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)

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2011

FINANCIAL HIGHLIGHTS

- Revenues of the Group in the first half of 2011 were RMB100,692 million, representing an increase of RMB29,024 million or 40.5% over the same period of 2010.
- Profit attributable to equity shareholders of the Company for the period was RMB22,726 million, representing an increase of RMB3,217 million or 16.5% over the same period of 2010.
- Earnings per share for the period was RMB1.143.
- EBITDA[1] in the first half of 2011 was RMB43,648 million, representing an increase of RMB7,463 million or 20.6% over the same period of 2010.

The Board of China Shenhua Energy Company Limited (the "Company") is pleased to present the interim results of the Company and its subsidiaries (the "Group" or "China Shenhua") for the six months ended 30 June 2011 and to report our performance for the period.

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

I. INTERIM FINANCIAL INFORMATION

Financial information extracted from the unaudited interim financial report for the six months ended 30 June 2011 prepared in accordance with International Accounting Standard 34, "Interim financial reporting":

Consolidated statement of comprehensive income
for the six months ended 30 June 2011 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June	
		2011	2010
	Note	***RMB million***	*RMB million* (restated-Notes 1 and 2)
Revenues			
Coal revenue		**68,774**	48,063
Power revenue		**27,293**	21,372
Other revenues		**4,625**	2,233
Total operating revenues	3	**100,692**	71,668
Cost of revenues			
Coal purchased		**(21,399)**	(10,970)
Materials, fuel and power		**(6,263)**	(4,832)
Personnel expenses		**(4,410)**	(3,306)
Depreciation and amortisation		**(7,022)**	(6,085)
Repairs and maintenance		**(2,871)**	(2,154)
Transportation charges		**(8,153)**	(4,843)
Others		**(8,895)**	(5,690)
Total cost of revenues		**(59,013)**	(37,880)
Selling, general and administrative expenses		**(5,001)**	(4,095)
Other operating expenses, net		**(506)**	(131)
Total operating expenses		**(64,520)**	(42,106)
Profit from operations		**36,172**	29,562
Finance income		**662**	492
Finance expenses		**(1,550)**	(1,723)
Net finance costs		**(888)**	(1,231)
Investment income		**–**	9
Share of profits less losses of associates		**126**	280
Profit before income tax		**35,410**	28,620
Income tax	4	**(8,990)**	(6,026)
Profit for the period		**26,420**	22,594
Other comprehensive income			
Exchange differences on translation of financial statements of overseas subsidiaries		**118**	(287)
Total comprehensive income for the period		**26,538**	22,307
Profit attributable to:			
Equity shareholders of the Company		**22,726**	19,509
Non-controlling interests		**3,694**	3,085
Profit for the period		**26,420**	22,594
Total comprehensive income attributable to:			
Equity shareholders of the Company		**22,849**	19,223
Non-controlling interests		**3,689**	3,084
Total comprehensive income for the period		**26,538**	22,307
Earnings per share (RMB)	6		
– Basic		**1.143**	0.981
– Diluted		**1.143**	0.981

Consolidated statement of financial position
at 30 June 2011 – unaudited
(Expressed in Renminbi)

	At 30 June 2011 *RMB million*	At 31 December 2010 *RMB million* (restated- Notes 1 and 2)
Non-current assets		
Property, plant and equipment, net	**189,254**	188,061
Construction in progress	**36,191**	33,088
Intangible assets	**3,350**	3,248
Interest in associates	**2,909**	2,818
Other long-term equity investments	**971**	971
Other non-current assets	**14,725**	12,605
Lease prepayments	**11,174**	11,411
Deferred tax assets	**777**	468
Total non-current assets	**259,351**	252,670
Current assets		
Inventories	**11,562**	11,574
Accounts and bills receivable, net	**13,103**	11,424
Prepaid expenses and other current assets	**12,481**	14,250
Restricted bank deposits	**7,638**	2,052
Time deposits with original maturity over three months	**2,917**	2,949
Cash and cash equivalents	**73,945**	77,212
Total current assets	**121,646**	119,461
Current liabilities		
Short-term borrowings and current portion of long-term borrowings	**9,262**	15,317
Accounts payable	**19,597**	19,661
Accrued expenses and other payables	**54,553**	36,893
Current portion of long-term payables	**333**	497
Income tax payable	**6,900**	4,558
Total current liabilities	**90,645**	76,926
Net current assets	**31,001**	42,535
Total assets less current liabilities	**290,352**	295,205
Non-current liabilities		
Long-term borrowings, less current portion	**46,900**	52,311
Long-term payables, less current portion	**2,220**	2,133
Accrued reclamation obligations	**1,658**	1,702
Deferred tax liabilities	**1,644**	1,632
Total non-current liabilities	**52,422**	57,778
Net assets	**237,930**	237,427
Equity		
Share capital	**19,890**	19,890
Reserves	**183,048**	185,223
Equity attributable to equity shareholders of the Company	**202,938**	205,113
Non-controlling interests	**34,992**	32,314
Total equity	**237,930**	237,427

Consolidated statement of changes in equity
for the six months ended 30 June 2011 – 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*	Non–controlling interests *RMB million*	Total equity *RMB million*
At 1 January 2010 (as previously reported)	19,890	85,001	(6,591)	7,135	610	13,658	124	50,834	170,661	26,757	197,418
Adjustment in relation to the Acquisitions (Note 1)	–	–	–	–	(2)	296	2,738	714	3,746	994	4,740
Change in accounting policy (Note 2)	–	–	10,203	(7,135)	–	–	(755)	(807)	1,506	830	2,336
At 1 January 2010 (as restated)	19,890	85,001	3,612	–	608	13,954	2,107	50,741	175,913	28,581	204,494
Total comprehensive income:											
Profit for the period	–	–	–	–	–	–	–	19,509	19,509	3,085	22,594
Other comprehensive income (exchange differences on translation of financial statement of overseas subsidiaries)	–	–	–	–	(286)	–	–	–	(286)	(1)	(287)
Total comprehensive income for the period	–	–	–	–	(286)	–	–	19,509	19,223	3,084	22,307
Other movements:											
Dividend declared (Note 5)	–	–	–	–	–	–	–	(10,541)	(10,541)	–	(10,541)
Appropriation of maintenance and production funds	–	–	–	–	–	1,535	–	(1,535)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	–	(634)	–	634	–	–	–
Appropriation of general reserve	–	–	–	–	–	120	–	(120)	–	–	–
Contributions from then shareholders in relation to the Acquisitions	–	–	–	–	–	–	301	–	301	–	301
Distributions to then shareholders in relation to the Acquisitions	–	–	–	–	–	–	–	(172)	(172)	(132)	(304)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	83	83
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,353)	(1,353)
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	733	733
Sub-total	–	–	–	–	–	1,021	301	(11,734)	(10,412)	(669)	(11,081)
At 30 June 2010	19,890	85,001	3,612	–	322	14,975	2,408	58,516	184,724	30,996	215,720

	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*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 1 January 2011 (as previously reported)	19,890	85,001	(6,591)	7,115	683	14,409	105	77,713	198,325	30,463	228,788
Adjustment in relation to the Acquisitions (Note 1)	–	–	–	–	(3)	512	4,115	698	5,322	1,047	6,369
Change in accounting policy (Note 2)	–	–	10,203	(7,115)	–	–	(731)	(891)	1,466	804	2,270
At 1 January 2011 (as restated)	19,890	85,001	3,612	–	680	14,921	3,489	77,520	205,113	32,314	237,427
Total comprehensive income:											
Profit for the period	–	–	–	–	–	–	–	22,726	22,726	3,694	26,420
Other comprehensive income (exchange differences on translation of financial statements of overseas subsidiaries)	–	–	–	–	123	–	–	–	123	(5)	118
Total comprehensive income for the period	–	–	–	–	123	–	–	22,726	22,849	3,689	26,538
Other movements:											
Dividend declared (Note 5)	–	–	–	–	–	–	–	(14,917)	(14,917)	–	(14,917)
Appropriation of maintenance and production funds	–	–	–	–	–	1,885	–	(1,885)	–	–	–
Utilisation of maintenance and production funds	–	–	–	–	–	(578)	–	578	–	–	–
Appropriation of general reserve	–	–	–	–	–	242	–	(242)	–	–	–
Contributions from then shareholders in relation to the Acquisitions	–	–	–	–	–	–	455	–	455	–	455
Distributions to then shareholders in relation to the Acquisitions	–	–	–	–	–	–	–	(136)	(136)	(105)	(241)
Contributions from non-controlling interests	–	–	–	–	–	–	–	–	–	693	693
Distributions to non-controlling interests	–	–	–	–	–	–	–	–	–	(1,599)	(1,599)
Consideration for the Acquisitions (Note 1)	–	–	–	–	–	–	(10,426)	–	(10,426)	–	(10,426)
Sub-total	–	–	–	–	–	1,549	(9,971)	(16,602)	(25,024)	(1,011)	(26,035)
At 30 June 2011	19,890	85,001	3,612	–	803	16,470	(6,482)	83,644	202,938	34,992	237,930

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 ("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 2011 – unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June **2011** *RMB million*	2010 *RMB million* (restated- Notes 1 and 2)
Operating activities			
Cash generated from operations	(a)	**60,434**	38,124
Interest received		**512**	375
Interest paid		**(1,569)**	(1,805)
Income tax paid		**(6,945)**	(5,241)
Net cash generated from operating activities		**52,432**	31,453
Investing activities			
Capital expenditure		**(17,395)**	(13,349)
Lease prepayments		**(75)**	(1,251)
Acquisition of a subsidiary	(b)	**–**	473
Payment for the Acquisitions	1	**(8,702)**	–
Capital injection in an associate		**–**	(16)
Purchase of other long-term equity investments		**–**	(265)
Proceeds from disposal of property, plant and equipment		**10**	75
Dividend received from associates		**17**	26
Increase in restricted bank deposits		**(5,594)**	(530)
Decrease in restricted bank deposits		**9**	398
Increase in time deposits with original maturity over three months		**(2,738)**	(11,015)
Maturity of time deposits with original maturity over three months		**2,770**	7,015
Repayment of entrusted loan from a third party		**3,000**	30
Net cash used in investing activities		**(28,698)**	(18,409)
Financing activities			
Proceeds from borrowings		**2,486**	24,187
Repayments of borrowings		**(13,845)**	(22,643)
Contributions from non-controlling interests		**693**	83
Distributions to non-controlling interests		**(1,774)**	(1,367)
Dividend paid to equity shareholders of the Company		**(14,917)**	–
Contributions from then shareholders in relation to the Acquisitions		**455**	301
Distributions to non-controlling interests in relation to the Acquisitions		**(105)**	–
Net cash (used in)/generated from financing activities		**(27,007)**	561
Net (decrease)/increase in cash and cash equivalents		**(3,273)**	13,605
Cash and cash equivalents, at the beginning of the period		**77,212**	72,321
Effect of foreign exchange rate changes		**6**	(30)
Cash and cash equivalents, at the end of the period		**73,945**	85,896

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

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million* (restated- Notes 1 and 2)
Profit before income tax	**35,410**	28,620
Adjustments for:		
Depreciation and amortisation	**7,476**	6,623
Impairment losses on other long-term equity investments	**–**	109
Net loss/(gain) on disposal of property, plant and equipment	**23**	(10)
Investment income	**–**	(9)
Interest income	**(529)**	(400)
Share of profits less losses of associates	**(126)**	(280)
Net interest expense	**1,513**	1,528
Loss/(gain) on remeasurement of derivative financial instruments and trading debt securities to fair value	**37**	(92)
Unrealised foreign exchange (gain)/loss	**(107)**	182
	43,697	36,271
Increase in accounts and bills receivable	**(1,679)**	(1,264)
Decrease/(increase) in inventories	**12**	(1,674)
Increase in prepaid expenses and other assets	**(1,499)**	(3,122)
Increase in accounts and bills payable	**439**	1,276
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**19,464**	6,637
Cash generated from operations	**60,434**	38,124

(b) Net outflow 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") 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
Non-controlling interests	(733)
Fair value of previous interest in the acquiree	(540)
Cash consideration	222

Analysis of the net outflow 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

Notes to the unaudited interim financial information
for the six months ended 30 June 2011
(Expressed in Renminbi)

1 Restatement

Pursuant to a resolution passed at the extraordinary general meeting on 25 February 2011, the Company acquired the equity interests and assets of certain subsidiaries held directly or indirectly by Shenhua Group:

- 56.61% equity interest in Shenhua Baorixile Energy Co., Ltd.;
- 80.00% equity interest in Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.;
- 60.10% equity interest in Hulunbeier Shenhua Clean Coal Co., Ltd.;
- 95.00% equity interest in Shaanxi Jihua Chaijiagou Mining Co., Ltd.;
- 59.29% equity interest in Shenhua Finance Co., Ltd.;
- 100.00% equity interest in Shenhua Material Trading Co., Ltd.;
- 100.00% equity interest in Shenhua Tianhong Trading Co., Ltd.;
- 80.00% equity interest in Shenhua Hollysys Information Technology Co., Ltd.;
- 100.00% equity interest in Shenhua Geological Exploration Co., Ltd.; and
- Major operating assets and related liabilities of Shenhua Group Baotou Mining Co., Ltd.

, collectively referred to as the "Acquisitions".

According to the valuation of the Acquisitions as of 30 June 2010 (the "valuation date"), the Company has paid RMB8,702 million as consideration for the Acquisitions which is subject to adjustment with reference to the valuation of the Acquisitions at the completion date. As at 30 June 2011, the Company was still in the process of discussion with Shenhua Group in determining the adjustment of consideration for the Acquisitions. The directors estimate that the additional consideration payable for the adjustment would be amounted to approximately RMB1,724 million and have recorded such amount as an liability in the financial statements.

As the Acquisitions were under common control of Shenhua Group, they have been reflected as a combination of entities under common control and accounted for in a manner similar to a pooling-of-interests. Accordingly, the assets and liabilities of the Acquisitions have been accounted for at historical cost and the consolidated financial statements of the Group prior to the Acquisitions have been restated to include the results of operations of these entities on a combined basis. The consideration paid and payable by the Company for the Acquisitions has been accounted for as an equity transaction in the consolidated statement of changes in equity.

2 Changes in accounting policies

The International Accounting Standards Board has issued a number of amendments to International Financial Reporting Standards ("IFRSs") and one new Interpretation that are first effective for the current accounting period of the Group. Of these, the following developments are relevant to the Group's financial statements:

- IAS 24 (Revised), Related party disclosure
- Improvements to IFRSs (2010)
- IFRIC 19, Extinguishing financial liabilities with equity instruments
- Amendments to IFRIC 14, IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction – Prepayments of a minimum funding requirement

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

Except for the amendment to IFRS 1, First-time adoption of International Financial Reporting Standards, which is part of Improvements to IFRSs (2010), the amendments to IFRSs and the new Interpretation have had no or not yet had a material impact on the Group's financial statements as they were consistent with policies already adopted by the Group or these changes will first be effective as and when the Group enters a relevant transaction.

The remaining developments related primarily to clarification of certain disclosure requirements applicable to the Group's financial statements. These developments have had no material impact on the contents of this interim financial report.

As a result of amendment to IFRS 1, a first-time adopter of IFRSs is allowed to use an event-driven fair value measurement as deemed cost for its assets and liabilities, even when the measurement date is after the IFRS transition date, provided that the measurement date is before the end of the period covered by the entity's first IFRS financial statements. This amendment can also be adopted retrospectively by existing IFRS reporters at the latest in the first annual period beginning on or after 1 January 2011.

Pursuant to the Restructuring and as required by the applicable laws and regulations of the PRC, the Group's financial statements prepared under the China Accounting Standards for Business Enterprises included property, plant and equipment and lease prepayments at deemed cost based on the valuation performed by China Enterprise Appraisal Co., Ltd. as of 31 December 2003. The accounting period covered by the Group's first IFRS financial statements is from 1 January 2002 to 31 December 2004. As the valuation was performed as of a date later than the date of transition to IFRSs (i.e. 1 January 2002), the Group was not permitted at that time to adopt these valuations as deemed cost for the purposes of its first IFRS financial statements and instead adopted the following IFRS accounting policies:

– property, plant and equipment were recognised at the revalued amount based on the revaluation performed in 2003 and have been subsequently measured at fair value using the revaluation method; and

– lease prepayments were recognised at historical cost and therefore, the related revaluation gains arising from the valuation in 2003 as mentioned above have not been recognised.

As a result of adoption of amendment to IFRS 1, the Group has adopted the event-driven fair value measurement as of 31 December 2003 as deemed cost for its property, plant and equipment and lease prepayments. In addition, the Group changed its IFRS accounting policy in respect of property, plant and equipment from the revaluation model to the historical cost model in order to align the Group's accounting policy with industry peers to provide more relevant financial information to the users of the Group's financial statements. The change in accounting policy has been applied retrospectively with comparatives restated.

3 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.

4 Income tax

	Six months ended 30 June	
	2011	2010
	RMB million	*RMB million* (restated- Notes 1 and 2)
Provision for PRC income tax	**9,287**	5,880
Deferred taxation	**(297)**	146
	8,990	6,026

The provision for PRC current income tax is based on a statutory rate of 25% (six months ended 30 June 2010: 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 subsidiaries of the Group, which are 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 were 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 2010: 30%) and 25% (six months ended 30 June 2010: 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.

5 Dividends

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

The directors have not proposed the payment of an interim dividend for the six months ended 30 June 2011 (six months ended 30 June 2010: 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	
	2011	2010
	RMB million	*RMB million*
Final dividend in respect of the previous financial year, approved and paid during the following interim period	**14,917**	10,541

A final dividend of RMB0.75 per share totalling RMB14,917 million in respect of the year ended 31 December 2010 was approved at the annual general meeting held on 27 May 2011 and was subsequently paid on 24 June 2011.

Pursuant to the shareholders' approval at the annual general meeting held on 18 June 2010, a final dividend of RMB0.53 per share totalling RMB10,541 million in respect of the year ended 31 December 2009 was paid on 20 July 2010.

6 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2011 was based on the profit attributable to ordinary equity shareholders of the Company of RMB22,726 million (six months ended 30 June 2010: RMB19,509 million as restated) and the number of shares in issue during the six months ended 30 June 2011 of 19,890 million (six months ended 30 June 2010: 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.

7 Comparative figures

Certain comparative figures have been adjusted or re-classified as a result of the application of pooling-of-interests method on the Acquisitions and the change in accounting policy. Further details are disclosed in Notes 1 and 2.

8 Review of interim financial results

The interim financial results for the six months ended 30 June 2011 have been reviewed with no disagreement by the Audit Committee of the Company.

II. MANAGEMENT DISCUSSION AND ANALYSIS

Summary

In the first half of 2011, focusing on the development strategy of "building the most competitive, dynamic & world-leading coal-based integrated energy enterprise" and adhering to the strategic target of "pursue scientific development, rebuild Shenhua and double economic aggregate output within five years", the Company captured development opportunities and optimized industrial layout, which achieved healthy development in each business segment and outperformed the goals of production and operation.

In the first half of 2011, commercial coal production volume of the Company amounted to 140.4 million tonnes (first half of 2010: 118.6 million tonnes (restated)), representing a year-on-year increase of 18.4%; sales volume of coal reached 191.2 million tonnes (first half of 2010: 145.8 million tonnes (restated)), representing a year-on-year increase of 31.1%; gross power generation and total power output dispatch reached 84.81 billion kwh and 78.97 billion kwh respectively, representing a year-on-year increase of 24.2% and 24.3% respectively; transportation turnover of self-owned railway reached 80.7 billion tonne kilometers, representing a year-on-year increase of 9.5%; seaborne coal sales volume reached 102.7 million tonnes, representing a year-on-year increase of 27.6%; shipping volume reached 37.5 million tonnes and shipment turnover amounted to 32.7 billion tonne nautical miles.

The Company realized relatively rapid growth in business results whilst its capability of value creation continuously improved. In the first half of 2011, the Company attached high importance in pushing forward the refined management and continuously improved its strength of low-cost operation, and thus its profitability continued to be enhanced. Pursuant to the International Financial Reporting Standards, the revenues of the Group for the first half of 2011 were RMB100.692 billion (first half of 2010: RMB71.668 billion (restated)), representing a year-on-year increase of 40.5%; profit from operations were RMB36.172 billion (first half of 2010: RMB29.562 billion (restated)), representing a year-on-year increase of 22.4%; profit attributable to equity shareholders of the Company for the period was RMB22.726 billion (first half of 2010: RMB19.509 billion (restated)), representing a year-on-year increase of 16.5%. Basic earnings per share[1] of the Group was RMB1.143 (first half of 2010: RMB0.981 (restated)), representing a year-on-year increase of 16.5%.

---

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.

As at 30 June 2011, equity attributable to equity shareholders of the Group per share was RMB10.20 (31 December 2010: RMB10.31 (restated)), representing a decrease of 1.1%. At as 30 June 2011, the Group's return on total assets[1] was 6.9%. Return on net assets[2] as at the end of the period was 11.2% (first half of 2010: 10.6% (restated)), representing a year-on-year increase of 0.6 percentage point; EBITDA[3] was RMB43.648 billion (first half of 2010: RMB36.185 billion (restated)), representing a year-on-year increase of 20.6%. As at 30 June 2011, the Group's total debt to equity ratio[4] was 19.1%, representing a decrease of 3.1 percentage points as compared to 22.2% (restated) as at 31 December 2010.

Management review on operating results by business segment

A. Coal segment

1. Business Progress

(1) Coal production and mining operation

By adopting effective measures, the Company stepped up its efforts in the technical management of production and the continuous mine production, etc., thus promoting a balanced coal production with high efficiency. In the first half of 2011, the production volume of commercial coal of the Company reached 140.4 million tonnes (first half of 2010: 118.6 million tonnes (restated)), representing a year-on-year increase of 18.4%; and the coal sales volume reached 191.2 million tonnes (first half of 2010: 145.8 million tonnes (restated)), representing a year-on-year increase of 31.1%.

---

1 Return on total assets is calculated on the basis of profit for the period and the total assets 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 as 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. 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 International Financial Reporting 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 and 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 certain requirements for cash such 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]

Apart from taking several initiatives to ensure stable and efficient production of its major mines, Shendong Mines balanced its production and sales and continued to improve the standardized management on mines. Shendong Mines made constant efforts in advancing mining technologies such as the 7-meter height fully-mechanized and large-sized working face and equipment upgrades in a move to expand production capacity of coal mines. In the first half of 2011, the production volume of commercial coal of Shendong Mines reached 88.2 million tonnes. The construction project of restructuring and capacity expansion of Jinjie Mines (with an aggregate designed production capacity of 20.0 million tonnes/year) is expected to be completed by the end of the year.

Focusing on its strategic target of building a world-leading open-cut coal base with capacity of 100 million tonnes, Zhunge'er Mines closely coordinated coal production and transportation, with production volume of commercial coal amounting to 26.7 million tonnes. The projects of capacity expansion and upgrade for the open-cut coal mines of Ha'erwusu and Heidaigou ran smoothly.

Shengli Mines optimized its mining plan by implementing steep slope mining and explosive technique, resulting in a significant improvement in productivity. In the first half of 2011, the production volume of commercial coal amounted to 11.4 million tonnes. Shengli Mines Phase II project (with a designed production capacity of 20.0 million tonnes/year) is expected to be completed by the end of the year.

Shenbao Energy Company overcame the difficulties such as severe weather and large-scale maintenance of production system, thereby creating a historical record in coal production volume. In the first half of 2011, the production volume of commercial coal of Shenbao Energy Company amounted to 12.5 million tonnes.

In terms of Watermark Coal Project in Australia, the exploration on open-cut mine and the feasibility study have basically completed. The No. 1 generating unit of the integrated coal and power project, with capacity of 2 x 150 MW, in South Sumatra, Indonesia, has been put into trial operation in July. The Company established the Overseas Investment Company as its operational platform for overseas projects, with an aim to proactively take part in overseas projects.

(2) Coal production equipment and technology

In the first half of the year, the Company continued to steadily advance the informatization construction of coal production. By means of adopting the new techniques of 7-meter height fully-mechanized recovery, the Company raised the recovery rate effectively. Moreover, the Company made a series of achievements in technologies including mining on thin coal seam.

(3) Production safety in coal mine

The Company pushed ahead the building of intrinsic-safety management system in full swing. Through a number of measures such as optimizing safety management system, strengthening supervision and inspection and putting greater efforts in training on safety, the Company realized safe production and steady operation. The fatality rate per million tonnes of raw coal output of the Company was 0.0066 in the first half of 2011, lower than the national level of 0.492 for the same period.

(4) Coal resources

As at 30 June 2011, the Group had recoverable coal reserve of 15.368 billion tonnes and coal resource of 24.138 billion tonnes under the PRC Standard; the Group's marketable coal reserve was 9.489 billion tonnes under the JORC Standard.

In the first half of 2011, the Company's coal resource explorations were proceeding in an orderly manner and the exploration expenses amounted to approximately RMB0.08 billion. After the completion of exploration of open-cut mine and feasibility study, the Watermark Coal Project in Australia carried on the exploration work of other coal reserve.

In the first half of 2011, the Company's mining development and exploration works were proceeding in an orderly manner, relevant capital expenditure of which amounted to approximately RMB5.0 billion. Technological upgrade and capacity expansion of certain mines of Shendong Mines, Heidaigou and Ha'erwusu open-cut mines were carried out as scheduled.

2. *Coal Sales*

In the first half of 2011, the Company continued to implement mega-sales strategy by establishing a mega platform for bringing the Shenhua Trading Group into full play. With a view to establishing and working a market-oriented pricing mechanism of spot coal taking Bohai Bay Thermal Coal Price Index as reference, the Company enhanced the management over coal quality, promoted the construction of coal reserve base along the railway, river and the coastal areas and continuously strengthened its influence and control over the market, resources and logistics.

In the first half of 2011, coal sales volume of the Company amounted to 191.2 million tonnes (first half of 2010: 145.8 million tonnes (restated)), representing a year-on-year increase of 31.1%. In order to strengthen the Company's profitability, expand market share and meet the demand of coal blending, the Company increased the volume of coal purchased from third parties at the ports whilst stabling the volume of coal purchased from third parties in mine mouth areas and along railway line. The sales of coal purchased from third parties were 48.3 million tonnes (first half of 2010: 29.6 million tonnes (restated)), representing a year-on-year increase of 63.2%. The average coal sales price of the Company amounted to RMB428.6/tonne (first half of 2010: RMB406.4/tonne (restated)), representing a year-on-year increase of 5.5%.

(1) Domestic and export sales

Domestic and export sales	**First half of 2011**			First half of 2010 (Restated)			
	Sales volume *million tonnes*	**Proportion to total sales** %	**Price** *RMB/ tonne*	Sales volume *million tonnes*	Proportion to total sales %	Price *RMB/ tonne*	Change in price %
Domestic sales	**188.0**	**98.3**	**424.5**	140.0	96.0	401.9	5.6
Long-term contract sales	**87.4**	**45.7**	**333.3**	82.7	56.7	361.7	(7.9)
Mine mouth	**4.7**	**2.5**	**169.5**	3.4	2.3	159.0	6.6
Direct arrival (along railway)	**41.0**	**21.4**	**233.1**	36.0	24.7	260.3	(10.4)
Seaborne	**41.7**	**21.8**	**450.3**	43.3	29.7	461.9	(2.5)
Spot sales	**100.6**	**52.6**	**503.8**	57.3	39.3	459.9	9.5
Mine mouth	**18.9**	**9.9**	**132.9**	11.1	7.6	152.8	(13.0)
Direct arrival (along railway)	**23.9**	**12.5**	**493.5**	14.8	10.2	429.6	14.9
Seaborne	**57.8**	**30.2**	**629.4**	31.4	21.5	583.0	8.0
Export Sales	**3.2**	**1.7**	**668.6**	5.8	4.0	514.0	30.1
Total sales volume/ weighted average price	**191.2**	**100.0**	**428.6**	145.8	100.0	406.4	5.5

In the first half of 2011, domestic sales volume of the Company amounted to 188.0 million tonnes (first half of 2010: 140.0 million tonnes (restated)), representing a year-on-year increase of 34.3% and accounting for 98.3% of the sales volume of coal. Among the total, spot sales amounted to 100.6 million tonnes (first half of 2010: 57.3 million tonnes (restated)), accounting for 52.6% of the total sales volume of the first half of 2011, which increased from 39.3% (restated) of the first half of 2010. In the first half of 2011, the Company's domestic seaborne coal sales volume was 99.5 million tonnes while the national coal transshipment volume for domestic coal sales through domestic ports was 325 million tonnes, based on which the market share of China Shenhua in coastal coal markets was estimated at approximately 30.6%. In the first half of 2011, the weighted average domestic coal sales price of the Company amounted to RMB424.5/tonne (first half of 2010: RMB401.9/tonne (restated)), representing a year-on-year increase of 5.6%.

In the first half of 2011, the sales volume of the Company to the top five domestic customers of coal was 22.4 million tonnes, which accounted for 11.9% of the total domestic sales volume, of which, the sales volume to the largest customer was 6.4 million tonnes, which accounted for 3.4% of total domestic sales volume. The top five domestic customers of coal were either power generation companies or fuel companies.

In the first half of 2011, the coal export volume of the Company was 3.2 million tonnes, representing a year-on-year decrease of 44.8%. The proportion of export sales to total sales volume of coal decreased to 1.7% from 4.0% (restated) of the first half of 2010. In the first half of 2011, the coal export sales price was RMB668.6/tonne (first half of 2010: RMB514.0/tonne (restated)), representing a year-on-year increase of 30.1%.

In the first half of 2011, the sales volume of the Company to the top five export coal customers was 2.3 million tonnes, which accounted for 71.9% of the total export sales volume, of which, the sales volume to the largest customer was 0.8 million tonnes, which accounted for 25.0% of total export sales volume. The top five export customers were either power companies or chemical companies.

(2) Sales to external customers and internal power segment

Sales to external customers and internal power segment	**For the six months ended 30 June**						
	2011			2010 (Restated)			
	Sales volume *million tonnes*	**Percentage** %	**Price** *RMB/tonne*	Sales volume *million tonnes*	Percentage %	Price *RMB/tonne*	Change in price %
Sales to external customers	**157.4**	**82.3**	**436.9**	116.0	79.6	414.3	5.5
Sales to internal power segment	**33.8**	**17.7**	**390.3**	29.8	20.4	375.5	3.9
Total sales volume/weighted average price of coal	**191.2**	**100.0**	**428.6**	145.8	100.0	406.4	5.5

In the first half of 2011, the volume of coal sales of the Company to external customers was 157.4 million tonnes (first half of 2010: 116.0 million tonnes (restated)), representing a year-on-year increase of 35.7%. Coal sales price to external customers amounted to RMB436.9/tonne (first half of 2010: RMB414.3/tonne (restated)), representing a year-on-year increase of 5.5%. In the first half of 2011, the sales volume of the Company to the top five external coal customers was 22.4 million tonnes, which accounted for 11.7% of the total sales volume.

In the first half of 2011, the volume of coal sales of the Company to the power segment of the Group was 33.8 million tonnes (first half of 2010: 29.8 million tonnes (restated)), representing a year-on-year increase of 13.4%, its proportion to total sales volume of coal decreased by 2.7 percentage points to 17.7% as compared with that of the same period of last year (restated); the sales price increased by 3.9% to RMB390.3/tonne from RMB375.5/tonne (restated) of the same period of last year. The sales of coal to the power segment of the Group was mainly conducted under long-term contracts. The Company adopted identical pricing policy for the sales of coal to internal power segment and external customers on the basis of identical sales method.

(3) Sales of coal purchased from third parties

In the first half of 2011, the coal segment's sales volume of coal purchased from third parties amounted to 48.3 million tonnes (first half of 2010: 29.6 million tonnes (restated)), representing a year-on-year increase of 63.2%.

3. *Operating results*

The operating results of the coal segment of the Company before elimination on consolidation in the first half of 2011 were as follows:

		For the six months ended 30 June		
		2011	2010 (Restated)	Changes
Revenues	RMB million	**84,333**	60,445	39.5%
Cost of revenues	RMB million	**55,322**	37,665	46.9%
Profit from operations	RMB million	**25,471**	19,975	27.5%
Margin of profit from operations	%	**30.2**	33.0	Decreased by 2.8 percentage points

(1) Revenues in coal segment

In the first half of 2011, benefiting from the increase in the sales volume and price of coal, revenues in coal segment of the Group before elimination on consolidation were RMB84.333 billion (first half of 2010: RMB60.445 billion (restated)), representing a year-on-year increase of 39.5%.

(2) Cost of revenues in coal segment

In the first half of 2011, cost of revenues in coal segment of the Group before elimination on consolidation was RMB55.322 billion (first half of 2010: RMB37.665 billion (restated)), representing a year-on-year increase of 46.9%. Cost of revenues mainly comprised 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 2011, costs of coal purchased from third parties were RMB21.399 billion (first half of 2010: RMB10.970 billion (restated)), representing a year-on-year increase of 95.1%. The increase was mainly due to:

a. the sales volume of coal purchased from third parties amounted to 48.3 million tonnes in the first half of 2011, representing a year-on-year increase of 63.2%; and

b. unit purchasing cost of coal purchased from third parties was RMB443.0/tonne, representing an increase of 19.5% from RMB370.6/tonne (restated) for the same period of last year.

Production cost of self-produced coal was RMB15.183 billion (first half of 2010: RMB11.318 billion (restated)), representing a year-on-year increase of 34.1%. Unit production cost of self-produced coal was RMB106.2/tonne (first half of 2010: RMB97.4/tonne (restated)), representing a year-on-year increase of 9.0%. The reasons that affect the unit production cost are mainly as follows:

a. Materials, fuel and power were RMB19.3/tonne (first half of 2010: RMB18.9/tonne (restated)), representing a year-on-year increase of 2.1%. The increase was mainly due to the price hike in bulk consumables such as diesel and steel;

b. Personnel expenses were RMB14.8/tonne (first half of 2010: RMB13.2/tonne (restated)), representing a year-on-year increase of 12.1%. The increase was mainly due to the increased number of workers and the increase in salaries;

c. Repairs and maintenance were RMB7.1/tonne (first half of 2010: RMB7.8/tonne (restated)), representing a year-on-year decrease of 9.0%. The decrease was mainly due to the impact of the growth in production and the arrangement for equipment maintenance;

d. Depreciation and amortisation were RMB19.2/tonne (first half of 2010: RMB19.6/tonne (restated)), representing a year-on-year decrease of 2.0%. The decrease was mainly because that certain mines with lower depreciation and amortisation have a higher increase in their production volume, which diluted the overall level of that of the Company; and

e. Other costs were RMB45.8/tonne (first half of 2010: RMB37.9/tonne (restated)), representing a year-on-year increase of 20.8%, which was mainly attributable to the increase in the environment protection expenditures and mining engineering expenses.

Cost of coal transportation was RMB17.075 billion (first half of 2010: RMB14.412 billion (restated)), representing a year-on-year increase of 18.5%. Total unit cost of coal transportation amounted to RMB89.3/tonne (first half of 2010: RMB98.8/tonne (restated)). The decrease was mainly attributable to: (a) the increase in sales volume by mine mouth and direct arrival of the newly acquired coal mines; and (b) the increase in sales volume of coal purchased from third parties from the ports.

(3) Profit from operations in coal segment

In the first half of 2011, profit from operations in coal segment of the Group before elimination on consolidation were RMB25.471 billion (first half of 2010: RMB19.975 billion (restated)), representing a year-on-year increase of 27.5%. In the same period, the ratio of the profit from operations in coal segment/average total assets during the reporting period amounted to 14.3%; margin of profit from operations decreased from 33.0% (restated) of the same period of last year to 30.2%.

B. Power segment

1. Business Progress

In the first half of 2011, the Company acquired Guohua Hulunbeier Power 2 x 600 MW coal-fired generators from its controlling shareholder, Shenhua Group Corporation. Meanwhile, the Company newly established the Shenwan Energy Company. Great efforts were also put into arranging a better layout for power business development leveraging on the favorable timing for industry and acquiring quality power resources such as the acquisition of Mengjin Power Plant. As at 30 June 2011, the total installed capacity of power plants controlled and operated by the Company reached 29,860 MW, representing a 4.3% increase over 31 December 2010, of which 66 units of coal-fired generator were controlled and operated by the Company with an average unit capacity of 440 MW.

In order to further increase the utilization hours of power generators, the Company stuck to the principle of "every kilowatt-hour counts" and proactively strived for excess quota outside of the planned power output. In the first half of 2011, gross power generation of the Group's coal-fired generators was 83.79 billion kwh, representing a year-on-year increase of 15.78 billion kwh or 23.2%; the total power output dispatch of coal-fired generators was 77.99 billion kwh, representing a year-on-year increase of 14.67 billion kwh or 23.2%.

The coal consumption of the power generation operations of the Group in the first half of 2011 was 37.1 million tonnes, of which 30.5 million tonnes were from internal coal segment, accounting for 82.2%; The coal consumption for power output dispatch of coal-fired generators was 322 g/kwh, 6 g/kwh below the average level in China.

Installed capacity of coal-fired power plants in the first half of 2011

Power plants	Grid location	Geographic location	Total installed capacity as at 31 December 2010 (Restated)	Increase/ (decrease) in installed capacity for the first half of 2011	Total installed capacity as at 30 June 2011	Equity installed capacity as at 30 June 2011
			MW	*MW*	*MW*	*MW*
Huanghua Power	North China Power Grid	Hebei	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	1,300	–	1,300	715
Dingzhou Power	North China Power Grid	Hebei	2,520	–	2,520	2,520
Panshan Power	North China Power Grid	Tianjin	1,030	–	1,030	469
Zhunge'er Power	North China Power Grid	Inner Mongolia	400	(100)	300	300
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	2,867	327	3,194	2,684
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	1,320	–	1,320	858
Guohua Hulunbeier Power	Northeast Power Grid	Inner Mongolia	1,200	–	1,200	960
Beijing Thermal	North China Power Grid	Beijing	400	–	400	280
Suizhong Power	Northeast Power Grid	Liaoning	3,600	–	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	111
Taishan Power	South China Power Grid	Guangdong	3,000	1,000	4,000	3,200
Huizhou Thermal	South China Power Grid	Guangdong	660	–	660	660
Total installed capacity			27,837	1,227	29,064	20,162

2. *Power sales*

In the first half of 2011, the Company adjusted its sales strategy in a timely manner and actively fought for substituted power. The Company leveraged on the advantage of integrated operations of coal and power and stepped up efforts in sales in regional markets such as Jiangsu, Zhejiang and Guangdong. In the first half of 2011, the power output dispatch of the Company was 78.97 billion kwh, representing a year-on-year increase of 24.3%. Power tariff was RMB342/mwh, representing a year-on-year increase of RMB10/mwh. Average utilization hours of coal-fired generators amounted to 2,957 hours, which was 365 hours higher than the national average utilization hours of coal-fired power generating equipment of 2,592 hours for the same period.

3. *Operating results*

In the first half of 2011, the operating results of the power segment of the Company before elimination on consolidation were as follows:

		For the six months ended 30 June		
		2011	2010 (Restated)	Changes
Revenues	RMB million	**27,732**	21,682	27.9%
Cost of revenues	RMB million	**21,637**	16,484	31.3%
Profit from operations	RMB million	**5,048**	4,473	12.9%
Margin of profit from operations	%	**18.2**	20.6	Decreased by 2.4 percentage points

(1) Revenues in power segment

In the first half of 2011, revenues in power segment of the Group before elimination on consolidation were RMB27.732 billion (first half of 2010: RMB21.682 billion (restated)), representing a year-on-year increase of 27.9%, which was mainly attributable to the increase of power output dispatch and the rise of on-grid power tariffs of some power plants of the Company.

(2) Cost of revenues in power segment

In the first half of 2011, the cost of revenues in power segment of the Group before elimination on consolidation was RMB21.637 billion (first half of 2010: RMB16.484 billion (restated)), representing a year-on-year increase of 31.3%.

The unit cost of power output dispatch was RMB270.4/mwh (first half of 2010: RMB256.5/mwh (restated)), representing a year-on-year growth of 5.4%. which was mainly attributable to the increase in the cost of materials, fuel and power as a result of the increase in coal price.

(3) Profit from operations in power segment

In the first half of 2011, the profit from operations in power segment of the Group was RMB5.048 billion (first half of 2010: RMB4.473 billion (restated)), representing a year-on-year increase of 12.9%. In the same period, the ratio of the profit from operations in power segment/average total assets during the reporting period amounted to 4.1%; margin of profit from operations decreased from 20.6% (restated) of the same period of last year to 18.2%.

C Railway segment

1. Business Progress

In the first half of 2011, the transportation turnover of self-owned railway of the Company was 80.7 billion tonne km (first half of 2010: 73.7 billion tonne km (restated)), representing a year-on-year increase of 9.5%. The transportation turnover of self-owned railway accounted for 76.9% to the total turnover, representing a decrease of 1.6 percentage points as compared to 78.5% (restated) in the first half of 2010.

In the first half of 2011, the Company further tapped the full potential of the existing railway system by implementing various refined management measures such as reducing train headways, reducing time for turnover of cargo trucks and expediting the launch of heavy-loaded trains with capacity of 10,000 tonnes. By enhancing operational arrangement, speeding up the utilization of trains with capacity of 10,000 tonnes and upgrading train stations, the transportation capacity of Shenshuo Railway was further strengthened. In addition, other operating railways continued their daily transportation and capacity expansion and reform in a sound manner. The preparation and construction work of Bazhun Railway, Zhunchi Railway and Ganquan Railway progressed steadily according to plans. Certain sections of Ganquan Railway were expected to enter operation in the second half of the year.

2. *Operating results*

In the first half of 2011, the operating results of the railway segment of the Company before elimination on consolidation were as follows:

		For the six months ended 30 June		
		2011	2010 (Restated)	Changes
Revenues	RMB million	**11,336**	10,373	9.3%
Cost of revenues	RMB million	**5,855**	4,864	20.4%
Profit from operations	RMB million	**5,009**	5,214	(3.9%)
Margin of profit from operations	%	**44.2**	50.3	Decreased by 6.1 percentage points

(1) Revenues in railway segment

In the first half of 2011, revenues in railway segment of the Group before elimination on consolidation were RMB11.336 billion (first half of 2010: RMB10.373 billion (restated)), representing a year-on-year increase of 9.3%. Of which, the revenues from the provision of internal transportation service in the railway segment were RMB10.066 billion (first half of 2010: RMB9.297 billion (restated)), representing a year-on-year increase of 8.3% and accounting for 88.8% of revenues in railway segment. Meanwhile, by utilizing their excessive transportation capacity to provide transportation service to third parties, certain railways of the Group generated transportation revenues.

(2) Cost of revenues in railway segment

In the first half of 2011, the cost of revenues in railway segment of the Group was RMB5.855 billion (first half of 2010: RMB4.864 billion (restated)), representing a year-on-year increase of 20.4%.

Unit transportation cost in railway segment was RMB0.073/tonne km (first half of 2010: RMB0.065/tonne km (restated)), representing a year-on-year increase of 12.3%, which was mainly attributable to:

a. the increase in repair and maintenance expenditures arising from the overhaul and track replacement in certain sections;

b. the increase in personnel expenses as a result of the increased number of workers in railway segment and the increase in salaries;

c. the increase in the cost of materials, fuel and power as a result of the increase in coal price and power tariff; and

d. the increase in other costs as a result of the increases such as rental for locomotives.

(3) Profit from operations in railway segment

In the first half of 2011, profit from operations in railway segment of the Group before elimination on consolidation was RMB5.009 billion (first half of 2010: RMB5.214 billion (restated)), representing a year-on-year decrease of 3.9%. In the same period, the ratio of the profits from operations in railway segment/ average total assets during the reporting period amounted to 10.0%; margin of profit from operations decreased from 50.3% (restated) of the same period of last year to 44.2%.

D. Port segment

1. Business Progress

In the first half of 2011, the Company's seaborne coal volume reached 102.7 million tonnes, accounting for 53.7% of its commercial coal sales volume. Through strengthening the coordination of loading and unloading processes, accelerating the rate of turnover of ships, the Company's self-owned ports of Huanghua Port and Shenhua Tianjin Coal Dock completed seaborne coal volume of 60.4 million tonnes (first half of 2010: 54.4 million tonnes (restated)), accounting for 58.8% of the Company's total seaborne coal volume.

Phase III of Huanghua Port commenced construction and the dredging construction of a two-way channel progressed smoothly. In addition, operating efficiency management of Tianjin Coal Dock was strengthened and the approval process for Phase II construction was expedited. The establishment of Zhuhai Coal Dock Company further enhanced the Company's mega transportation layout.

2. *Operating results*

In the first half of 2011, the operating results of the port segment of the Company before elimination on consolidation were as follows:

		For the six months ended 30 June		
		2011	2010 (Restated)	Changes
Revenues	RMB million	**1,395**	1,273	9.6%
Cost of revenues	RMB million	**883**	811	8.9%
Profit from operations	RMB million	**385**	358	7.5%
Margin of profit from operations	%	**27.6**	28.1	Decreased by 0.5 percentage point

(1) Revenues in port segment

In the first half of 2011, revenues in port segment of the Group before elimination on consolidation were RMB1.395 billion (first half of 2010: RMB1.273 billion (restated)), representing a year-on-year increase of 9.6%. Of which, the revenues from internal coal transportation in the port segment were RMB1.329 billion (first half of 2010: RMB1.215 billion (restated)), representing a year-on-year increase of 9.4% and accounting for 95.3% of revenues in port segment.

(2) Cost of revenues in port segment

In the first half of 2011, the cost of revenues in port segment of the Group were RMB883 million (first half of 2010: RMB811 million (restated)), representing a year-on-year increase of 8.9%.

(3) Profit from operations in port segment

In the first half of 2011, the profit from operations in port segment of the Group was RMB385 million (first half of 2010: RMB358 million (restated)), representing a year-on-year increase of 7.5%. In the same period, the ratio of the profit from operations in port segment/average total assets during the reporting period amounted to 3.6%; margin of profit from operations decreased from 28.1% (restated) of the same period of last year to 27.6%.

E. Shipping segment

1. Business Progress

In the first half of 2011, Shenhua Zhonghai Shipping Company, fully leveraging on the integrated business model, with the mega-sales system as platform, continuously consolidated and expanded its presence in the market. By refining vessel management and formulating allocation and transportation plans in a scientific manner, shipping volume reached 37.5 million tonnes and shipment turnover reached 32.7 billion tonne nautical miles.

2. Operating results

In the first half of 2011, the operating results of the shipping segment of the Company before elimination on consolidation were as follows:

		For the six months ended 30 June		
		2011	2010 (Restated)	Changes
Revenues	RMB million	**2,286**	–	N/A
Cost of revenues	RMB million	**1,975**	–	N/A
Profit from operations	RMB million	**284**	–	N/A
Margin of profit from operations	%	**12.4**	–	N/A

(1) Revenues in shipping segment

In the first half of 2011, the revenues of the Group's shipping segment before elimination on consolidation were RMB2.286 billion, of which the revenues from internal transportation services provided by the shipping segment were RMB892 million, accounting for 39.0% of revenues in shipping segment.

(2) Cost of revenues in shipping segment

In the first half of 2011, the cost of revenues of the Group's shipping segment was RMB1.975 billion. The unit cost of transportation of the shipping segment was RMB0.060/tonne nautical miles.

(3) Profit from operations in shipping segment

In the first half of 2011, the profit from operations of the Group's shipping segment was RMB284 million. In the same period, the ratio of the profit from operations in shipping segment/average total assets during the reporting period amounted to 10.8%; margin of profit from operations was 12.4%.

Review and prospect of business environment[Note]

I. Macroeconomic conditions

In the first half of the year, the central government adopted active, flexible and yet solid and prudent macro-economic policies, carefully and proactively striking a balance between attaining steady and rapid economic growth, restructuring its economy and controlling inflation. The overall economy of the PRC remained in good shape. In the first half of the year, the rate of GDP growth was 9.6% on a year-on-year basis, of which the first quarter and the second quarter recorded an increase of 9.7% and 9.5%, respectively, suggesting China's rapidly growing economy is keeping its momentum.

In the second half of the year, the central government will stick to a proactive fiscal policy and a prudent monetary policy, placing price stabilisation at the top of its agenda. It is expected that the economy of the PRC will register rapid growth in the second half of the year, with the rate of economic growth surpassing the full-year growth target of 8% formulated by the central government at the beginning of the year. The growth in macro-economy will in turn boost the demand for energy such as coal.

Note: (1) This section is for information only and does not constitute any investment advice. The Company has used its best endeavors to ensure the accuracy and reliability of the information given 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. The Company does not assume any liability in the case of errors or omissions. The content in this section may contain certain forward looking statements based on subjective assumptions and judgments of future political and economic developments; therefore uncertainties may exist 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 and other data contained herein may be changed or revoked by the Company at any time without further notification.

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

II. Market environment of the coal industry

1. Thermal coal market in China

Review of the first half of 2011

Major coal consuming industries achieved relatively fast growth. The national thermal power generation, steel and cement production volumes grew by 13.0%, 12.8% and 19.6% year-on-year respectively, suggesting the relatively fast growth in coal demand from major coal consuming industries in the first half of the year.

The national production volume of raw coal was 1.77 billion tonnes, representing a year-on-year increase of 12.7%, up 3.8 percentage points as compared to 8.9% of the entire year of 2010. The process of eliminating small coal mines continued.

The volume of coal transported by railway was 1.11 billion tonnes nationwide, representing a year-on-year increase of 13.2%, down 3.7 percentage points as compared to 16.9% throughout 2010.

The high coal spot prices in the Asia Pacific markets persisted, leading to a decrease in the national net import. In the first half of the year, China's national net coal import volume was 61.74 million tonnes, representing a year-on-year decrease of 11.5%.

In the first half of 2011, the supply and demand of China's thermal coal market was largely balanced. Due to the growth of economy, the reduction in hydropower output and the decrease of net coal import volume as a result of the ballooning international coal price, the supply of thermal coal was stretched thin in certain regions during April and May. In the first half of the year, the spot price of thermal coal fluctuated at high levels, blurring the distinction between peak and low seasons.

Prospect for the second half of 2011

Major coal consuming industries of China such as the power industry, iron and steel industry and construction materials industry will maintain their growth momentum, driving up the national demand for coal.

Coal production capacity of China will further increase. The continuous consolidation of coal resources in various provinces and regions will restrain the growth in coal production volume. As major coal producing areas are moving to western China gradually, it is expected that the transportation capacity of railways will continue to be stressed in certain periods. Meanwhile, the release of production capacity of coal mines in certain regions of Inner Mongolia, Shaanxi and Ningxia is restrained by railway transportation capacity, and thus the condition of "production determined by transportation capacity" will subsist.

Looking into the second half of the year, the thermal coal spot prices in Asia Pacific markets will remain high and the import volume of thermal coal in China will see a sustained year-on-year decrease.

It is expected that the overall supply and demand of the national thermal coal market will remain balanced in the second half of the year, and given the impact of seasonal and other factors, the condition of thermal coal supply running tight will linger in certain regions and certain time periods. The spot prices of the thermal coal in China will continue to fluctuate at high levels.

2. *Thermal coal market in Asia Pacific Regions*

Review of the first half of 2011

The economic growth of the Asia Pacific regions boosted the demand for thermal coal. The thermal coal imports of South Korea recorded a year-on-year increase of 10.7% to 51.70 million tonnes; the thermal coal imports of India for the past five months were 39.40 million tonnes, representing a year-on-year increase of 20.0%. Coal imports of Japan took a blow as a result of the earthquake, with thermal coal imports of 61.10 million tonnes in the first half, a year-on-year decrease of 3.6%.

The exports of major exporting countries rose further. Australia's thermal coal exports amounted to 67.10 million tonnes, representing a year-on-year growth of 3.4%; Indonesia's thermal coal exports amounted to 181.60 million tonnes, representing a year-on-year growth of 20.2%.

In the first half, thermal coal supply in the Asia Pacific markets was slightly stressed and the spot price for thermal coal fluctuated at high levels. Australia BJ thermal coal spot price was USD130.85/tonne in the beginning of the year, peaked at USD134.35/tonne and dropped to as low as USD117.45/tonne. It reached USD120.90/tonne at the end of June.

Prospect for the second half of 2011

The demand for thermal coal in the Asia Pacific markets will register a year-on-year increase and the post-earthquake reconstruction in Japan will lead to growing thermal coal import. In the meantime, the thermal coal import of India will show a relatively speedy growth whilst the thermal coal import of China will continue to record year-on-year decrease.

Thermal coal supply in the Asia Pacific markets will increase in the second half of the year. Coal export from Australia in the second half of the year will grow over the first half of the year as the negative effects to coal supply stemming from the flooding at the end of last year gradually subsides. Given the inadequate railway and port transportation facilities in Indonesia and higher price prescribed by the Indonesian government for coal export, growth of coal export will be limited. Vietnam's lifting of its tax rate for coal export will inhibit its growth in coal export.

It is expected that thermal coal supply in the Asia Pacific markets will be slightly stressed and the spot price for thermal coal will fluctuate at high levels in the second half of the year.

III. Market environment of the power industry

Review of the first half of 2011

Power consumption in China increased by 12.2% on a year-on-year basis with the growth of power consumption returning to normal.

The country's newly installed power generation capacity (officially entered operation) reached 34.78 million KW, 23.31 million KW of which was contributed from the installed capacity of coal-fired generators. The national power supply capacity further increased and works on closure of small coal-fired power generation units had continued.

The national average utilization hours of power generating equipments accumulated to 2,306 hours, representing a year-on-year increase of 44 hours. Among which, the hours for coal-fired power generating equipments was 2,592 hours, representing an increase of 59 hours. These indicated that the power demand grew further as compared with that of last year.

The supply and demand of power in China was balanced on the whole in the first half of the year, yet supply ran tight in certain regions during April and May due to factors such as the growth of power demand and the reduction of hydropower output in several provinces and regions.

Prospect for the second half of 2011

The economic growth in China will further boost the demand for power. Stimulated by the ongoing construction of security housing and numerous new projects under the Twelfth Five-Year Plan, the national demand for power will keep growing steadily and rapidly in the second half of the year.

China's installed capacity of power generation will continue to expand. Among which, the expansion of the installed capacity of coal-fired generators will slow down, while that of new energy and clean energy generators such as wind power generators will increase further.

It is expected that the supply and demand of power in China will be balanced in general in the second half of the year. The average utilization hours of power generating equipments will see modest increase on a year-on-year basis. Given the impact of factors such as seasonality, supply will run tight in some regions and during certain periods.

III. SIGNIFICANT MATTERS

Purchase, sale or redemption of securities of the Company

For the six months ended 30 June 2011, 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 2011.

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 2011.

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 2011.

Audit committee

The Company has appointed independent non-executive directors and established an Audit Committee in accordance with the Hong Kong Listing Rules. As at the end of the reporting period, the Audit Committee of the board comprises Mr. Gong Huazhang (chairman of the Audit Committee of the board, with professional qualifications and experience in accounting and other fields of financial management), Mr. Xie Songlin and Mr. Guo Peizhang. On 19 August 2011, the Audit Committee reviewed the Company's interim financial report for the six months ended 30 June 2011 and approved submission of the interim financial report to the board for approval.

Subsequent event

After 30 June 2011, 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 – Basic Standard and 38 specific accounting standards issued by the Ministry of Finance of the People's Republic of China on 15 February 2006 and the Application Guidance to Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other related requirements subsequently issued
"Australia Pty"	Shenhua Australia Holdings Pty Limited
"Baoshen Railway Company"	Shenhua Baoshen Railway Co., Ltd.
"Baotou Energy Company"	Shenhua Baotou Energy Co., Ltd
"Baotou Mining"	Shenhua Group Baotou Mining 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 in the context
"Chaijiagou Mining"	Shaanxi Jihua Chaijiagou Mining Co., Ltd.

"Clean Coal Company"	Hulunbeier Shenhua Clean Coal Co., Ltd.
"Coal Liquefaction Company"	China Shenhua Coal Liquefaction Chemical Co Ltd
"Designated Newspapers for Information Disclosure"	China Securities Journal, Shanghai Securities News, Securities Times and Securities Daily
"Dingzhou Power"	Hebei Guohua Dingzhou Power Generation Co., Ltd.
"EMM Indonesia"	PT.GH EMM INDONESIA
"Geological Exploration Company, formerly "Beiyao Company""	Shenhua Geological Exploration Co., Ltd, formerly "Shenhua (Beijing) Remote Sensing Exploration Co., Ltd."
"Guohua Energy"	Guohua Energy Investment Co Ltd
"Guohua Hulunbeier Power"	Guohua Hulunbeier Power Generation Co., Ltd.
"Guohua International"	Shenhua Guohua International Power Co., Ltd.
"Guohua Power"	Beijing Guohua Power Company Limited
"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 Harbour Administration Company"	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
"Information Company"	Shenhua Hollysys Information Technology Co., Ltd.
"International Trading Company"	Shenhua International Trading Co Ltd
"Jihua Industry"	Beijing Jihua Industry Coal Co., Ltd.
"Jinjie Energy"	Shaanxi Guohua Jinjie Energy Co., Ltd.
"Material Company"	Shenhua Group Material Trading Co., Ltd.
"Ninghai Power"	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
"Overseas Investment Company"	China Shenhua Overseas Development & Investment 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
"Shenbao Energy Company"	Shenhua Baorixile Energy Co., Ltd.
"Shendong Coal Branch"	China Shenhua Energy Company Limited Shendong Coal Branch
"Shendong Coal Group"	The corporation conglomerate consisting Shenhua Shendong Coal Group Co., Ltd. and its subsidiaries
"Shendong Coal Group Corporation"	Shenhua Shendong Coal Group Co., Ltd.
"Shendong Power Company"	Shenhua Shendong Power Co., Ltd.
"Shenhua Finance Company"	Shenhua Finance Co., Ltd.

"Shenhua Group"	Shenhua Group Corporation and its subsidiaries
"Shenhua Group Corporation"	Shenhua Group Corporation Limited
"Shenhua Trading Company"	Shenhua Coal Trading Co., Ltd.
"Shenhua Trading Group"	Shenhua Trading Group Limited
"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
"Shenwan Energy Company"	Shenwan Energy Company Limited
"Shuohuang Railway Company"	Shuohuang Railway Development Co., Ltd.
"Suizhong Power"	Suizhong Power Co., Ltd.
"Taishan Power"	Guangdong Guohua Yudean Taishan Power Co., Ltd.
"Tianhong Company"	Shenhua Tianhong Trading Co., Ltd.
"Tianjin Coal Dock"	Shenhua Tianjin Coal Dock Co., Ltd.
"Watermark"	Shenhua Watermark Coal Pty Limited
"Wuhai Energy Company"	Shenhua Wuhai Energy Company Limited
"Xinjie Energy Company"	Shenhua Xinjie Energy Co., Ltd.
"Xinzhun Railway Company"	Shenhua Xinzhun Railway Co., Ltd.
"Yu Shen Energy Company"	Yulin Shenhua Energy Co., Ltd.
"Yuyao Power"	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
"Zhuhai Coal Dock"	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.

"Zhunge'er Coal Gangue Power"	Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.
"Zhunge'er Energy Company"	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, 26 August 2011

As at the date of this announcement, the Board comprises the following: Dr. Zhang Xiwu, Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo as executive directors, 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.