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中国神华
CHINA SHENHUA

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)

2010 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenues of the Group in the first half of 2010 were RMB69,731 million, representing an increase of RMB12,648 million or 22.2% over the same period of 2009.
- Profit attributable to equity shareholders of the Company for the period was RMB19,272 million, representing an increase of RMB2,352 million or 13.9% over the same period of 2009.
- Earnings per share for the period was RMB0.969.
- EBITDA[1] in the first half of 2010 was RMB35,549 million, representing an increase of RMB5,360 million or 17.8% over the same period of 2009.

The Board of China Shenhua Energy Company Limited is pleased to present the interim results of the Company and its subsidiaries for the six months ended 30 June 2010 and to report our performance for the period.

I. INTERIM FINANCIAL INFORMATION

Financial information extracted from the unaudited interim financial report for the six months ended 30 June 2010 prepared in accordance with International Accounting Standard 34, "Interim financial reporting":

Note 1: EBITDA is defined as profit for the period plus net financing costs, income tax, depreciation and amortisation, and excluding investment income and shares of profits less losses of associates.

Consolidated statement of comprehensive income
for the six months ended 30 June 2010 – unaudited
(Expressed in Renminbi)

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

Consolidated balance sheet
at 30 June 2010 – unaudited
(Expressed in Renminbi)

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

Consolidated statement of changes in equity

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

	Equity attributable to equity shareholders of the Company										
	Share capital *RMB million*	Share premium *RMB million*	Capital reserve *RMB million*	Revaluation reserve *RMB million*	Exchange reserve *RMB million*	Statutory reserves *RMB million*	Other reserves *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Minority interests *RMB million*	Total equity *RMB million*
At 1 January 2009	19,890	85,001	(6,591)	7,160	(115)	10,064	201	31,822	147,432	24,311	171,743
Total comprehensive income:											
Profit for the period	–	–	–	–	–	–	–	16,920	16,920	2,235	19,155
Other comprehensive income (exchange difference on translation of financial statements of overseas subsidiaries)	–	–	–	–	345	–	–	–	345	2	347
Total comprehensive income for the period	–	–	–	–	345	–	–	16,920	17,265	2,237	19,502
Other movements:											
Dividend declared (Note 4)	–	–	–	–	–	–	–	(9,149)	(9,149)	–	(9,149)
Adjustment of profit appropriation for prior years	–	–	–	–	–	(278)	–	278	–	–	–
Appropriation of maintenance and production funds	–	–	–	–	–	1,666	–	(1,666)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	–	(545)	–	545	–	–	–
Capital contributions from minority shareholders	–	–	–	–	–	–	–	–	–	1,512	1,512
Distributions to minority shareholders	–	–	–	–	–	–	–	–	–	(2,730)	(2,730)
Acquisition of minority interests	–	–	–	–	–	–	52	–	52	(52)	–
Realisation of deferred tax	–	–	–	–	–	–	(15)	15	–	–	–
Realisation of revaluation reserve	–	–	–	(14)	–	–	–	14	–	–	–
Sub-total	–	–	–	(14)	–	843	37	(9,963)	(9,097)	(1,270)	(10,367)
At 30 June 2009	19,890	85,001	(6,591)	7,146	230	10,907	238	38,779	155,600	25,278	180,878

	Equity attributable to equity shareholders of the Company										
	Share capital *RMB million*	Share premium *RMB million*	Capital reserve *RMB million*	Revaluation reserve *RMB million*	Exchange reserve *RMB million*	Statutory reserves *RMB million*	Other reserves *RMB million*	Retained earnings *RMB million*	Total *RMB million*	Minority interests *RMB million*	Total equity *RMB million*
At 1 January 2010	19,890	85,001	(6,591)	7,135	610	13,658	124	50,834	170,661	26,757	197,418
Total comprehensive income:											
Profit for the period	-	-	-	-	-	-	-	19,272	19,272	3,015	22,287
Other comprehensive income (exchange difference on translation of financial statement of overseas subsidiaries)	-	-	-	-	(286)	-	-	-	(286)	(1)	(287)
Total comprehensive income for the period	-	-	-	-	(286)	-	-	19,272	18,986	3,014	22,000
Other movements:											
Dividend declared (Note 4)	-	-	-	-	-	-	-	(10,541)	(10,541)	-	(10,541)
Appropriation of maintenance and production funds	-	-	-	-	-	1,435	-	(1,435)	-	-	-
Utilisation of maintenance and production funds	-	-	-	-	-	(614)	-	614	-	-	-
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	77	77
Distributions to minority shareholders	-	-	-	-	-	-	-	-	-	(1,348)	(1,348)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	733	733
Realisation of deferred tax	-	-	-	-	-	-	(10)	10	-	-	-
Realisation of revaluation reserve	-	-	-	(13)	-	-	-	13	-	-	-
Sub-total	-	-	-	(13)	-	821	(10)	(11,339)	(10,541)	(538)	(11,079)
At 30 June 2010	19,890	85,001	(6,591)	7,122	324	14,479	114	58,767	179,106	29,233	208,339

Note:

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 Corporation Limited were converted into H shares. A total of 3,398,582,500 H shares were listed on the Stock Exchange of Hong Kong Limited.

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

Consolidated statement of cash flows

for the six months ended 30 June 2010 – unaudited

(Expressed in Renminbi)

	Note	Six months ended 30 June 2010 RMB million	2009 RMB million
Operating activities			
Cash generated from operations	(a)	**35,701**	33,328
Interest received		**395**	602
Interest paid		**(1,822)**	(2,142)
Income tax paid		**(5,050)**	(4,151)
Net cash generated from operating activities		**29,224**	27,637
Investing activities			
Capital expenditure		**(11,667)**	(10,413)
Lease prepayments		**(1,188)**	(191)
Acquisition of a subsidiary	(b)	**473**	–
Capital injection in an associate		**(16)**	(74)
Purchase of other investments		**(265)**	–
Proceeds from disposal of other investments		**–**	5
Proceeds from disposal of property, plant and equipment		**73**	57
Dividend received from associates		**24**	159
Increase in restricted bank deposits		**(156)**	(205)
Decrease in restricted bank deposits		**393**	17
Increase in time deposits with original maturity over three months		**(8,514)**	(32,993)
Maturity of time deposits with original maturity over three months		**7,014**	548
Net cash used in investing activities		**(13,829)**	(43,090)
Financing activities			
Proceeds from borrowings		**20,862**	21,701
Repayments of borrowings		**(21,037)**	(24,938)
Contributions from minority shareholders		**77**	1,383
Distributions to minority shareholders		**(1,343)**	(1,787)
Dividend paid to equity shareholders of the Company		**–**	(9,149)
Net cash used in financing activities		**(1,441)**	(12,790)
Net increase/(decrease) in cash and cash equivalents		**13,954**	(28,243)
Cash and cash equivalents, at the beginning of the period		**65,944**	59,054
Effect of foreign exchange rate changes		**(30)**	–
Cash and cash equivalents, at the end of the period		**79,868**	30,811

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

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

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

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

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

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

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

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

(c) Major non-cash transaction

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

1 New and revised International Financial Reporting Standards ("IFRSs")

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

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

2 Revenues

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

3 Income tax

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

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

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

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

4 Dividends

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

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

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

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

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

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

5 Earnings per share

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

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

6 Review of interim financial results

The interim financial results for the six months ended 30 June 2010 have been reviewed with no disagreement by the Audit Committee of the Company.

II. MANAGEMENT DISCUSSION AND ANALYSIS

(I) Overview

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

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

The Company's business results were further boosted and corporate value improved steadily. In the first half of 2010, the Company maximized economic benefits significantly through effective measures such as raising coal price, increasing coal production and pushing forward the assessment on economic value added. Pursuant to the International Financial Reporting Standards, the revenues of the Group for the first half of 2010 were RMB69.731 billion (First half of 2009: RMB57.083 billion), representing a year-on-year increase of 22.2%; profit from operations were RMB29.136 billion (First half of 2009: RMB24.732 billion), representing a year-on-year increase of 17.8%; profit attributable to equity shareholders of the Company for the period was RMB19.272 billion (First half of 2009: RMB16.920 billion), representing a year-on-year increase of 13.9%. Basic earnings per share[1] of the Group was RMB0.969 (First half of 2009: RMB0.851), representing a year-on-year increase of 13.9%.

As at 30 June 2010, equity attributable to equity shareholders of the Group per share was RMB9.00 (31 December 2009: RMB8.58), representing a year-on-year increase of 4.9%. In the first half of 2010, the Group's return on total assets[2] was 6.7%. Return on net assets[3] as at the end of the period was 10.8% (First half of 2009: 10.9%), representing a year-on-year decrease of 0.1 percentage point; EBITDA[4] was RMB35.549 billion (First half of 2009: RMB30.189 billion), representing a year-on-year increase of 17.8%. As at 30 June 2010, the Group's total debt to equity ratio[5] was 26.9%, representing a decrease of 1.1 percentage points as compared to 28.0% as at 31 December 2009.

(II) Management review on operating results by business segment

1. *Coal Segment*

(1) *Business progress*

a Coal production and mining operation

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

1 Basic earnings per share is calculated on the basis of profit attributable to equity shareholders of the Company for the period and the weighted average number of shares for the reporting period.

2 Return on total assets is calculated on the basis of profit for the period and the total assets at the end of the period.

3 Return on net assets as at the end of the period is calculated on the basis of equity attributable to equity shareholders of the Company as at the end of the period and the profit attributable to equity shareholders of the Company for the period.

4 EBITDA is a method for the management to assess the performance of the Company. It is defined as profit for the period plus net finance costs, income tax and depreciation and amortisation, and net of investment income and share of profits less losses of associates. The EBITDA presented herein by the Company is used as extra reference for investors with regard to business performance, as management of the Company considers EBITDA is popularly used by securities analysts, investors and other parties concerned as a criterion for the evaluation of the performance of mining companies, which is believed to be helpful to investors. EBITDA is not yet an item acknowledged by corporate accounting standards. You should not take it as an alternative indicator of profit for the relevant accounting period to evaluate achievements or performances, nor shall it be taken as an alternative indicator for cash flows generated from operating activities to evaluate liquidity. The calculation of EBITDA by the Company may be different from those of other companies; therefore comparability may be limited. In addition, EBITDA is not intended to be the basis for free cash flows that may be used by the management at their discretion, because it does not reflect requirements for cash such as interest expenses, tax payment and repayment of debts, etc.

5 Total debt to equity ratio = [long-term interest bearing debts + short-term interest bearing debts (including bills payable)]/[long-term interest bearing debts + short-term interest bearing debts (including bills payable) + total equity]

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

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

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

b Coal production equipment and technology

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

c Coal mine production safety

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

d Coal resources

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

(2) Coal sales

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

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

a Long-term contract and spot sales

(i) Long-term contract sales

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

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

(ii) *Spot sales*

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

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

b Domestic and export sales

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

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

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

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

(i) the coal export contracts implemented during the first quarter of the year were actually signed in the previous year; and

(ii) the contract export price signed for 2008 was higher than that of 2009.

c Sales to external customers and internal power segment

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

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

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

d Sales of coal purchased from third parties

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

(3) Operating results

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

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

Increase/decrease in revenues over the same period of last year *%*	**Increase/decrease in cost of revenues over the same period of last year** *%*	**Margin of profit from operations** *%*	**Increase/decrease in margin of profit from operations over the same period of last year**
21.0	27.5	33.6	Decreased by 2.0 percentage points

a Revenues in coal segment

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

b Cost of revenues in coal segment

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

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

(i) the sales volume of coal purchased from third parties was 30.1 million tonnes for the first half of 2010, representing a year-on-year increase of 60.1%; and

(ii) unit purchasing cost of coal purchased from third parties was RMB366.5/tonne, representing an increase of 13.7% from RMB322.3/tonne for the same period of last year.

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

(i) Materials, fuel and power were RMB19.7/tonne (First half of 2009: RMB17.0/tonne), representing a year-on-year increase of 15.9%. The increase was mainly attributable to more usage of explosive-proof vehicles in some coal shafts of Shendong Mines as well as the price hikes in oil products and raw materials;

(ii) Personnel expenses were RMB13.2/tonne (First half of 2009: RMB11.2/tonne), representing a year-on-year increase of 17.9%. The increase was mainly due to the increase in the number of employees and the increase in wages;

(iii) Repairs and maintenance were RMB8.4/tonne (First half of 2009: RMB6.5/tonne), representing a year-on-year increase of 29.2%. The increase was mainly due to the rising number of equipment as the repairs and maintenance period started;

(iv) Depreciation and amortisation were RMB19.9/tonne (First half of 2009: RMB17.3/tonne), representing a year-on-year increase of 15.0%. The increase was mainly attributable to increase in fixed assets resulting from increase of mining facilities and implementation of technological upgrade arising from the changes in geological conditions in certain mines of the Company; and

(v) Others were RMB39.6/tonne (First half of 2009: RMB34.6/tonne), representing a year-on-year increase of 14.5% which was mainly attributable to the following factors:

(a) Increased in mining engineering expenses due to more overburden amount of Haerwusu mines, etc;

(b) Increased in payment of subsidies and relocation compensation expenses; and

(c) Increased in expenses of environmental protection and treatment.

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

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

c Profit from operations in coal segment

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

2. *Railway Segment*

(1) Business progress

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

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

(2) *Operating results*

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

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

Increase/decrease in revenues over the same period of last year *%*	**Increase/decrease in cost of revenues over the same period of last year** *%*	**Margin of profit from operations** *%*	**Increase/decrease in margin of profit from operations over the same period of last year**
7.7	7.2	50.4	Unchanged

a Revenues in railway segment

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

b Cost of revenues in railway segment

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

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

(i) the increase in costs of raw materials, fuel and power due to factors such as hikes in national power tariffs;

(ii) the increase in personnel expenses due to the increase in the number of employees and the increase in wages in the railway segment;

(iii) the increase in other costs due to the year-on-year increase in service charge, expense of rail lines reinforcement and repairs and maintenance of rail lines; and

(iv) the year-on-year decrease in repairs and maintenance expenses as most of the repairs and maintenance is scheduled in the second half year.

c Profit from operations in railway segment

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

3. Port Segment

(1) Business progress

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

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

(2) Operating results

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

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

Increase/decrease in revenues over the same period of last year %	**Increase/decrease in cost of revenues over the same period of last year** %	**Margin of profit from operations** %	**Increase/decrease in margin of profit from operations over the same period of last year**
27.7	15.3	28.0	Increased by 1.9 percentage points

a Revenues in port segment

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

b Cost of revenues in port segment

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

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

(i) the increase in the cost of raw materials, fuels and power as a result of the hikes in national power tariffs, the increase in material prices and the increase in material consumption arising from the aging equipment;

(ii) the increase in personnel expenses as a result of the increase in the number of employees and wages in the port segment; and

(iii) the increase in other costs as a result of the increase in dredging expenses given the increase in silt.

c Profit from operations in port segment

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

4. *Power Segment*

(1) Business progress

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

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

(2) Power sales

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

(3) Operating results

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

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

Increase/decrease in revenues over the same period of last year	Increase/decrease in cost of revenues over the same period of last year	Margin of profit from operations	Increase/decrease in margin of profit from operations over the same period of last year
%	%	%	
56.8	57.0	20.8	Increased by 2.6 percentage points

a Revenues in power segment

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

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

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

b Cost of revenues in power segment

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

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

c Profit from operations in power segment

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

5. Shipping Segment

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

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

The Company has incorporated Shenhua Zhonghai Shipping Company into its consolidated financial statement since 25 June 2010, details are set out in note (b) to the consolidated statement of cash flows in interim financial information in this announcement.

(III) Review and prospect of business environment[Note]

1. *Macroeconomic conditions*

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

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

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

2. *Environment of the coal industry*

(1) Thermal coal market in China

a Review of the first half of 2010

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

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

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

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

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

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

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

b Prospect for the second half of 2010

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

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

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

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

(2) Thermal coal market in Asia Pacific

a Review for the first half of 2010

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

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

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

b Prospect for the second half of 2010

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

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

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

3. *Environment of the power industry*

(1) *Review for the first half of 2010*

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

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

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

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

(2) *Prospect for the second half of 2010*

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

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

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

III. SIGNIFICANT MATTERS

Purchase, sale or redemption of securities of the Company

For the six months ended 30 June 2010, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities (as provided under the Hong Kong Listing Rules).

Corporate governance

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

Securities transactions of directors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as provided in Appendix 10 of the Hong Kong Listing Rules, requiring all securities transactions of the Company's directors be made in accordance with the Model Code. The system also applies to senior management of the Company.

The Company has made specific enquiries, and all directors have confirmed that they had fully complied with the Model Code for the six months ended 30 June 2010.

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

Other than directors' own service contracts, none of directors or supervisors had any actual personal interest, directly or indirectly, in any material contracts made by the Company or any of its subsidiaries in the first half of 2010.

Audit committee

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

Subsequent event

After 30 June 2010, there is no occurrence of any important event that may affect the Group.

IV. DEFINITIONS

In this announcement, the following expressions shall have the meanings as set out below unless the context requires otherwise:

"Accounting Standards for Business Enterprises"	Accounting Standards for Business Enterprises (2006) and related rules and interpretations issued by the Ministry of Finance of the People's Republic of China
"Australia Holdings"	Shenhua Australia Holdings Pty Limited
"Baoshen Railway"	Shenhua Baoshen Railway Co., Ltd.
"Beidian Shengli Energy"	Shenhua Beidian Shengli Energy Co., Ltd.
"Beijing Thermal"	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
"Branches and Subsidiaries"	Branches and subsidiaries of the Company, unless otherwise specified
"Company" or "China Shenhua"	China Shenhua Energy Company Limited
"CSRC"	China Securities Regulatory Commission

“Dingzhou Power”	Hebei Guohua Dingzhou Power Generation Co., Ltd.
“EMM Indonesia”	PT.GH EMM INDONESIA
“Guohua International”	Shenhua Guohua International Power Co., Ltd.
“Guohua Power Branch”	China Shenhua Energy Company Limited Guohua Power Branch
“Guohua Zhunge’er”	Inner Mongolia Guohua Zhunge’er Power Generation Co., Ltd.
“Ha’erwusu Coal Branch”	China Shenhua Energy Company Limited Ha’erwusu Coal Branch
“Hong Kong Listing Rules”	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange ”	The Stock Exchange of Hong Kong Limited
“Huanghua Port”	Shenhua Huanghua Harbour Administration Co., Ltd.
“Huanghua Power”	Hebei Guohua Cangdong Power Co., Ltd.
“Huizhou Thermal”	China Shenhua Energy Company Limited Guohua Huizhou Thermal Power Branch
“Jiahua Power”	Zhejiang Zheneng Jiahua Power Co., Ltd.
“Jinjie Energy”	Shaanxi Guohua Jinjie Energy Co., Ltd.
“Ninghai Power”	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
“Panshan Power”	Tianjin Guohua Panshan Power Generation Co., Ltd.
“Rolling Stock Branch”	China Shenhua Energy Company Limited Rolling Stock Branch
“Sanhe Power”	Sanhe Power Co., Ltd.
“Shanghai Listing Rules”	Rules Governing the Listing of Shares on the Shanghai Stock Exchange
“Shanghai Stock Exchange”	Shanghai Stock Exchange
“Shendong Coal”	Shenhua Shendong Coal Group Co., Ltd.

"Shendong Coal Branch"	China Shenhua Energy Company Limited Shendong Coal Branch
"Shendong Coal Group"	the corporation aggregate consisting of Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
"Shendong Power"	Shenhua Shendong Power Co., Ltd.
"Shenhua Finance"	Shenhua Finance Co., Ltd.
"Shenhua Group"	Shenhua Group Corporation and its subsidiaries
"Shenhua Group Corporation"	Shenhua Group Corporation Limited
"Shenhua Tianjin Coal Dock"	Shenhua Tianjin Coal Dock Co., Ltd.
"Shenhua Trading"	Shenhua Coal Trading Co., Ltd.
"Shenhua Xinjie"	Shenhua Xinjie Energy Co., Ltd.
"Shenhua Xinzhun"	Shenhua Xinzhun Railway Co., Ltd.
"Shenhua Zhonghai Shipping Company"	Shenhua Zhonghai Shipping Co., Ltd.
"Shenmu Power"	CLP Guohua Shenmu Power Co., Ltd.
"Shenshuo Railway Branch"	China Shenhua Energy Company Limited Shenshuo Railway Branch
"Shuohuang Railway"	Shuohuang Railway Development Co., Ltd.
"Suizhong Power"	Suizhong Power Co., Ltd.
"Taishan Power"	Guangdong Guohua Yuedian Taishan Power Co., Ltd.
"the Group"	China Shenhua and its subsidiaries
"USD"	US dollars, the lawful currency of the United States
"Watermark"	Shenhua Watermark Coal Pty Limited

"Wuhai Energy"	Shenhua Wuhai Energy Company Limited
"Yuyao Power"	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
"Zhunge'er Energy"	Shenhua Zhunge'er Energy Co., Ltd.
"Zhunge'er Power"	Power-generating arm controlled and operated by Shenhua Zhunge'er Energy Co., Ltd.

By order of the Board
China Shenhua Energy Company Limited
Huang Qing
Secretary to the Board of Directors

Beijing, 27 August 2010

As at the date of this announcement, the Board comprises the following: Dr. Zhang Xiwu, Dr. Zhang Yuzhuo and Dr. Ling Wen as executive directors, Mr. Han Jianguo, Mr. Liu Benren and Mr. Xie Songlin as non-executive directors, and Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. Guo Peizhang as independent non-executive directors.