	14.6
2.	Mutual Supplies and Services Agreement between the Company and Shenhua Group	16,300	3,470	6.0	12,400	1,737	2.7
	Including: (1) Products		3,082	5.5		1,537	3.0
	(2) Services		388	18.3		200	1.6
3.	Transportation Service Framework Agreement between the Company and Taiyuan Railway Bureau	-	-	-	12,400	2,800	33.2

Agreement of continuing connected transaction	Prevailing annual cap	Transaction amount during the reporting period
	RMB million	RMB million
Financial Services Agreement between the Company and Shenhua Group		
(1) annual total transaction amount of bill acceptance and discount services handled for Shenhua Group Corporation, the subsidiaries of Shenhua Group and the associates of Shenhua Group Corporation ("Shenhua Group and its associates")	19,500	146
(2) daily balance (including interests accrued thereon) of deposits placed by Shenhua Group and its associates	78,000	24,035
(3) daily balance of loans, consumption credit, buyer's credit and financial leasing (including relevant accrued interests incurred) granted to Shenhua Group and its associates	45,500	19,269
(4) daily balance of entrusted loans (including relevant accrued interests incurred) granted by Shenhua Group to the Group through Shenhua Finance Company	39,000	2,898
(5) annual total of agency fees, service charges and other service fees charged by Shenhua Finance Company for providing Shenhua Group and its associates with consultation, agency, settlement, transfer, investment, lease finance, letter of credit, online banking, entrusted loan and other financial services	350	46

The above continuing connected transactions were settled in cash or bills and carried out in the ordinary course of business of the Company, and were in strict compliance with the requirements of review and approval by independent directors and independent shareholders as well as disclosure. The Company did not rely on its controlling shareholder as a result of those transactions.

## ▼ Debts and liabilities due from or due to related parties

Unit: RMB million

Related party	Affiliated relations	Funds provided to related parties			Funds provided by related parties to the Company		
		At the beginning of the reporting period	Amount of Change	Balance	At the beginning of the reporting period	Amount of Change	Balance
Shenhua Group Corporation and its subsidiaries	Holding company and its subsidiaries	-	-	-	6,885.85	(4,112.00)	2,773.85
Other related parties		743.28	(25.50)	717.78	-	-	-
Total	-	743.28	(25.50)	717.78	6,885.85	(4,112.00)	2,773.85

The amount and balance of the above debts and liabilities only include other receivables, other payables, short-term loans, long-term loans due within one year, long-term loans, other non-current assets due within one year, other current assets and other non-current assets of a non-operational nature between the Group and related parties.

The above debts and liabilities due from or due to related parties mainly represent entrusted loans provided by the Group to associated companies of subsidiaries of the Company, together with long-term and short-term loans borrowed by the Group from Shenhua Group Corporation and its subsidiaries. The Group performed its internal decision making procedures in accordance with the relevant requirements. Currently, the principal and interests of the above entrusted loans and loans are being repaid according to the normal repayment plan as scheduled.

## Description and Performance of Material Contracts

### ▼ Trust, contract and lease

The Company was entrusted by Shenhua Group Corporation to provide daily operation management services for the existing assets and businesses of Shenhua Group upon the completion of relevant procedures. Such services were carried out in accordance with the Mutual Supplies and Services Agreement, one of the continuing connected transaction agreements entered into between the Group and Shenhua Group.

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

## ▼ Guarantees

### (1) Material guarantees

Unit: RMB million

(I) Guarantee provided by the Company to external parties (excluding guarantee given by the Company for the benefit of its subsidiaries)								
Guarantor	Relationship between the guarantor and the listed company	Guaranteed party	Date of provision of guarantee (execution date of agreement)	Guaranteed amount as at the end of the reporting period	Type of guarantee	Period of guarantee	Whether performance has been completed	Whether the guarantee is for the benefit of related parties
Shenbao Energy Company	Guarantor is a subsidiary of the Company	Hulunbeier Liangyi Railway Company Limited	30 August 2008	113.5	Joint and several liability guarantee	20 years	No	No
Shenhua Sichuan Energy	Guarantor is a subsidiary of the Company	Sichuan Baima Circulating Fluidized Bed Demonstration Power Plant Co., Ltd.	16 May 2003	30.7	Joint and several liability guarantee on a pro-rata basis	11-20 years	No	Yes
Total guaranteed amount provided during the reporting period								(0.4)
Total guaranteed balance at the end of the reporting period								144.2
(II) Guarantee given by the Company for the benefit of its subsidiaries								
Total guaranteed amount provided to the Company's subsidiaries during the reporting period								-
Total guaranteed balance given to the Company's subsidiaries at the end of the reporting period								-
(III) Aggregated guaranteed amount given by the Company (including guarantee given by the Company for the benefit of its subsidiaries)								
Total guaranteed amount								144.2
Percentage of total guaranteed amount to net assets of the Company (%)								0.05
Including:								
Amount of guarantees provided for the benefit of shareholders, de facto controller and their related parties								30.7
Amount of guarantees directly or indirectly provided for the benefit of parties with a gearing ratio in excess of 70%								144.2
Portion of the total guaranteed amount in excess of 50% of net assets								-
Aggregated amount of the above three guaranteed amount (double counting discounted)								144.2

- Notes: 1. Of the total guaranteed balance, the guaranteed balance provided by the Company's subsidiaries (of which the Company is a controlling shareholder) to external parties at the end of the reporting period refers to the guaranteed amount provided by such subsidiary to external parties multiplied by the Company's shareholding in such subsidiary.
2. Percentage of total guaranteed amount to net assets of the Company = Total guaranteed amount/Equity attributable to equity holders of the Company under Accounting Standards for Business Enterprises.

## (2) Details of material guarantees

At the end of the reporting period, the balance of the guaranteed amount provided by the Company for the benefit of its subsidiaries (of which the Company is a controlling shareholder) and the guaranteed amount of the Company and its subsidiaries (of which the Company is a controlling shareholder) to external parties amounted to RMB144.2 million in total, including:

1. At the end of the reporting period, the guarantee provided by Shenbao Energy Company, a subsidiary owned as to 56.61% by the Company, to external parties was as follows: prior to the acquisition of Shenbao Energy Company by the Company in 2011 and pursuant to the "Guarantee Agreement on the Syndicated Renminbi Loan for the Cooperative Railway Project Connecting Yimin and Yiershi Newly Constructed by Hulunbeier Liangyi Railway Company Limited", Shenbao Energy Company, as one of the guarantors, provided joint and several liability guarantee in 2008 to Hulunbeier Liangyi Railway Company Limited (hereinafter referred to as the "Liangyi Railway Company", owned as to 14.22% by Shenbao Energy Company) for the syndicated loans. The major liability guaranteed was the debts due to the lender with a maximum balance of RMB207.47 million from 2008 to 2027, regardless of whether the debt is due when the above period expires. Shenhua Group Corporation has confirmed the compensation as at 31 December 2013 as agreed in accordance with the Equity Transfer Agreement regarding Shenhua Baorixile Energy Co., Ltd. entered into between the Company and Shenhua Group Corporation on 20 December 2010 and paid the full amount of compensation.

Liangyi Railway Company failed to pay the interests on loans as scheduled due to the deterioration in operation. As resolved by the shareholders' general meeting of Liangyi Railway Company, capital would be injected into Liangyi Railway Company by its shareholders (including Shenbao Energy Company) on a pro-rata basis to repay the loans and interests; Shenbao Energy Company has injected an aggregated amount of RMB23.5 million into Liangyi Railway Company. As at 30 June 2014, the gearing ratio of Liangyi Railway Company was 99.5%. Shenbao Energy Company has made full provision for impairment on its 14.22% equity interests in Liangyi Railway Company and the repayment on its behalf.

2. At the end of the reporting period, the guarantee provided by Shenhua Sichuan Energy Company (formerly known as Bashu Power Company), owned as to 51.0% by the Company, was as follow: prior to the acquisition of Bashu Power Company in 2012, on 16 May 2003, Bashu Power Company and other shareholders of that company provided joint and several liability guarantee for the benefit of Sichuan Baima Circulating Fluidized Bed Demonstration Power Plant Co., Ltd. ("Baima Power Plant Company", owned as to 20% by Bashu Power Company) on a pro-rata basis for a loan with an aggregate amount of RMB770.7 million. As agreed in the maximum guarantee contract, the guarantee period shall be a two-year period from the next day after the due date of each installment specified in its respective loan agreement. The due date of the last installment is 14 May 2021.

As at 30 June 2014, the balance of loan of Baima Power Plant Company under the guarantee contract was RMB301.0 million. The pro-rata amount guaranteed by Sichuan Energy Company was RMB60.2 million. As at 30 June 2014, the gearing ratio of Baima Power Plant Company was 78.5%, and its operations were normal.

## Material Investments

For details please refer to the subsection headed “The Company’s investments” of the “Directors’ Report”.

## Commitments by the Shareholders

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

Commitment Background	Type of Commitment	Committed Parties	Commitment	Time and Duration of Commitment	Any Time Limit for Commitment	Timely and Strict Performance of Commitment
Commitment in relation to initial public offering	Non-competition undertaking	Shenhua Group Corporation	The Company and Shenhua Group have entered into a “Non-competition Agreement” on 24 May 2005. Pursuant to such agreement, Shenhua Group has committed not to compete with the Company in respect of the Company’s principal businesses whether inside or outside of the PRC, and granted the Company an option and pre-emptive right to acquire from Shenhua Group any potential competing business.	24 May 2005, long-term	Yes. China Shenhua will commence the acquisition of 14 assets of Shenhua Group and its subsidiaries before 30 June 2019 (submitting the asset acquisition proposal to the internal competent authorities of China Shenhua for approval procedure). Please refer to the Announcement on the Performance of Non-competition Undertaking (Lin 2014-037) published by the Company on 28 June 2014 for details.	Yes, being performed

## Appointment and Removal of Accounting Firms

Deloitte Touche Tohmatsu Certified Public Accountants LLP and Deloitte Touche Tohmatsu were appointed as the domestic and international auditors of the Company respectively for 2014 at the Company’s 2013 annual general meeting held on 27 June 2014.

## Sanctions and Rectifications Imposed on the Company, Directors, Supervisors, Senior Management, Shareholders with 5% or More Shareholding and De Facto Controller

During the reporting period, none of the Company, its directors, supervisors, senior management and shareholders with 5% or more shareholding 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 censure by any stock exchange.



## **Accounting Policies, Accounting Estimates and Correction of Accounting Errors**

During the reporting period, the Company did not make any significant change in major accounting policies and significant accounting estimates; nor did the Company make any correction in significant accounting errors.

## **Other Material Matters**

The foreign exchange risks that the Group was exposed to were under control. There was no material change during the reporting period in foreign exchange risks from those disclosed in the latest annual report. The Company has taken various measures such as foreign currency swap transactions.

During the reporting period, the changes in scope of consolidation of the Group are: one newly established primary subsidiary, and three primary subsidiaries adjusted to secondary subsidiaries.

Save for the disclosed information, there was no other material matter of the Company that would require disclosure.

# Investor Relations

In the first half of 2014, to address the distressed coal industry and capital market, China Shenhua stepped up implementation of the philosophy of “professional business, systematic services and positive attitude”, and communicated extensively and openly with investors and analysts via multiple channels such as result presentations and roadshows. The Company communicated with more than 500 analysts and fund managers, among which more than 100 persons were communicated during roadshows, more than 200 persons were communicated at investment forums and more than 200 persons were communicated through company visits and telephone conferences.

## **Enhancing communications and further refining of investor communications**

Against the backdrop of declining coal prices, insipid demand and pessimistic shareholder sentiment, the Company proactively aligned its investor relation efforts with the study on the current situation and investor demands with a focus on “why, how and for whom to do”.

The Company extensively collected feedback from investors and understood the appeals of investors, and these active and effective investor relation initiatives led to deeper and wider coverage of information disclosure. In the first half of the year, emphasis was placed on strengthening communications with the existing shareholders based on the analysis of shareholder mix. The setting up of the shareholder database and the dynamic feedback contributed to the improved regular communications with shareholders, establishing a stable communication channel to stabilize shareholders’ confidence.

Meanwhile, with small and medium investors highly valued in its mind, the Company earnestly observed regulatory requirements and continued to strengthen and improve the protection for their rights and interests. To improve the relevance and effectiveness of investor relations, the Company further optimized its website to make the sections clearer and more logical. The Company also tapped into online communication platforms to extend the presence of investor relations. In the first half of the year, the Company held a briefing for its first quarterly results of 2014 on the “e-SNS” channel of the Shanghai Stock Exchange.

## **Strengthening internal research and highlighting key information**

By systematically studying the integrated operation model of China Shenhua in the new environment and on the basis of carrying out horizontal comparison with peer companies, the Company refined its core competitiveness, and focused on presenting to investors systemically key information including integration of the Company, low-cost operations, risk resilience resulting from business restructuring, stability of results, and re-creation of value in the industrial chain, highlighting the characteristics of China Shenhua as an integrated energy company.

Meanwhile, the Company communicated with investors on the philosophy and practice of clean combustion of coal in light of the strengths and advantages of China Shenhua in clean utilization of coal and environmental protection. Through effective interaction with investors, the fundamental understanding of some investors in China Shenhua as a traditional coal company has been changed, so that the value model and investment methodology of investors have been rationalized and revamped.

Through the rediscovery and reclassification of the investment value of China Shenhua, the image of China Shenhua as a quality large blue-chip company has been strengthened continuously, facilitating investors to understand the investment value of China Shenhua and stabilizing the investment confidence of the capital market on China Shenhua.

# Index to Information Disclosure

No.	Event	Date of publication	Website of publication
1	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 December 2013	2014-1-2	Website of Hong Kong Stock Exchange
2	China Shenhua – Announcement Regarding the 2013 Unaudited Balance Sheet and Income Statement of Shenhua Finance Co. Ltd.	2014-1-15	Website of Shanghai Stock Exchange
3	Overseas Regulatory Announcement	2014-1-14	Website of Hong Kong Stock Exchange
4	China Shenhua – Announcement Regarding Changes in the Biography of Employees' Representative Supervisor	2014-1-16	Website of Shanghai Stock Exchange
5	Overseas Regulatory Announcement	2014-1-15	Website of Hong Kong Stock Exchange
6	Announcement on the Major Operational Data December of 2013	2014-1-21	Website of Hong Kong Stock Exchange
7	China Shenhua – Announcement on the Major Operational Data December of 2013	2014-1-22	Website of Shanghai Stock Exchange
8	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 January 2014	2014-2-3	Website of Hong Kong Stock Exchange
9	Overseas Regulatory Announcement	2014-2-14	Website of Hong Kong Stock Exchange
10	China Shenhua – Announcement on the Outstanding Commitment	2014-2-15	Website of Shanghai Stock Exchange
11	Announcement on the Major Operational Data January of 2014	2014-2-18	Website of Hong Kong Stock Exchange
12	China Shenhua – Announcement on the Major Operational Data January of 2014	2014-2-19	Website of Shanghai Stock Exchange
13	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 28 February 2014	2014-2-28	Website of Hong Kong Stock Exchange
14	Resignation of the Chairman of the Board and Performance of Duties of the Chairman of the Board by the Vice Chairman of the Board	2014-3-5	Website of Hong Kong Stock Exchange
15	Positions Held by Current Directors at the Board and the Board Committees	2014-3-5	Website of Hong Kong Stock Exchange
16	China Shenhua – Resignation of the Chairman of the Board and Performance of Duties of the Chairman of the Board by the Vice Chairman of the Board	2014-3-6	Website of Shanghai Stock Exchange
17	Overseas Regulatory Announcement	2014-3-11	Website of Hong Kong Stock Exchange
18	China Shenhua – Announcement Regarding the Result of the Issuance of the First Tranche of Super Short-term Debentures in 2014	2014-3-12	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
19	Overseas Regulatory Announcement	2014-3-12	Website of Hong Kong Stock Exchange
20	China Shenhua – Announcement Regarding the Result of the Issuance of the Second Tranche of Super Short-term Debentures in 2014	2014-3-13	Website of Shanghai Stock Exchange
21	China Shenhua – Announcement Regarding the Approval of Phase IV Project of Huanghua Port	2014-3-13	Website of Shanghai Stock Exchange
22	Announcement on the Major Operational Data February of 2014	2014-3-14	Website of Hong Kong Stock Exchange
23	China Shenhua – Announcement on the Major Operational Data February of 2014	2014-3-15	Website of Shanghai Stock Exchange
24	Notice Of Board Meeting	2014-3-18	Website of Hong Kong Stock Exchange
25	Overseas Regulatory Announcement	2014-3-26	Website of Hong Kong Stock Exchange
26	China Shenhua – Announcement on Progress of the Outstanding Commitment	2014-3-27	Website of Shanghai Stock Exchange
27	Overseas Regulatory Announcement	2014-3-28	Website of Hong Kong Stock Exchange
28	Overseas Regulatory Announcement	2014-3-28	Website of Hong Kong Stock Exchange
29	Overseas Regulatory Announcement (2013 Annual Report)	2014-3-28	Website of Hong Kong Stock Exchange
30	Overseas Regulatory Announcement (2013 CSR Report)	2014-3-28	Website of Hong Kong Stock Exchange
31	Rules of Procedures of Meetings of the Audit Committee of the Board of Directors	2014-3-28	Website of Hong Kong Stock Exchange
32	Announcement of Annual Results for the Year Ended 31 December 2013	2014-3-28	Website of Hong Kong Stock Exchange
33	China Shenhua – 2013 Annual Report	2014-3-29	Website of Shanghai Stock Exchange
34	China Shenhua – 2013 CSR Report	2014-3-29	Website of Shanghai Stock Exchange
35	China Shenhua – China Shenhua Internal Control Audit Report	2014-3-29	Website of Shanghai Stock Exchange
36	China Shenhua – Measures on the Use of Proceeds	2014-3-29	Website of Shanghai Stock Exchange
37	China Shenhua – 2013 CSR Report	2014-3-29	Website of Shanghai Stock Exchange
38	China Shenhua – Rules on Work of the Audit Committee of the Board of Directors	2014-3-29	Website of Shanghai Stock Exchange
39	China Shenhua – Rules of Procedure of Meetings of the Audit Committee of the Board of Directors	2014-3-29	Website of Shanghai Stock Exchange
40	China Shenhua – 2013 Annual Financial Statement and Audit Report	2014-3-29	Website of Shanghai Stock Exchange
41	China Shenhua – Special Report and Audit Report on Deposit and Actual Use of Proceeds for 2013	2014-3-29	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
42	China Shenhua – Special Audit Report on Deposit and Actual Use of Proceeds for 2013	2014-3-29	Website of Shanghai Stock Exchange
43	China Shenhua – Report on the Performance of Duties by the Audit Committee of the 2nd Session of the Board for 2013	2014-3-29	Website of Shanghai Stock Exchange
44	China Shenhua – Special Explanation and Independent Opinion on the Company’s External Guarantee by Independent Non-executive Directors	2014-3-29	Website of Shanghai Stock Exchange
45	China Shenhua – Special Explanation Regarding the Appropriation of Capital by the Controlling Shareholder and Other Related Parties for 2013	2014-3-29	Website of Shanghai Stock Exchange
46	China Shenhua – Work Report of the Independent Directors for the Year 2013	2014-3-29	Website of Shanghai Stock Exchange
47	China Shenhua – Announcement on Resolutions of the 43rd Meeting of the 2nd Session of the Board of Directors	2014-3-29	Website of Shanghai Stock Exchange
48	China Shenhua – Announcement on Resolutions of the 20th Meeting of the 2nd Session of the Supervisory Committee	2014-3-29	Website of Shanghai Stock Exchange
49	China Shenhua – Announcement on Conducting Thermal Coal Futures Hedging Business	2014-3-29	Website of Shanghai Stock Exchange
50	China Shenhua – Special Report on Deposit and Actual Use of Proceeds for 2013	2014-3-29	Website of Shanghai Stock Exchange
51	China Shenhua –2013 Assessment Report on Internal Control	2014-3-29	Website of Shanghai Stock Exchange
52	2013 Annual Report	2014-3-30	Website of Hong Kong Stock Exchange
53	2013 CSR Report	2014-3-30	Website of Hong Kong Stock Exchange
54	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 March 2014	2014-3-31	Website of Hong Kong Stock Exchange
55	Overseas Regulatory Announcement	2014-4-8	Website of Hong Kong Stock Exchange
56	China Shenhua – Announcement on Freight Rates of Baoshen Railway and Zhunchi Railway	2014-4-9	Website of Shanghai Stock Exchange
57	Overseas Regulatory Announcement	2014-4-9	Website of Hong Kong Stock Exchange
58	Establishment of a Joint Venture for the Construction of a Railway Project at Sino-Mongolian Border Crossing	2014-4-9	Website of Hong Kong Stock Exchange
59	China Shenhua – Announcement Regarding Establishment of a Joint Venture for the Construction of a Railway Project at Sino-Mongolian Border Crossing	2014-4-10	Website of Shanghai Stock Exchange
60	Notification Letter and Request Form to Registered Holder	2014-4-10	Website of Hong Kong Stock Exchange
61	Notification Letter and Request Form to Non-registered Holder	2014-4-10	Website of Hong Kong Stock Exchange

No.	Event	Date of publication	Website of publication
62	Overseas Regulatory Announcement	2014-4-11	Website of Hong Kong Stock Exchange
63	China Shenhua – Announcement on Repayment of Idle Proceeds Used for Temporary Replenishment of Current Capital upon Expiration	2014-4-12	Website of Shanghai Stock Exchange
64	Notice of Board Meeting	2014-4-15	Website of Hong Kong Stock Exchange
65	Announcement on the Major Operational Data March of 2014	2014-4-15	Website of Hong Kong Stock Exchange
66	China Shenhua – Announcement on Major Operational Data in March 2014	2014-4-16	Website of Shanghai Stock Exchange
67	Overseas Regulatory Announcement	2014-4-24	Website of Hong Kong Stock Exchange
68	China Shenhua – Announcement on Progress of the Outstanding Commitment	2014-4-25	Website of Shanghai Stock Exchange
69	First Quarterly Report for the Year 2014	2014-4-25	Website of Hong Kong Stock Exchange
70	Overseas Regulatory Announcement	2014-4-25	Website of Hong Kong Stock Exchange
71	Overseas Regulatory Announcement	2014-4-25	Website of Hong Kong Stock Exchange
72	China Shenhua – First Quarterly Report for the Year 2014	2014-4-26	Website of Shanghai Stock Exchange
73	China Shenhua – Announcement Regarding Online Discussion Forum for Investors	2014-4-26	Website of Shanghai Stock Exchange
74	China Shenhua – Announcement on Resolutions of the 44th Meeting of the 2nd Session of the Board of Directors	2014-4-26	Website of Shanghai Stock Exchange
75	China Shenhua – Announcement on Resolutions of the 21st Meeting of the 2nd Session of the Supervisory Committee	2014-4-26	Website of Shanghai Stock Exchange
76	China Shenhua – Audit Opinion from China International Capital Corporation Limited and China Galaxy Securities Co., Ltd. in Relation to the Idle Proceeds Used for Temporary Replenishment of Current Capital by China Shenhua Energy Company Limited	2014-4-26	Website of Shanghai Stock Exchange
77	China Shenhua – Announcement on Idle Proceeds Used for Temporary Replenishment of Current Capital	2014-4-26	Website of Shanghai Stock Exchange
78	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 April 2014	2014-4-30	Website of Hong Kong Stock Exchange
79	Notice of Annual General Meeting	2014-5-11	Website of Hong Kong Stock Exchange
80	Overseas Regulatory Announcement	2014-5-11	Website of Hong Kong Stock Exchange
81	Notification Letter and Request Form to Registered Holder	2014-5-11	Website of Hong Kong Stock Exchange
82	Notification Letter and Request Form to Non-registered Holder	2014-5-11	Website of Hong Kong Stock Exchange



No.	Event	Date of publication	Website of publication
83	Reply Slip Annual General Meeting	2014-5-11	Website of Hong Kong Stock Exchange
84	Form of Proxy for Annual General Meeting	2014-5-11	Website of Hong Kong Stock Exchange
85	Reply Slip 2014 First Class Meeting of the Holders of H Shares	2014-5-11	Website of Hong Kong Stock Exchange
86	Form of proxy for 2014 First Class Meeting of the Holders of H Shares	2014-5-11	Website of Hong Kong Stock Exchange
87	Notice of 2014 First Class Meeting of the Holders of H Shares	2014-5-11	Website of Hong Kong Stock Exchange
88	Proposal for General Mandate to Repurchase A Shares and H Shares	2014-5-11	Website of Hong Kong Stock Exchange
89	China Shenhua – Notice of Convening Annual General Meeting of 2013	2014-5-12	Website of Shanghai Stock Exchange
90	China Shenhua – Notice of Convening the 1st Shareholders' Meeting of A Shares of 2014	2014-5-12	Website of Shanghai Stock Exchange
91	Announcement on the Major Operational Data April of 2014	2014-5-14	Website of Hong Kong Stock Exchange
92	China Shenhua – Announcement on Major Operational Data in April 2014	2014-5-15	Website of Shanghai Stock Exchange
93	Overseas Regulatory Announcement	2014-5-29	Website of Hong Kong Stock Exchange
94	China Shenhua – Announcement on Progress of the Outstanding Commitment	2014-5-30	Website of Shanghai Stock Exchange
95	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 31 May 2014	2014-6-3	Website of Hong Kong Stock Exchange
96	Overseas Regulatory Announcement	2014-6-6	Website of Hong Kong Stock Exchange
97	China Shenhua – Particulars on the 2013 Annual General Meeting	2014-6-7	Website of Shanghai Stock Exchange
98	China Shenhua – Particulars on 2014 First Class Meeting of the Holders of A Shares	2014-6-7	Website of Shanghai Stock Exchange
99	Overseas Regulatory Announcement	2014-6-16	Website of Hong Kong Stock Exchange
100	China Shenhua – Announcement on Redemption of Ultra-short-term Commercial Papers upon Maturity"	2014-6-17	Website of Shanghai Stock Exchange
101	China Shenhua – Announcement Regarding Passing of Completion and Acceptance Inspection of Baotou Coal-to-Olefins Project	2014-6-17	Website of Shanghai Stock Exchange
102	Announcement on the Major Operational Data May of 2014	2014-6-17	Website of Hong Kong Stock Exchange
103	China Shenhua – Announcement on Major Operational Data in May 2014	2014-6-18	Website of Shanghai Stock Exchange
104	Overseas Regulatory Announcement	2014-6-20	Website of Hong Kong Stock Exchange
105	China Shenhua – Announcement on Results of Issuance of the Third Tranche of Super Short-term Debentures in 2014	2014-6-21	Website of Shanghai Stock Exchange

No.	Event	Date of publication	Website of publication
106	Voting Results of 2013 Annual General Meeting, 2014 First Class Meeting of the Holders of A Shares and 2014 First Class Meeting of the Holders of H Shares	2014-6-27	Website of Hong Kong Stock Exchange
107	Announcement – Notice to Creditors in Relation to a General Mandate to Repurchase of Shares of the Company	2014-6-27	Website of Hong Kong Stock Exchange
108	Overseas Regulatory Announcement	2014-6-27	Website of Hong Kong Stock Exchange
109	Appointment of New Chairman and Vice Chairman of the Board and Appointment of New President	2014-6-27	Website of Hong Kong Stock Exchange
110	Proposed Appointment of Directors and Supervisors	2014-6-27	Website of Hong Kong Stock Exchange
111	Announcement on the Performance of Non-Competition Undertaking	2014-6-27	Website of Hong Kong Stock Exchange
112	Positions Held by Current Directors at the Board and the Board Committees	2014-6-27	Website of Hong Kong Stock Exchange
113	China Shenhua – Announcement on the Performance of Non-Competition Undertaking	2014-6-28	Website of Shanghai Stock Exchange
114	China Shenhua – Declarations Made by Candidates of Independent Directors	2014-6-28	Website of Shanghai Stock Exchange
115	China Shenhua – Declarations Made by Nominators of Independent Directors	2014-6-28	Website of Shanghai Stock Exchange
116	China Shenhua – Announcement on Resolutions of the 45th Meeting of the 2nd Session of the Board of Directors and Changes in Chairman, Vice Chairman and President of the Company	2014-6-28	Website of Shanghai Stock Exchange
117	China Shenhua – Legal Opinion on 2013 Annual General Meeting, 2014 First Class Meeting of the Holders of A Shares and 2014 First Class Meeting of the Holders of H Shares	2014-6-28	Website of Shanghai Stock Exchange
118	China Shenhua – Announcement on Resolutions of 2013 Annual General Meeting	2014-6-28	Website of Shanghai Stock Exchange
119	China Shenhua – Announcement on Resolutions of 2014 First Class Meeting of the Holders of A Shares and 2014 First Class Meeting of the Holders of H Shares	2014-6-28	Website of Shanghai Stock Exchange
120	China Shenhua – Notice to Creditors in Relation to a General Mandate Obtained by the Board of Directors to Repurchase Shares of the Company	2014-6-28	Website of Shanghai Stock Exchange
121	China Shenhua – Announcement on Resolutions of the 22nd Meeting of the 2nd Session of the Supervisory Committee	2014-6-28	Website of Shanghai Stock Exchange
122	Monthly Return of Equity Issuer on Movements in Securities for the Month ended 30 June 2014	2014-6-30	Website of Hong Kong Stock Exchange

Note: Website of Hong Kong Stock Exchange: [www.hkex.com.hk](http://www.hkex.com.hk); Website of Shanghai Stock Exchange: [www.sse.com.cn](http://www.sse.com.cn).

# Deloitte.

## 德勤

**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 condensed consolidated financial statements of China Shenhua Energy Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 72 to 99, which comprise the condensed consolidated statement of financial position as at 30 June 2014 and the related condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes. The Main Board Listing Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with IAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, 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 these condensed consolidated financial statements 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 condensed consolidated financial statements are not prepared, in all material respects, in accordance with IAS 34.

**Deloitte Touche Tohmatsu**

*Certified Public Accountants*

Hong Kong

22 August 2014

# Consolidated Financial Statements

## Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

for the six months ended 30 June 2014

	NOTES	Six months ended 30 June	
		2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)
Revenue	5	129,197	128,662
Cost of sales	6	(89,101)	(86,673)
Gross profit		40,096	41,989
Selling, general and administrative expenses		(4,010)	(4,223)
Other gains and losses		(256)	(188)
Other income		315	180
Other expenses		(142)	(122)
Interest income		293	338
Finance costs	7	(1,915)	(1,310)
Share of results of associates		138	265
<b>Profit before income tax</b>		<b>34,519</b>	36,929
Income tax expense	8	(6,866)	(6,843)
<b>Profit for the period</b>	9	<b>27,653</b>	30,086
<b>Other comprehensive income (expense) for the period, net of tax, that may be subsequently reclassified to profit or loss:</b>			
Exchange differences		277	(526)
<b>Total comprehensive income for the period</b>		<b>27,930</b>	29,560
<b>Profit for the period attributable to:</b>			
Equity holders of the Company		22,775	25,295
Non-controlling interests		4,878	4,791
		<b>27,653</b>	30,086
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the Company		23,050	24,768
Non-controlling interests		4,880	4,792
		<b>27,930</b>	29,560
<b>Earnings per share (RMB)</b>			
– Basic	11	1.145	1.272

## Condensed Consolidated Statement of Financial Position

at 30 June 2014

	NOTES	<b>At 30 June 2014 RMB million (Unaudited)</b>	At 31 December 2013 RMB million (Audited)
<b>Non-current assets</b>			
Property, plant and equipment	12	<b>269,045</b>	262,116
Construction in progress	12	<b>75,007</b>	76,065
Exploration and evaluation assets		<b>2,420</b>	2,251
Intangible assets		<b>1,392</b>	1,446
Interest in associates		<b>4,732</b>	4,866
Available-for-sale investments		<b>1,037</b>	1,032
Other non-current assets	13	<b>35,910</b>	28,148
Lease prepayments	14	<b>13,976</b>	14,243
Deferred tax assets		<b>2,088</b>	1,723
<b>Total non-current assets</b>		<b>405,607</b>	391,890
<b>Current assets</b>			
Inventories	15	<b>18,369</b>	17,641
Accounts and bills receivable	16	<b>34,775</b>	27,221
Prepaid expenses and other current assets	17	<b>29,311</b>	30,274
Restricted bank deposits		<b>7,402</b>	6,648
Time deposits with original maturity over three months		<b>1,440</b>	1,292
Cash and cash equivalents	18	<b>63,469</b>	38,332
<b>Total current assets</b>		<b>154,766</b>	121,408
<b>Current liabilities</b>			
Borrowings	19	<b>43,157</b>	38,503
Short-term debenture		<b>19,959</b>	9,982
Accounts and bills payable	20	<b>38,205</b>	37,800
Accrued expenses and other payables	21	<b>64,830</b>	42,692
Current portion of long-term payables	22	<b>191</b>	311
Income tax payable		<b>2,760</b>	2,221
<b>Total current liabilities</b>		<b>169,102</b>	131,509
<b>Net current assets</b>		<b>(14,336)</b>	(10,101)
<b>Total assets less current liabilities</b>		<b>391,271</b>	381,789

## Condensed Consolidated Statement of Financial Position (continued)

at 30 June 2014

	NOTES	<b>At 30 June 2014 RMB million (Unaudited)</b>	At 31 December 2013 RMB million (Audited)
<b>Non-current liabilities</b>			
Borrowings	19	<b>37,348</b>	37,084
Medium-term notes		<b>4,962</b>	4,958
Long-term payables	22	<b>1,829</b>	1,867
Accrued reclamation obligations	23	<b>2,036</b>	1,973
Deferred tax liabilities		<b>1,251</b>	1,265
<b>Total non-current liabilities</b>		<b>47,426</b>	47,147
<b>Net assets</b>			
		<b>343,845</b>	334,642
<b>Equity</b>			
Share capital	24	<b>19,890</b>	19,890
Reserves		<b>262,016</b>	257,013
Equity attributable to equity holders of the Company		<b>281,906</b>	276,903
Non-controlling interests		<b>61,939</b>	57,739
<b>Total equity</b>		<b>343,845</b>	334,642

These condensed consolidated financial statements on page 72 to 99 were approved and authorised for issue by the Board of Directors on 22 August 2014, and signed on its behalf by:

**Zhang Yuzhuo**  
Chairman

**Han Jianguo**  
Director and President



## Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2014

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Other reserves	Retained earnings			
	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million	RMB million
	(Note 24)	(note (i))	(note (ii))		(note (iii))					
At 1 January 2013	19,890	85,001	3,612	734	16,554	(1,835)	139,227	263,183	49,968	313,151
Profit for the period	-	-	-	-	-	-	25,295	25,295	4,791	30,086
Other comprehensive expense for the period	-	-	-	(527)	-	-	-	(527)	1	(526)
Total comprehensive income for the period	-	-	-	(527)	-	-	25,295	24,768	4,792	29,560
Dividend declared (Note 10)	-	-	-	-	-	-	(19,094)	(19,094)	-	(19,094)
Appropriation of maintenance and production funds (note (iii))	-	-	-	-	2,368	-	(2,368)	-	-	-
Utilisation of maintenance and production funds (note (iii))	-	-	-	-	(1,234)	-	1,234	-	-	-
Acquisition of additional interest in a subsidiary	-	-	-	-	2	1	-	3	(18)	(15)
Capital contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	910	910
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	(493)	(493)
Others	-	-	-	-	-	(151)	-	(151)	-	(151)
At 30 June 2013 (Unaudited, as restated)	19,890	85,001	3,612	207	17,690	(1,985)	144,294	268,709	55,159	323,868

## Condensed Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2014

	Attributable to equity holders of the Company							Total	Non-controlling interests	Total equity
	Share capital	Share premium	Capital reserve	Exchange reserve	Statutory reserves	Other reserves	Retained earnings			
	RMB million (Note 24)	RMB million (note (i))	RMB million (note (ii))	RMB million	RMB million (note (iii))	RMB million	RMB million	RMB million	RMB million	RMB million
At 1 January 2014	19,890	85,001	3,612	(52)	15,031	(11,290)	164,711	276,903	57,739	334,642
Profit for the period	-	-	-	-	-	-	22,775	22,775	4,878	27,653
Other comprehensive expense for the period	-	-	-	275	-	-	-	275	2	277
Total comprehensive income for the period	-	-	-	275	-	-	22,775	23,050	4,880	27,930
Dividend declared (Note 10)	-	-	-	-	-	-	(18,100)	(18,100)	-	(18,100)
Appropriation of maintenance and production funds (note (iii))	-	-	-	-	3,158	-	(3,158)	-	-	-
Utilisation of maintenance and production funds (note (iii))	-	-	-	-	(1,814)	-	1,814	-	-	-
Capital contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	400	400
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	(1,073)	(1,073)
Other	-	-	-	-	-	53	-	53	(7)	46
At 30 June 2014 (Unaudited)	19,890	85,001	3,612	223	16,375	(11,237)	168,042	281,906	61,939	343,845

## Condensed Consolidated Statement of Changes in Equity (continued)

for the six months ended 30 June 2014

Notes:

- (i) Share premium represents the difference between the total amount of the par value of shares issued and the amount of net proceeds received upon the global initial public offering of H shares in 2005 and A shares in 2007.
- (ii) The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets, net of other reserves, transferred from Shenhua Group Corporation Limited ("Shenhua Group") in connection with the Restructuring (as defined in Note 1).
- (iii) Statutory reserves

### *Statutory surplus reserve*

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

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

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

### *Specific reserve for production and maintenance funds*

Pursuant to the relevant PRC regulations, the Group is required to transfer the maintenance and production funds at fixed rates based on production volume to a specific reserve account. 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 account to retained earnings.

### *General reserve*

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

The directors of the Company (the "Directors") have not proposed any appropriation to the general reserve for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

### *Discretionary surplus reserve*

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

The Directors have not proposed any appropriation to the discretionary surplus reserve for the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

## Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB million</b> <b>(Unaudited)</b>	2013 <i>RMB million</i> <i>(Unaudited)</i> <i>(Restated)</i>
<b>OPERATING ACTIVITIES</b>		
Profit before income tax	<b>34,519</b>	36,929
Adjustments for:		
Depreciation and amortisation (Note 9)	<b>10,146</b>	9,280
Other gains and losses (Note 9)	<b>256</b>	188
Interest income	<b>(293)</b>	(338)
Share of results of associates	<b>(138)</b>	(265)
Interest expense	<b>1,789</b>	1,790
Fair value (gain) loss on derivative financial instruments and trading debt securities	<b>(26)</b>	136
Exchange loss (gain), net	<b>152</b>	(616)
Operating cash flows before movements in working capital	<b>46,405</b>	47,104
Increase in inventories	<b>(730)</b>	(3,471)
Increase in accounts and bills receivable	<b>(7,554)</b>	(6,507)
Increase in prepaid expenses and other assets	<b>(3,759)</b>	(8,337)
Increase (decrease) in accounts and bills payable	<b>405</b>	(791)
Increase in accrued expenses and other payables	<b>4,020</b>	485
Cash generated from operations	<b>(38,787)</b>	28,483
Income taxes paid	<b>(6,706)</b>	(9,700)
<b>NET CASH FROM OPERATING ACTIVITIES</b>	<b>32,081</b>	18,783
<b>INVESTING ACTIVITIES</b>		
Acquisition of property, plant and equipment, intangible assets, exploration and evaluation assets, and additions to construction in progress	<b>(17,882)</b>	(21,550)
Increase in lease prepayments	<b>(233)</b>	(116)
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments	<b>25</b>	46
Proceeds from disposal of an associate	<b>–</b>	229
Investments in associates	<b>(8)</b>	(185)
Dividend received from associates	<b>308</b>	214
Interest received	<b>249</b>	301
Interest received on trading debt securities	<b>62</b>	37
Proceeds from trading debt securities	<b>146</b>	–
Net increase in restricted bank deposits	<b>(754)</b>	(279)
Increase in time deposits with original maturity over three months	<b>(576)</b>	(565)
Maturity of time deposits with original maturity over three months	<b>428</b>	1,781
Repayment of entrusted loans	<b>15</b>	–
Entrusted loans to a third party	<b>(37)</b>	–
<b>NET CASH USED IN INVESTING ACTIVITIES</b>	<b>(18,257)</b>	(20,087)

## Condensed Consolidated Statement of Cash Flows (continued)

for the six months ended 30 June 2014

	<b>Six months ended 30 June</b>	
	<b>2014</b> <b>RMB million</b> <b>(Unaudited)</b>	2013 <i>RMB million</i> <i>(Unaudited)</i> <i>(Restated)</i>
<b>FINANCING ACTIVITIES</b>		
Interest paid	<b>(2,190)</b>	(2,033)
Proceeds from borrowings	<b>30,699</b>	14,633
Repayments of borrowings	<b>25,944</b>	(21,691)
Net proceeds from short-term debentures	<b>19,945</b>	–
Payments of short-term debentures	<b>(10,000)</b>	–
Contributions from non-controlling shareholders	<b>400</b>	910
Contributions from equity holders of the Company	<b>53</b>	–
Distributions to non-controlling shareholders	<b>(1,652)</b>	(1,383)
Acquisition of non-controlling interest	<b>–</b>	(15)
<b>NET CASH USED IN FINANCING ACTIVITIES</b>	<b>11,311</b>	(9,579)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>25,135</b>	(10,883)
<b>CASH AND CASH EQUIVALENTS AT 1 JANUARY</b>	<b>38,332</b>	51,637
Effect of foreign exchange rate changes	<b>2</b>	(47)
<b>CASH AND CASH EQUIVALENTS AT 30 JUNE</b>	<b>63,469</b>	40,707

# Notes to the Condensed Consolidated Financial Statements

for the six months ended 30 June 2014

## 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 coal chemical product; 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. 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.

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

On 8 November 2004, in consideration for Shenhua Group transferring the coal mining and power generating assets and liabilities to the Company, the Company issued 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each to Shenhua Group. The shares issued to Shenhua Group represented the entire registered and paid-up share capital of the Company at that date.

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

## 2. Basis of Preparation

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" ("IAS 34") issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

## 3. Principal Accounting Policies

The condensed consolidated financial statements have been prepared on historical cost basis except for certain financial instruments which are measured at fair values.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2014 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2013.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 3. Principal Accounting Policies (continued)

In the current interim period, the Group has applied, for the first time, the following new interpretation and amendments to International Financial Reporting Standards ("IFRSs") issued by IASB:

Amendments to IFRS 10, IFRS 12 and IAS 27	<i>Investment Entities</i>
Amendments to IAS 32	<i>Offsetting Financial Assets and Financial Liabilities</i>
Amendments to IAS 36	<i>Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to IAS 39	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IFRIC 21	<i>Levies</i>

The application of the above interpretation and amendments to IFRSs in the current interim period has had no material effect on the amounts reported in these condensed consolidated financial statements and/or disclosures set out in these condensed consolidated financial statements.

### 4. Restatements Arising From Acquisitions of Subsidiaries Under Common Control

On 23 December 2013, the Company completed the acquisition from Shenhua Group the 100% equity interests in Shenhua Baotou Coal Chemical Co., Ltd. ("Baotou Company") and Shenhua Guohua Jiujiang Power Co., Ltd. ("Jiujiang Power") (collectively referred to as "2013 Acquisitions") for a cash consideration of RMB9,273 million and RMB50 million, respectively.

As the Company, Baotou Company and Jiujiang Power were under common control of Shenhua Group before and after the 2013 Acquisitions, the acquisitions are considered as a combination of businesses under common control. The principle of merger accounting for business combination involving entities under common control has therefore been applied, pursuant to which the condensed consolidated financial statements of the Group have been prepared as if Baotou Company and Jiujiang Power have been subsidiaries of the Group since the beginning of year 2013.

As a result of 2013 Acquisitions, the relevant line items in the condensed consolidated statement of profit or loss and other comprehensive income and condensed consolidated statement of cash flows for six months ended 30 June 2013 have been restated as follows:

	<b><i>The Group (as previously reported) RMB million</i></b>	<b><i>Effect of 2013 Acquisitions RMB million</i></b>	<b><i>Eliminations RMB million</i></b>	<b><i>The Group RMB million (Restated)</i></b>
<b>Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June 2013:</b>				
Revenue	127,226	2,895	(1,459)	128,662
Cost of sales	(86,030)	(2,102)	1,459	(86,673)
Selling, general and administrative expenses	(4,156)	(67)	–	(4,223)
Interest income	329	9	–	338
Finance costs	(1,176)	(134)	–	(1,310)
<b>Condensed consolidated statement of cash flows for the six months ended 30 June 2013:</b>				
Net cash generated from (used in):				
Operating activities	17,918	880	(15)	18,783
Investing activities	(19,844)	(243)	–	(20,087)
Financing activities	(8,953)	(626)	–	(9,579)



## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 5. Revenue

The Group is principally engaged in the production and sale of coal and coal chemical products, generation and sale of power and the provision of transportation services in the PRC.

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Coal revenue	<b>71,230</b>	82,957
Power revenue	<b>36,334</b>	36,463
Transportation revenue	<b>2,330</b>	2,399
Coal chemical revenue	<b>3,181</b>	2,658
	<b>113,075</b>	124,477
Other revenue	<b>16,122</b>	4,185
	<b>129,197</b>	128,662

### 6. Cost of Sales

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Coal purchased	<b>26,324</b>	36,023
Materials, fuel and power	<b>9,007</b>	9,972
Personnel expenses	<b>5,054</b>	5,475
Depreciation and amortisation	<b>8,963</b>	8,424
Repairs and maintenance	<b>4,389</b>	3,969
Transportation charges	<b>7,864</b>	8,194
Taxes and surcharges	<b>1,869</b>	2,409
Others	<b>25,631</b>	12,207
	<b>89,101</b>	86,673

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 7. Finance Costs

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Interest on borrowings	<b>2,548</b>	2,105
Less: amount capitalised	<b>(855)</b>	(407)
	<b>1,693</b>	1,698
Unwinding of discount	<b>96</b>	92
Exchange loss (gain), net	<b>152</b>	(616)
Fair value changes on financial instruments	<b>(26)</b>	136
	<b>1,915</b>	1,310

### 8. Income Tax

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Provision for PRC income tax	<b>7,245</b>	7,184
Deferred tax	<b>(379)</b>	(341)
	<b>6,866</b>	6,843

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% (six months ended 30 June 2013: 25%) except for certain group entities which are entitled to a concessionary tax rate as disclosed below.

In accordance with the relevant documents issued by the state and local tax bureau of the PRC in 2011 and 2012, certain of the Group's branches and subsidiaries operating in the western developing region of the PRC are entitled to a preferential tax rate of 15% from 2011 to 2020.

The applicable tax rates of the Group's overseas subsidiaries are as follows:

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>%</b>	%
Australia	<b>30.0</b>	30.0
Indonesia	<b>25.0</b>	25.0
Russia	<b>20.0</b>	20.0
Hong Kong	<b>16.5</b>	16.5

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 Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 9. Profit for the Period

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Personnel expenses, including	<b>8,467</b>	8,971
– contributions to retirement plans	<b>1,172</b>	1,200
Depreciation of property, plant and equipment	<b>9,592</b>	8,827
Amortisation of intangible assets, included in cost of sales	<b>107</b>	31
Amortisation of lease prepayments, included in cost of sales	<b>193</b>	185
Amortisation of other non-current assets	<b>254</b>	237
	<b>10,146</b>	9,280
Other gains and losses, represent		
– losses on disposal of property, plant and equipment	<b>10</b>	226
– gains on disposal of an associate	<b>–</b>	(152)
– impairment in respect of properties and equipment	<b>131</b>	–
– impairment of loans receivable	<b>106</b>	109
– impairment of accounts and other receivables	<b>7</b>	(11)
– write down of inventories	<b>2</b>	16
	<b>256</b>	188
Carrying amount of inventories sold	<b>59,769</b>	55,635
Operating lease in respect of properties and equipment	<b>182</b>	189
Exchange loss (gain), net	<b>152</b>	(616)

### 10.Dividends

A final dividend of RMB0.91 per share totalling RMB18,100 million in respect of the year ended 31 December 2013 was approved at the annual general meeting held on 27 June 2014 and was subsequently paid in July and August 2014.

Pursuant to the shareholders' approval at the annual general meeting held on 21 June 2013, a final dividend of RMB0.96 per share totalling RMB19,094 million in respect of the year ended 31 December 2012 was approved and paid in July and August 2013.

The directors of the Company have determined that no dividend will be paid in respect of the current interim period.

### 11.Earnings Per Share

The calculation of basic earnings per share for the six months ended 30 June 2014 was based on the profit attributable to equity holders of the Company of RMB22,775 million (six months ended 30 June 2013: RMB25,295 million, as restated) and the number of shares in issue during the six months ended 30 June 2014 of 19,890 million (six months ended 30 June 2013: 19,890 million) shares.

No diluted earnings per share is presented as there were no potential ordinary shares outstanding during both periods.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 12. Property, Plant and Equipment and Construction in Progress

During the six months ended 30 June 2014, the additions of property, plant and equipment (excluding transferred from construction in progress) and construction in progress were amounting to RMB2,762 million (six months ended 30 June 2013: RMB706 million, as restated) and RMB12,443 million (six months ended 30 June 2013: RMB15,019 million, as restated), respectively.

The Group is in the process of applying for the title certificates of certain of its properties with an aggregate carrying amount of RMB5,543 million as at 30 June 2014 (31 December 2013: RMB5,334 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

As of 30 June 2014, the Group is in the process of obtaining requisite permits for certain of its power plants, coal mines and railway from the relevant government authorities. The Directors are of the opinion that the Group will be able to obtain the requisite permits in due course.

Impairment loss of RMB131 million was recognised by the Group during the six months ended 30 June 2014 (six months ended 30 June 2013: Nil).

As of 30 June 2014, the Group has bank loans to be secured by the Group's assets with carrying amount of RMB2,122 million (31 December 2013: RMB2,160 million).

### 13. Other Non-Current Assets

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Prepayments in connection with construction work, equipment purchases and others	<b>12,239</b>	10,300
Prepayment for mining projects	<b>10,500</b>	9,500
Loans to Shenhua Group and fellow subsidiaries	<b>8,110</b>	3,453
Long-term entrusted loans to an associate of the Group	<b>627</b>	627
Goodwill	<b>962</b>	962
Others	<b>3,472</b>	3,306
	<b>35,910</b>	28,148

### 14. Lease Prepayments

Lease prepayments represent amounts paid to the PRC's government authorities for land use rights held by the Group. The Group is in the process of applying certain land use rights certificates with an aggregate carrying amount of RMB1,500 million as at 30 June 2014 (31 December 2013: RMB1,829 million). The Directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 15. Inventories

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Coal	<b>5,862</b>	5,246
Materials and supplies	<b>10,503</b>	10,449
Others (note)	<b>2,004</b>	1,946
	<b>18,369</b>	17,641

Note: Others mainly represent properties held for sale and properties under development.

### 16. Accounts and Bills Receivable

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Accounts receivable		
Shenhua Group and fellow subsidiaries	<b>1,912</b>	2,087
Associates	<b>8</b>	138
Third parties	<b>24,081</b>	19,866
	<b>26,001</b>	22,091
Less: allowance for doubtful debts	<b>(47)</b>	(48)
	<b>25,954</b>	22,043
Bills receivable	<b>8,821</b>	5,178
	<b>34,775</b>	27,221

Bills receivable were issued by PRC banks and are expiring within six months.

The Group allows an average credit period up to 45 days to its customers with established trading history, otherwise sales on cash terms are required.

The following is an analysis of accounts and bills receivable by age, net of allowance for doubtful debts, presented based on invoice date, which approximated revenue recognition date.

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Less than one year	<b>34,627</b>	26,988
One to two years	<b>82</b>	159
Two to three years	<b>52</b>	67
More than three years	<b>14</b>	7
	<b>34,775</b>	27,221

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 17. Prepaid Expenses and Other Current Assets

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Fair value of derivative financial instruments	<b>95</b>	106
Trading debt securities	<b>399</b>	389
Prepaid expenses and deposits	<b>10,291</b>	8,244
Loans and advances to Shenhua Group and fellow subsidiaries	<b>10,898</b>	13,936
Amounts due from associates	<b>106</b>	50
Advances to staff	<b>5</b>	3
Other receivables	<b>7,517</b>	7,546
	<b>29,311</b>	30,274

### 18. Cash and Cash Equivalents

Cash and cash equivalents in the condensed consolidated statement of financial position and the condensed consolidated statement of cash flows comprise cash on hand, cash at banks and time deposits with original maturity within three months.

### 19. Borrowings

An analysis of the Group's current borrowings and non-current borrowings are as follows:

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Current borrowings:		
Short-term banks and other borrowings	<b>36,955</b>	28,155
Current portion of long-term bank borrowings	<b>6,202</b>	10,348
	<b>43,157</b>	38,503
Non-current borrowings:		
Long-term bank borrowings, less current portion	<b>37,348</b>	37,084
	<b>80,505</b>	75,587
Secured	<b>7,085</b>	7,554
Unsecured	<b>73,420</b>	68,033
	<b>80,505</b>	75,587
The exposure of the borrowings and the contractual maturity dates:		
Within one year	<b>43,157</b>	38,503
More than one year, but not exceeding two years	<b>5,311</b>	5,152
More than two years, but not exceeding five years	<b>10,487</b>	12,995
More than five years	<b>21,550</b>	18,937
	<b>80,505</b>	75,587

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 20.Accounts and Bills Payable

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Accounts payable		
Shenhua Group, an associate of Shenhua Group and fellow subsidiaries	<b>1,237</b>	1,327
Associates	<b>321</b>	889
Third parties	<b>34,293</b>	34,183
	<b>35,851</b>	36,399
Bills payable	<b>2,354</b>	1,401
	<b>38,205</b>	37,800

The following is an aging analysis of accounts and bills payable, presented based on the invoice date.

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Less than one year	<b>35,002</b>	33,126
One to two years	<b>1,221</b>	2,613
Two to three years	<b>1,419</b>	1,436
More than three years	<b>563</b>	625
	<b>38,205</b>	37,800

### 21.Accrued Expenses and Other Payables

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Accrued staff wages and welfare benefits	<b>4,302</b>	4,222
Accrued interest payable	<b>694</b>	411
Taxes payable other than income tax	<b>3,669</b>	3,578
Dividends payable	<b>20,058</b>	2,537
Receipts in advances	<b>5,358</b>	4,601
Deposits from Shenhua Group and fellow subsidiaries	<b>24,035</b>	20,963
Other accrued expenses and payables	<b>6,714</b>	6,380
	<b>64,830</b>	42,692



## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 22. 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.

### 23. 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. Accordingly, the actual costs and cash flows may differ from estimates. The Directors believe that the accrued reclamation obligations at 30 June 2014 are adequate and appropriate.

### 24. Share Capital

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Registered, issued and fully paid:		
16,491,037,955 domestic listed A shares of RMB1.00 each	<b>16,491</b>	16,491
3,398,582,500 H shares of RMB1.00 each	<b>3,399</b>	3,399
	<b>19,890</b>	19,890

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

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

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

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.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 25. Commitments and Contingent Liabilities

#### (a) Capital commitments

As at 30 June 2014, the Group had capital commitments for land and buildings, equipment and investments as follows:

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Authorised and contracted for		
– Land and buildings	<b>23,043</b>	26,691
– Machinery and others	<b>29,806</b>	31,464
	<b>52,849</b>	58,155
Authorised but not contracted for		
– Land and buildings	<b>233,014</b>	236,289
– Machinery and others	<b>49,774</b>	54,172
	<b>282,788</b>	290,461
	<b>335,637</b>	348,616

#### (b) Operating lease commitments – the Group as lessee

As at 30 June 2014, the Group had commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Within one year	<b>44</b>	21
After one year but within five years	<b>8</b>	2
After five years	<b>22</b>	10
	<b>74</b>	33

#### (c) Financial guarantees issued

At 30 June 2014, the Group had issued certain guarantees in respect of certain banking facilities granted to an entity which the Group held less than 20% equity interest and an associate of the Group. The maximum amount guaranteed are RMB200million (31 December 2013: RMB201 million) and RMB60 million (31 December 2013: RMB60 million) respectively.

#### (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.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 25. Commitments and Contingent Liabilities (continued)

#### (e) Environmental contingencies

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

### 26. Fair Value Measurement of Financial Instruments

#### **Fair value of financial assets that are measured at fair value on a recurring basis**

As of 30 June 2014, the Group has trading debt securities and cross currency interest rate swaps (all classified as held for trading financial instruments) measured at fair value of RMB399 million (31 December 2013: RMB389 million) and RMB95 million (31 December 2013: RMB106 million), respectively.

The Level 1 fair value of trading debt securities is measured at quoted bid prices in the relevant active market.

The Level 2 fair value of the cross currency interest rate swaps is measured using discounted cash flow method where the future cash flows are estimated based on forward foreign currency and interest rates from observable yield curves at the end of the reporting period and contracted exchange rate and interest rate, discounted at a rate that reflects the credit risk of various relevant counterparties.

#### **Fair value of financial assets and financial liabilities that are not measured at fair value on a recurring basis**

Except as detailed in the following table, the Directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the condensed consolidated financial statements approximate their fair values:

	At 30 June 2014		At 31 December 2013	
	Carrying amount RMB million (Unaudited)	Fair value RMB million (Unaudited)	Carrying amount RMB million (Audited)	Fair value RMB million (Audited)
<b>Financial liabilities:</b>				
Fixed rate bank loans	36,954	34,376	17,142	16,860
Fixed rate medium-term notes	4,962	5,089	4,958	4,878

The fair values of fixed rate bank loans and medium-term notes above in the Level 2 categories is measured using discounted cash flow method where the future cash flows are estimated based on the contract and discounted at a rate that reflects the credit risk of various relevant counterparties.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 27. Related Party Transactions

#### (a) Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associates of the Group

The Group had the following transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associates of the Group that were carried out in the normal course of business:

		<b>Six months ended 30 June</b>	
		<b>2014</b>	2013
		<b>RMB million</b>	RMB million
		<b>(Unaudited)</b>	(Unaudited)
		<i>(Restated)</i>	
Interest income	(i)	<b>516</b>	297
Income from entrusted loans	(ii)	<b>36</b>	23
Interest expense	(iii)	<b>213</b>	289
Purchases of ancillary materials and spare parts	(iv)	<b>1,073</b>	930
Mining service income	(v)	<b>365</b>	707
Ancillary and social services	(vi)	<b>182</b>	47
Transportation service income	(vii)	<b>193</b>	290
Transportation service expense	(viii)	<b>13</b>	36
Sale of coal	(ix)	<b>2,676</b>	2,222
Purchase of coal	(x)	<b>4,510</b>	3,460
Property leasing	(xi)	–	9
Repairs and maintenance services expense	(xii)	–	4
Coal export agency expense	(xiii)	<b>4</b>	6
Purchase of equipment and construction work	(xiv)	<b>464</b>	914
Sale of coal chemical product	(xv)	<b>940</b>	1,470
Other income	(xvi)	<b>1,971</b>	2,157
Granting of loans from Shenhua Finance	(xvii)	<b>8,577</b>	8,180
Repayment of loans from Shenhua Finance	(xviii)	<b>6,645</b>	894
Repayment of entrusted loan	(xix)	<b>15</b>	–
Deposits received (paid) by shenhua Group	(xx)	<b>3,072</b>	3,221
Repayment of loans from Shenhua Group	(xxi)	<b>4,112</b>	–

- (i) Interest income represents interest earned from loans to Shenhua Group and fellow subsidiaries and is included in “revenue-other revenue” of the Group (Note 5). The applicable interest rate is determined in accordance with the prevailing borrowings rates published by the People’s Bank of China (“PBOC”).
- (ii) Income from entrusted loans represents interest earned from entrusted loans to an associate of the Group. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by PBOC.
- (iii) Interest expense represents interest incurred from deposits placed by Shenhua Group and fellow subsidiaries and is included in “cost of sales-others” of the Group (Note 6). The applicable interest rate is determined in accordance with the prevailing interest rates published by PBOC.
- (iv) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies related to the Group’s operations from fellow subsidiaries and an associate of the Group.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 27. Related Party Transactions (continued)

#### **(a) Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associates of the Group (continued)**

- (v) Mining service income represents income earned from coal mining services to Shenhua Group.
- (vi) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to fellow subsidiaries and associates of the Group.
- (vii) Transportation service income represents income earned from an associate of Shenhua Group, fellow subsidiaries and associates of the Group in respect of coal transportation services.
- (viii) Transportation service expense represents expense related to coal transportation service provided by a fellow subsidiary and associates of the Group.
- (ix) Sale of coal represents income from sale of coal to fellow subsidiaries.
- (x) Purchase of coal represents coal purchased from an associate of Shenhua Group and fellow subsidiaries and an associate of the Group.
- (xi) Property leasing represents rental paid or payable in respect of properties leased from fellow subsidiaries.
- (xii) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by fellow subsidiaries and an associate of the Group.
- (xiii) Coal export agency expense represents expense related to coal export agency services provided by a fellow subsidiary.
- (xiv) Purchase of equipment and construction work represents expenditure related to equipment and construction service provided by fellow subsidiaries and an associate of the Group.
- (xv) Sale of coal chemical product represents income from sale of coal chemical product to a fellow subsidiary.
- (xvi) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, financial service income, etc.
- (xvii) Granting of loans from Shenhua Finance represents loans granted by Shenhua Finance to fellow subsidiaries.
- (xviii) Repayment of loans to Shenhua Finance represents loans repaid by fellow subsidiaries to Shenhua Finance.
- (xix) Repayment of entrusted loan represents an entrusted loan repaid by an associate of the Group.
- (xx) Receipt of deposits by Shenhua Finance represents net deposits received by Shenhua Finance from Shenhua Group and fellow subsidiaries.
- (xxi) Repayment of loans from Shenhua Group and fellow subsidiaries by the Group.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 27. Related Party Transactions (continued)

#### (a) Transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associates of the Group (continued)

The Directors are of the opinion that the above transactions with related parties were conducted in the ordinary course of business and in accordance with the agreements governing such transactions.

The amounts due from/to Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associates of the Group are as follows:

	<b>At 30 June 2014 RMB million</b>	<i>31 December 2013 RMB million</i>
Accounts and bills receivable	<b>1,920</b>	2,225
Prepaid expenses and other current assets	<b>11,402</b>	14,375
Other non-current assets	<b>8,966</b>	4,113
Total amounts due from Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associates of the Group	<b>22,288</b>	20,713
Borrowings	<b>2,774</b>	6,886
Accounts payable	<b>1,558</b>	2,216
Accrued expenses and other payables	<b>28,307</b>	21,934
Total amounts due to Shenhua Group, an associate of Shenhua Group and fellow subsidiaries, and associates of the Group	<b>32,639</b>	31,036

#### (b) Compensation of key management personnel

The remuneration of Directors and other members of key management personnel during the period was as follows:

	<b>Six months ended 30 June</b>	
	<b>2014 RMB million (Unaudited)</b>	<i>2013 RMB million (Unaudited)</i>
Short-term employee benefits	<b>5</b>	4
Post-employment benefits	<b>1</b>	1
	<b>6</b>	5

The above remuneration is included in "personnel expenses" as disclosed in Note 9.

#### (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.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 27.Related Party Transactions (continued)

#### (d) Transactions with other government-related-entities in the PRC

The Company is ultimately controlled by the PRC government and the Group operates in an economic environment currently predominated by entities controlled, jointly controlled or significantly influenced by the PRC government ("government-related-entities").

Other than those transactions with Shenhua Group, an associate of Shenhua Group, fellow subsidiaries and associates of the Group as disclosed above, the Group conducts business with other government-related-entities which include but are not limited to the following:

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

These transactions are conducted in the ordinary course of the business on terms comparable to those with other entities that are not government-related. The Group has established its pricing policies in respect of sale of goods and provision of services, and approval process for purchases of products and services. Such policies and approval process apply to all counter-parties regardless of whether the counterparty is government-related or not.

Having considered the potential impact of the Group's pricing strategy and approval process on the transaction with the government-related-entities, the Directors are of the opinion that the disclosure of the following information are required:

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

	<b>Six months ended 30 June</b>	
	<b>2014</b>	2013
	<b>RMB million</b>	RMB million
	<b>(Unaudited)</b>	(Unaudited)
		(Restated)
Coal revenue	<b>41,786</b>	54,531
Power revenue	<b>35,581</b>	35,478
Transportation costs	<b>5,603</b>	7,026
Interest income	<b>231</b>	318
Interest expenses	<b>1,576</b>	1,501



## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 27.Related Party Transactions (continued)

#### (d) Transactions with other government-related-entities in the PRC (continued)

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

	<b>At 30 June 2014 RMB million (Unaudited)</b>	<i>At 31 December 2013 RMB million (Audited)</i>
Accounts and bills receivable	<b>16,299</b>	17,370
Prepaid expenses and other current assets	<b>1,664</b>	1,636
Cash and time deposits at banks	<b>64,868</b>	39,433
Restricted bank deposits	<b>7,402</b>	6,648
Borrowings	<b>77,694</b>	68,629
Accrued expenses and other payables	<b>2,051</b>	4,722

### 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 2014 were RMB1,172 million (six months ended 30 June 2013: RMB1,200 million, as restated).

### 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 six 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 sells its coal under long-term coal supply contracts and at spot market. The long-term coal supply contracts typically allow the parties to make annual price adjustments.
- (2) Power operations – which uses coal, sourced from the coal 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.

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 29.Segment and Other Information (continued)

- (3) Railway operations – which provides railway transportation services to the coal segment and external customers. The rates of freight charges billed to the coal segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.
- (4) Port operations – which provides loading, transportation and storage services to the coal segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.
- (5) Shipping operations – which provides shipment transportation services to the power segment, the coal segment and external customers. The rates of freight charges billed to the power segment, the coal segment and external customers are consistent.
- (6) Coal chemical operations – which use coal from the coal segment to first produce methanol and further process into polyethylene and polypropylene, together with other by-products, for sale.

#### (a) Segment results

For the purposes of assessing segment performance and allocating resources between segments, the Group's most senior executive management monitors the results attributable to each reportable segment based on profit before income tax ("reportable segment profit"). Segment profit represents the profit earned by each segment without allocation of head office and corporate items. Inter-segment sales are charged at prevailing market rate which are the same as those charged to external customers.

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 2014 and 2013 is set out below.

	Six months ended 30 June													
	Coal		Power		Railway		Port		Shipping		Coal chemical		Segment total	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	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
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
		(Restated)				(Restated)						(Restated)		(Restated)
Revenue from external customers	85,888	86,023	36,855	36,868	1,566	1,549	152	81	769	948	3,430	2,895	128,660	128,364
Inter-segment revenue	17,678	17,407	219	232	13,467	12,868	1,906	1,728	976	822	-	-	34,246	33,057
Reportable segment revenue	103,566	103,430	37,074	37,100	15,033	14,417	2,058	1,809	1,745	1,770	3,430	2,895	162,906	161,421
Profit before income tax	15,936	21,091	9,400	7,610	7,567	7,216	627	709	282	72	853	602	34,665	37,300
Including:														
Interest expenses	357	206	344	1,076	100	127	737	108	9	8	125	134	1,672	1,659
Depreciation and amortisation	3,675	2,795	3,819	4,456	1,704	1,228	400	297	107	45	395	393	10,100	9,214
Share of results of associates	29	61	108	192	-	-	7	5	-	-	-	-	144	258

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 29. Segment and Other Information (continued)

#### (b) Reconciliations of reportable segment revenue, profit before income tax and other items of profit or loss for the six months ended 30 June 2014 and 2013

	Six months ended 30 June									
	Share of results of associates		Depreciation and amortisation		Interest expenses		Profit before income tax		Revenue	
	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)
Reportable segment amounts	144	258	10,100	9,214	1,672	1,659	34,665	37,300	162,906	161,421
Elimination of inter-segment amounts	-	-	-	-	(1,124)	(464)	(148)	(158)	(34,246)	(33,057)
Unallocated head office and corporate items	(6)	7	46	66	1,241	595	2	(213)	537	298
Consolidated	138	265	10,146	9,280	1,789	1,790	34,519	36,929	129,197	128,662

#### (c) Other information

Certain other information of the Group's reportable segments for the six months ended 30 June 2014 and 2013 is set out below:

	Six months ended 30 June																	
	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)	2014 RMB million (Unaudited)	2013 RMB million (Unaudited) (Restated)
Coal purchased	26,324	36,023	-	-	-	-	-	-	-	-	-	-	-	-	-	-	26,324	36,023
Cost of coal production	20,684	20,246	-	-	-	-	-	-	-	-	-	-	-	-	(5,685)	(5,102)	14,999	15,144
Cost of coal transportation	22,041	19,761	-	-	5,805	6,021	883	851	613	774	-	-	-	-	(22,424)	(20,549)	6,918	6,858
Power cost	-	-	25,573	27,323	-	-	-	-	-	-	-	-	-	-	(5,765)	(7,052)	19,808	20,271
Cost of coal chemical production	-	-	-	-	-	-	-	-	-	-	2,116	1,865	-	-	(214)	(286)	1,902	1,579
Others	16,540	4,221	354	413	994	918	89	49	839	892	246	237	88	68	-	-	19,150	6,798
Total cost of sales	85,589	80,251	25,927	27,736	6,799	6,939	972	900	1,452	1,666	2,362	2,102	88	68	(34,088)	(32,989)	89,101	86,673
Segment operating profit	16,164	21,126	10,030	8,299	7,746	6,945	841	732	244	67	980	728	407	(30)	(572)	(235)	35,840	37,652
Additions to non-current assets (note (i))	2,945	4,910	6,891	3,784	4,596	4,465	489	2,503	556	375	102	249	376	560	-	-	15,955	16,846

## Notes to the Condensed Consolidated Financial Statements (continued)

for the six months ended 30 June 2014

### 29. Segment and Other Information (continued)

#### (c) Other information (continued)

	Coal		Power		Railway		Port		Shipping		Coal chemical		Unallocated items		Eliminations		Total	
	December June 30 2014 RMB million (Unaudited)	December 31 2013 RMB million (Audited)	December June 30 2014 RMB million (Unaudited)	December 31 2013 RMB million (Audited)	December June 30 2014 RMB million (Unaudited)	December 31 2013 RMB million (Audited)	December June 30 2014 RMB million (Unaudited)	December 31 2013 RMB million (Audited)	December June 30 2014 RMB million (Unaudited)	December 31 2013 RMB million (Audited)	December June 30 2014 RMB million (Unaudited)	December 31 2013 RMB million (Audited)	December June 30 2014 RMB million (Unaudited)	December 31 2013 RMB million (Audited)	December June 30 2014 RMB million (Unaudited)	December 31 2013 RMB million (Audited)	December June 30 2014 RMB million (Unaudited)	December 31 2013 RMB million (Audited)
Total assets (note (ii))	241,075	224,803	189,141	178,457	116,434	104,061	21,957	20,709	8,207	8,114	13,215	13,340	364,514	320,241	(394,170)	(356,427)	560,373	513,298
Total liabilities (note (iii))	(126,106)	(115,964)	(108,530)	(106,656)	(60,370)	(54,601)	(10,402)	(10,877)	(2,434)	(2,643)	(6,990)	(7,780)	(195,921)	(137,031)	294,225	256,896	(216,528)	(178,656)

Notes:

- (i) Non-current assets exclude financial instruments and deferred tax assets.
- (ii) Unallocated items of total assets include deferred tax assets and other unallocated corporate assets. Unallocated items of total liabilities include deferred tax liabilities and other unallocated corporate liabilities.

### 30. Restatement of Comparative Figures

Certain comparative figures have been adjusted as a result of the 2013 acquisitions. Further details are disclosed in Note 4.

# Documents Available for Inspection

1. The interim report for the year 2014 signed by the legal representative;
2. The financial statements signed and sealed by the legal representative, the Chief Financial Officer and the General Manager of the Financial Department;
3. The original copy of the review report sealed by the accounting firm and signed by the certified public accountants;
4. The original copies of all documents and announcements of the Company publicly disclosed in the newspapers designated by the CSRC during the reporting period;
5. The interim report for the year 2014 published on the Shanghai Stock Exchange and the Hong Kong Stock Exchange.

**Zhang Yuzhuo**

Chairman

China Shenhua Energy Company Limited

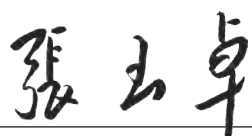
22 August 2014

# Signing Page for Opinions

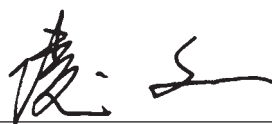
## Written Confirmation of the 2014 Interim Report

Pursuant to Article 68 of the Securities Law of the People's Republic of China and Article 11 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 2014), having fully understood and reviewed the 2014 Interim Report of the Company, the board of directors and all directors are of the opinion that information disclosed in the 2014 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 content thereof.

Signature of all directors of the Company:



(Zhang Yuzhuo)



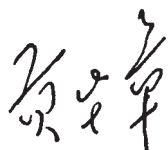
(Ling Wen)



(Han Jianguo)



(Fan Hsu Lai Tai)



(Gong Huazhang)



(Guo Peizhang)



(Kong Dong)



(Chen Hongsheng)

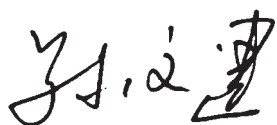
China Shenhua Energy Company Limited

22 August 2014

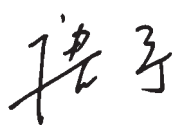
## Written Review Opinion on the 2014 Interim Report

Pursuant to Article 68 of the Securities Law of the People's Republic of China and Article 11 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 2014), having fully understood and reviewed the 2014 Interim Report of the Company, the supervisory committee and all supervisors are of the opinion that information disclosed in the 2014 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 content thereof.

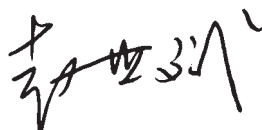
Signature of all supervisors of the Company:



(Sun Wenjian)



(Tang Ning)



(Zhao Shibin)

**China Shenhua Energy Company Limited**

22 August 2014



## Written Confirmation of the 2014 Interim Report

Pursuant to Article 68 of the Securities Law of the People's Republic of China and Article 11 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 2014), having fully understood and reviewed the 2014 Interim Report of the Company, all senior management members of the Company are of the opinion that information disclosed in the 2014 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 content thereof.

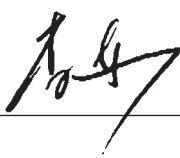
Signature of all senior management members of the Company:



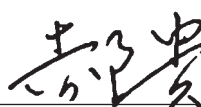
(Han Jianguo)



(Wang Xiaolin)



(Li Dong)



(Hao Gui)



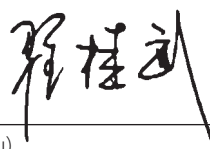
(Xue Jilian)



(Wang Pingang)



(Wang Jinli)



(Zhai Guiwu)



(Huang Qing)



(Zhang Kehui)

**China Shenhua Energy Company Limited**

22 August 2014

# Definitions

No.	Abbreviation	Full name
1	Shenhua Group Corporation	Shenhua Group Corporation Limited
2	Shenhua Group	Shenhua Group Corporation Limited and its controlling subsidiaries
3	China Shenhua or the Company	China Shenhua Energy Company Limited
4	The Group	the Company and its subsidiaries
5	Branches and Subsidiaries	Branches and subsidiaries of the Company
6	Shendong Coal Group Corporation	Shenhua Shendong Coal Group Co., Ltd.
7	Shendong Coal Group	the corporation conglomerate consisting of Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
8	Shendong Coal Branch	China Shenhua Energy Company Limited Shendong Coal Branch
9	Guohua Power Branch	Guohua Power Branch of the Company
10	Guohua Power	Beijing Guohua Power Company Limited
11	Baoshen Railway Group	Shenhua Baoshen Railway Co., Ltd.
12	Shenhua Guoneng Group	Shenhua Guoneng Group Co., Ltd.
13	Shendong Power Company	Shenhua Shendong Power Co., Ltd.
14	Coal Liquefaction and Chemical Company	China Shenhua Coal Liquefaction and Chemical Co., Ltd.
15	Zhunge'er Energy Company	Shenhua Zhunge'er Energy Co., Ltd.
16	Ha'erwusu Branch	Ha'erwusu Coal Branch of the Company
17	Zhunge'er Power	Power-generating arm controlled and operated by Zhunge'er Energy Company
18	Zhunchi Railway Company	Shenhua Zhunchi Railway Company Limited
19	Shuohuang Railway Company	Shuohuang Railway Development Co., Ltd.
20	Shenhua Trading Group	Shenhua Trading Group Limited
21	Coal Trading Company	Shenhua Coal Trading Company Limited
22	Shenshuo Railway Branch	Shenshuo Railway Branch of the Company
23	Huanghua Harbour Administration Company	Shenhua Huanghua Harbour Administration Co., Ltd.
24	Baoshen Railway Company	Shenhua Baoshen Railway Co., Ltd.
25	Xinzhun Railway Company	Shenhua Xinzhun Railway Co., Ltd.
26	Baotou Energy Company	Shenhua Baotou Energy Co., Ltd.
27	Baotou Coal Chemical Company	Shenhua Baotou Coal Chemical Co., Ltd.
28	Shenbao Energy Company	Shenhua Baorixile Energy Co., Ltd.
29	Rolling Stock Branch	Rolling Stock Branch of the Company
30	Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.

<b>No.</b>	<b>Abbreviation</b>	<b>Full name</b>
31	Shengli Energy Branch	Shengli Energy Branch of the Company
32	Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co., Ltd.
33	Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
34	Overseas Company	China Shenhua Overseas Development & Investment Co., Ltd.
35	Yu Shen Energy Company	Yulin Shenhua Energy Co., Ltd.
36	Xinjie Energy Company	Shenhua Xinjie Energy Co., Ltd.
37	Bayannur Company	Shenhua Bayannur Energy Co., Ltd.
38	Shipping Company	Shenhua Zhonghai Shipping Co., Ltd.
39	Ganquan Railway Company	Shenhua Ganquan Railway Co., Ltd.
40	Shenwan Energy Company	Shenwan Energy Company Limited
41	Fujian Energy Company	Shenhua Fujian Energy Co., Ltd.
42	Bashu Power	Shenhua Bashu Power Co., Ltd.
43	Shenwei Branch	Railway Track Mechanical Maintenance Branch of the Company
44	Logistics Group	Shenhua Logistics Group Corporation Limited
45	Shenhua Finance Company	Shenhua Finance Co., Ltd.
46	Shenhua HK Company	Shenhua International (Hong Kong) Company Limited
47	Geological Exploration Company	Shenhua Geological Exploration Co., Ltd.
48	Information Company	Shenhua Hollysys Information Technology Co., Ltd.
49	Australia Pty	Shenhua Australia Holdings Pty Limited
50	Watermark	Shenhua Watermark Coal Pty Limited
51	Clean Coal Company	Hulunbeier Shenhua Clean Coal Co., Ltd.
52	EMM Indonesia	PT.GH EMM INDONESIA
53	Beijing Thermal	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
54	Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
55	Sanhe Power	Sanhe Power Co., Ltd.
56	Guohua Zhunge'er	Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.
57	Ninghai Power or Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
58	Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
59	Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.
60	Huanghua Power or Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
61	Suizhong Power	Suizhong Power Co., Ltd.
62	Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
63	Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
64	Guohua Hulunbeier Power	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.
65	Taicang Power	Guohua Taicang Power Generation Co., Ltd.
66	Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
67	Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
68	Jiujiang Power	Shenhua Guohua Jiujiang Power Co., Ltd.

<b>No.</b>	<b>Abbreviation</b>	<b>Full name</b>
69	Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
70	Huizhou Thermal	Guohua Huizhou Thermal Power Branch of the Company
71	Zhunge'er Coal Gangue Power	Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.
72	A Share(s)	Ordinary shares that are issued to domestic investors with the approval of CSRC and listed in the domestic stock exchanges, and denominated, subscribed and transacted in Renminbi
73	H Share(s)	Ordinary shares that are issued to foreign investors with the approval of CSRC and listed on the Hong Kong Stock Exchange, and denominated in Renminbi and subscribed and transacted in Hong Kong dollar
74	JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves sets out the standards, recommendations and guidelines for public reporting in Australasia of exploration results, mineral resources and ore reserves, a widely accepted code for reserve reporting purpose
75	Companies Law	Companies Law of the People's Republic of China
76	Securities Law	Securities Law of the People's Republic of China
77	SASAC	Stated-owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China
78	NDRC	National Development and Reform Commission of the People's Republic of China
79	CSRC	China Securities Regulatory Commission
80	CSRC Beijing Bureau	China Securities Regulatory Commission Beijing Bureau
81	NSSF	National Council for Social Security Fund
82	SERC	State Electricity Regulatory Commission of the People's Republic of China
83	Shanghai Stock Exchange	Shanghai Stock Exchange
84	Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
85	Shanghai Listing Rules	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
86	Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
87	Accounting Standards for Business Enterprises	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
88	Articles of Association	Articles of Association of China Shenhua Energy Company Limited
89	Designated Newspapers for Information Disclosure	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
90	RMB	Renminbi, unless otherwise specified