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)

2009 INTERIM RESULTS ANNOUNCEMENT

FINANCIAL HIGHLIGHTS

- Revenues of the Group in the first half of 2009 were RMB57,083 million, representing an increase of RMB7,801 million or 15.8% over the same period of 2008.
- Profit attributable to equity shareholders of the Company for the period was RMB16,920 million, representing an increase of RMB2,103 million or 14.2% over the same period of 2008.
- Earnings per share for the period was RMB0.851.
- EBITDA[1] in the first half of 2009 was RMB30,189 million, representing an increase of RMB3,882 million or 14.8% over the same period of 2008.

The board of directors 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 2009 and to report on our performance over this period.

I. INTERIM FINANCIAL INFORMATION

Financial information extracted from the unaudited interim financial report for the six months ended 30 June 2009 prepared in accordance with International Accounting Standard 34, "Interim financial reporting":

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

Consolidated statement of comprehensive income
for the six months ended 30 June 2009 – unaudited
(Expressed in Renminbi)

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

Consolidated balance sheet
at 30 June 2009 – unaudited
(Expressed in Renminbi)

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

Consolidated statement of changes in equity

for the six months ended 30 June 2009 – unaudited

(Expressed in Renminbi)

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

	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

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 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 2009 – unaudited
(Expressed in Renminbi)

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

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

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

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

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

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

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

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

	RMB million
Cash consideration	400
Cash and cash equivalents acquired	(33)
Net outflow of cash and cash equivalents	367

(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.

Notes to the unaudited interim financial information
for the six months ended 30 June 2009
(Expressed in Renminbi)

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

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

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

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

- IFRS 8 requires segment disclosure to be based on the way that the Group's chief operating decision maker regards and manages the Group, with the amounts reported for each reportable segment being the measures reported to the Group's chief operating decision maker for the purposes of assessing segment performance and making decisions about operating matters. This contrasts with the presentation of segment information in prior years which was based on a disaggregation of the Group's financial statements into segments based on related products and services and on geographical areas. Applying IFRS 8 did not result in significant changes in the Group's segment information to be presented, as segment information are previously presented in a manner consistent with the basis used for internal reporting purpose.
- As a result of the adoption of IAS 1 (revised 2007), details of changes in equity during the period arising from transactions with equity shareholders in their capacity as such have been presented separately from all other income and expenses in a revised consolidated statement of changes in equity. All other items of income and expense are recognised as part of profit or loss for the period, or otherwise in the other comprehensive income. Entities may present the components of profit or loss either as part of a single statement of comprehensive income or in a separate income statement. The Group has elected to present the components of profit or loss in a single consolidated statement of comprehensive income. Corresponding amounts have been restated to conform to the new presentation. This change in presentation has no effect on reported profit or loss, total income and expense or net assets for any period presented.
- The amendments to IAS 27 have removed the requirement that dividends out of pre-acquisition profits should be recognised as a reduction in the carrying amount of the investee, rather than as income. Consequently, as a result, all dividends receivable from subsidiaries and associates, whether out of pre- or post-acquisition profits, will be recognised in the profit or loss. In accordance with the transitional provisions in the amendment, this new policy will be applied prospectively to any dividends receivable in the current or future periods and previous periods have not been restated.

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

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	
	2009	*2008*
	RMB million	*RMB million*
Provision for PRC income tax	**4,812**	3,496
Deferred taxation	**217**	213
	5,029	3,709

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

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

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

4 Dividends

(a) Dividends approved during the period

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

(i) Special dividend

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

(ii) Final dividend

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

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

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

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

5 Earnings per share

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

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

6 Comparative figures

Certain comparative figures have been adjusted to conform to current period's presentation. Further details are disclosed in Note 1.

7 Review of interim financial results

The interim financial results for the six months ended 30 June 2009 have been reviewed with no disagreement by the Audit Committee of the Company.

II. MANAGEMENT DISCUSSION AND ANALYSIS

A. Management discussion and analysis

(I) Overview

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

Profitability of the Company was further enhanced and corporate value was further improved. Pursuant to the International Financial Reporting Standards, revenues of the Group for the first half of 2009 were RMB57.083 billion (First half of 2008: RMB49.282 billion), representing a year-on-year increase of 15.8%; profit attributable to equity shareholders of the Company for the period was RMB16.920 billion (First half of 2008: RMB14.817 billion), representing a year-on-year increase of 14.2%. Basic earnings per share of the Group was RMB0.851 (First half of 2008: RMB0.745), representing a year-on-year increase of 14.2%. As at 30 June 2009, equity attributable to equity shareholders per share was RMB7.82 (31 December 2008: RMB7.41), representing an increase of 5.5%. The Group's return on total assets[1] for the first half of 2009 was 6.6%. Return on net assets[2] as at the end of the period was 10.9% (30 June 2008: 10.9%); EBITDA[3] was RMB30.189 billion (First half of 2008: RMB26.307 billion), representing a year-on-year increase of 14.8%. As at 30 June 2009, the Group's total debt to equity ratio[4] was 28.2%, representing a decrease of 2.0 percentage points as compared to 30.2% as at 31 December 2008.

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

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

3 EBITDA is a method for the management to assess the performance of the Company. Its definition is profit for the period plus net finance costs, income tax and depreciation and amortization, and net of investment income and share of profits less losses from associates. The EBITDA presented herein by the Company is for the purpose of providing additional information to investors with regard to business performance. The management of the Company understands that EBITDA is popularly used by securities analysts, investors and other parties as a criterion for evaluating performance of mining companies, the provision of such information will be helpful to investors. You should not take it as an alternative indicator for profit of the relevant accounting period to evaluate results performance, nor should it be taken as an alternative indicator for cash flows generated from operating activities to evaluate liquidity. The calculation of EBITDA by the Company may be different from those used by other companies; therefore comparability may be limited. In addition, EBITDA is not intended to be the basis for free cash flows that may be used at the discretion of the management, because it does not reflect cash requirements for such items as interest expenses, tax payment and repayment of debts, etc.

4 Total debt to equity ratio = [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)

(II) Management review on operating results by business segment

1. Coal Segment

(1) Coal Sales

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

a Domestic Sales

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

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

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

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

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

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

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

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

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

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

b Export Sales

As a result of downturn of economy in the regions or countries where our key export customers were located, the coal export volume of the Company was 6.1 million tonnes for the first half of 2009 (First half of 2008: 10.6 million tonnes), decreased by 42.5% year-on-year. During the same period, the ratio of export sales to total coal sales decreased from 9.2% to 5.0%. In the first half of 2009, the coal export sales price was RMB652.9/tonne (First half of 2008: RMB492.6/tonne), increasing by 32.5% year-on-year. Major factors affecting the export coal price included: (1) positive factor: benefiting from the performance of some export contracts entered into in 2008 with high prices, the effective settlement price for exports in the first quarter of 2009 was RMB694.2/tonne; (2) negative factor: the effective settlement price for exports in the second quarter of 2009 decreased to RMB580.4/tonne.

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

(2) Operating Results of the Coal Segment

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

Coal segment	Revenues RMB million	Cost of revenues RMB million	Profit from operations RMB million	Profit from operations/ average total assets during the reporting period %
First half of 2009	**48,268**	**(28,621)**	**17,180**	**16.1**

	Increase/decrease in revenues over the same period of last year %	Increase/decrease in cost of revenues over the same period of last year %	Margin of profit from operations %	Increase/decrease in margin of profit from operations over the same period of last year
	17.6	**13.9**	**35.6**	**Increased by 0.7 percentage point**

a Revenues in coal segment

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

b Cost of revenues in coal segment

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

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

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

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

(i) Materials, fuel and power was RMB17.0/tonne (First half of 2008: RMB14.8/tonne), representing a year-on-year increase of 14.9%. The increase was mainly due to the following factors:

(a) the increase in the production volume from high-cost mines such as Haerwusu, Jinjie coal mine and Bu'ertai which resulted in higher unit cost;

(b) the Company had more thin coal seams mining and top caving coal mining at Shendong Mines so as to improve the recovery rate, which led to an increase in consumables such as materials; and

(c) the two increases in power tariffs by NDRC in July and August 2008 resulted in an increase in electricity cost.

(ii) Personnel expenses were RMB11.2/tonne (First half of 2008: RMB10.5/tonne), representing a year-on-year increase of 6.7%. The increase was mainly due to an increase in the number of employees in the mining areas; and the increase in employees' wages due to the business growth of the Company.

(iii) Repairs and maintenance were RMB6.5/tonne (First half of 2008: RMB6.8/tonne), representing a year-on-year decrease of 4.4%. The decrease was mainly due to the relatively lower repair and maintenance expenses in the first half of the year as most of the Company's equipment are scheduled for overhaul in the second half of the year.

(iv) Depreciation and amortization were RMB17.3/tonne (First half of 2008: RMB16.0/tonne), representing a year-on-year increase of 8.1%. The increase was mainly due to the increase in depreciation in the current period as a result of the additional equipment purchased in the second half of 2008 for newly operated coal mines.

(v) Others amounted to RMB34.6/tonne (First half of 2008: RMB26.1/tonne), representing a year-on-year increase of RMB8.5/tonne or 32.6%. The increase was mainly due to the following factors:

(a) Mining engineering expenses were RMB7.9/tonne, representing a year-on-year increase of RMB3.6/tonne and accounting for 42.4% of the increase in others per unit. The increase was mainly due to the increase in mining engineering work as a result of the complicated geographical structures of some mines in the area of Wanli mines, and the increase in stripping volume as a result of the rapid increase in the output of the Haerwusu mines.

(b) Resources compensation fees and environmental expenses were RMB3.3/tonne, representing a year-on-year increase of RMB1.4/tonne and accounting for 16.5% of the increase in others per unit.

(c) Coal selection expenses were RMB6.1/tonne, representing a year-on-year increase of RMB0.5/tonne and accounting for 5.9% of the increase in others per unit.The increase was mainly due to the increase in output of low calory coal and the increase in coal selection rate.

c Profit from operations in coal segment

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

2. Railway Segment

(1) Business progress of the railway segment

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

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

In the first half of 2009, Shenshuo Railway improved its transportation capacity by means of deployment of locomotives. The successful commissioning of Jinjie coal mine outbound railway created favorable conditions for seaborne sales of Jinjie coal. Baoshen Railway actively resolved the difficulty involving C80 wagon usage and loading, and thereby maximizing the utilization of Shenhua's coal loading base. Shuohuang Railway launched the two-way transportation business between Dongdagu of Tianjin and Shuohuang Railway, which further developed its transportation resources and increased its transportation revenue.

(2) Operating Results of the Railway Segment

a Revenues in railway segment

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

Railway segment	Revenues RMB million	Cost of revenues RMB million	Profit from operations RMB million	Profit from operations/ average total assets during the reporting period %
First half of 2009	**9,630**	**(4,527)**	**4,850**	**12.2**

	Increase/decrease in revenues over the same period of last year %	Increase/decrease in cost of revenues over the same period of last year %	Margin of profit from operations %	Increase/decrease in margin of profit from operations over the same period of last year
	9.8	**24.7**	**50.4**	**Decreased by 5.1 percentage points**

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

b Cost of revenues in railway segment

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

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

(i) The two increases of power tariffs by the NDRC in July and August 2008 resulted in an increase in electricity cost, which was the key factor leading to the increase in unit transportation cost.

(ii) The recruitment of additional employees in the railway segment and the increase in staff wages as a result of the Company's business growth.

(iii) The increase of certain equipment and technical upgrade of existing equipment in preparation for the launching of heavy-duty trains with loading capacity above 10,000 tonnes for Shenshuo Railway; the increase of locomotives at Shuohuang Railway and the repairment of certain wagons where overhaul is required.

c Profit from operations in railway segment

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

3. Port Segment

(1) Operating results of the port segment

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

Port segment	Revenues RMB million	Cost of revenues RMB million	Profit from operations RMB million	Profit from operations/ average total assets during the reporting period %
First half of 2009	**997**	**(704)**	**260**	**2.5**

	Increase/decrease in revenues over the same period of last year %	Increase/decrease in cost of revenues over the same period of last year %	Margin of profit from operations %	Increase/decrease in margin of profit from operations over the same period of last year
	0.4	**4.6**	**26.1**	**Increased by 3.7 percentage points**

a Revenues in port segment

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

b Cost of revenues in port segment

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

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

(i) the increase in unit depreciation and amortization as a result of the commencement of operation of the fourth loading and unloading line of Tianjin Coal Dock and the dumper at Huanghua Port;

(ii) the increase in the number of employees, wages and bonus; and

(iii) the increase in sea area utilization fee, shipping channel measurement fee and navigation mark maintenance fee at Huanghua Port.

c Profit from operations in port segment

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

4. Power Segment

(1) Business Progress of the Power Segment

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

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

- As at 30 June 2009, the Company had total installed capacity and equity installed capacity of 18,634 MW and 10,924 MW respectively. The equity installed capacity accounted for 58.6% of the total installed capacity and the average unit installed capacity was 358 MW;

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

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

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

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

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

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

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

(2) Operating results of the power segment

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

Power segment	Revenues RMB million	Cost of revenues RMB million	Profit from operations RMB million	Profit from operations/ average total assets during the reporting period %
First half of 2009	**13,828**	**(10,476)**	**2,517**	**2.6**

	Increase/decrease in revenues over the same period of last year %	Increase/decrease in cost of revenues over the same period of last year %	Margin of profit from operations %	Increase/decrease in margin of profit from operations over the same period of last year
	(0.6)	**(1.6)**	**18.2**	**Increased by 0.3 percentage point**

a Revenues in power segment

For the first half of 2009, revenues of the Group's power segment before elimination on consolidation were RMB13.828 billion (First half of 2008: RMB13.910 billion), representing a year-on-year decrease of 0.6%. According to the relevant notice issued by the NDRC, the State government increased the on-grid tariffs of coal-fired power enterprises twice on 1 July 2008 and 20 August 2008 respectively. Given that the power segment of the Company benefited from these two tariff adjustments, the average tariff for the six months ended 30 June 2009 was RMB330/MWh, increasing by RMB10/MWh or 3.1% as compared to the average tariff for the year ended 31 December 2008.

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

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

b Cost of revenues in power segment

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

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

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

c Profit from operations in power segment

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

(III) Business environment[5]

1. Macroeconomic conditions

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

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

2. Environment of the coal industry

(1) Thermal coal market in China

Review of the first half of 2009

Since the end of last year, as a result of sluggish macroeconomic growth and depressed coal demand, there was a slight decline in coal price. With the implementation of state economic stimulation policies, major coal-consuming industries had various levels of recovery in the first half of this year. National power generation in the first half decreased by 1.7% on a year-on-year basis, and the month-to-month trend was reversed from decrease to increase. The production volume of metallurgy, construction materials and chemical products increased on a year-on-year basis, with an overall increasing trend on a monthly basis.

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

5 This section is for information only and does not constitute any proposal for investment. The Company has done its best 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.

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

Coal imports increased significantly while coal exports decreased significantly on a year-on-year basis. Since the beginning of this year, as coal price in Asia Pacific market was lower than domestic market, and there had been a significant decrease in ocean freight, certain enterprises purchased more coal from abroad. China's coal imports volume for the first half of this year was 48.27 million tonnes, representing a year-on-year increase of 126.3%, and its coal export volume for the same period was 11.67 million tonnes, representing a year-on-year decrease of 54.2%. Net coal import volume was 36.60 million tonnes, representing a year-on-year increase of 40.54 million tonnes.

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

Prospect for the second half year of 2009

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

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

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

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

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

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

(2) Thermal coal market in Asia Pacific

Review of the first half year of 2009

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

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

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

Prospect for the second half year of 2009

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

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

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

3. Environment of the power industry

Review of the first half year

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

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

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

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

Prospect for the second half year

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

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

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

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

III. SIGNIFICANT MATTERS

Purchase, sale or redemption of securities of the Company

For the six months ended 30 June 2009, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities (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 2009.

Securities transactions of directors

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

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

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

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

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

Audit committee

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

Subsequent event

After 30 June 2009, 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
"Baoshen Railway"	Shenhua Baoshen Railway Co., Ltd.
"Beijing Thermal"	CLP Guohua Power Co., Ltd. Beijing Thermal Power Branch
"Company" or "China Shenhua"	China Shenhua Energy Company Limited
"Dingzhou Power"	Hebei Guohua Dingzhou Power Co., Ltd.
"Group"	the Company and its subsidiaries
"Guohua Zhunge'er"	Inner Mongolia Guohua Zhunge'er Power Generation Company Limited
"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Huanghua Port"	Shenhua Huanghua Harbor Administration Co., Ltd.
"Huanghua Power"	Hebei Guohua Candong Power Company Limited
"Jiahua Power"	Zhejiang Jiahua Power Generation Company Limited
"Jinjie Energy"	Shaanxi Guohua Jinjie Energy Co., Ltd.

"NDRC"	National Development and Reform Commission
"Ninghai Power"	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
"Panshan Power"	Tianjin Guohua Panshan Power Generation Co., Ltd.
"RMB"	Renminbi, the lawful currency of the People's Republic of China
"Sanhe Power"	Sanhe Power Generation Co., Ltd.
"Shanghai Stock Exchange"	The Shanghai Stock Exchange
"Shendong Coal"	Shenhua Group Shenfu Dongsheng Coal Company Limited
"Shendong Power"	Shenhua Shendong Power Company Limited
"Shenhua Group"	Shenhua Group Corporation Limited
"Shenmu Power"	CLP Guohua Shenmu Power Co., Ltd.
"Shuohuang Railway"	Shuohuang Railway Development Co., Ltd.
"Suizhong Power"	Suizhong Power Co., Ltd.
"Taishan Power"	Guangdong Guohua Yuedian Taishan Electric Power Co., Ltd.
"Tianjin Coal Dock"	Shenhua Tianjin Coal Dock Co., Ltd.
"USD"	US dollars, the lawful currency of the United States
"Yuyao Power"	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
"Zhunge'er Coal Gangue Power"	Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.
"Zhunge'er Power"	Power-generating arm controlled and operated by Shenhua Zhunge'er Energy Company Limited
"Zhuhai Wind Energy"	Zhuhai Guohua Huidafeng Wind Power Development Company Limited

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

Beijing, 28 August 2009

As at the date of this announcement, the Board comprises Dr. Zhang Xiwu and Dr. Ling Wen, as executive Directors, Dr. Zhang Yuzhuo and Mr. Han Jianguo, as non-executive Directors, and Mr. Huang Yicheng, Mr. Anthony Francis Neoh, Dr. Chen Xiaoyue and Mr. Gong Huazhang, as independent non-executive Directors.