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 2015

FINANCIAL HIGHLIGHTS

- Revenue of the Group in the first half of 2015 were RMB87,783 million, representing a decrease of RMB41,414 million or 32.1% over the same period of 2014.
- Profit for the period attributable to equity holders of the Company was RMB13,068 million, representing a decrease of RMB9,707 million or 42.6% over the same period of 2014.
- Earnings per share for the period was RMB0.657.
- EBITDA[1] in the first half of 2015 was RMB34,521 million, representing a decrease of RMB11,628 million or 25.2% over the same period of 2014.

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 2015 and to report our performance for the period.

Note 1: EBITDA is defined as profit for the current period plus finance costs, income tax and depreciation and amortization, and excluding interest income, investment income and share of results of associates.

I. INTERIM FINANCIAL INFORMATION

Financial information extracted from the unaudited condensed consolidated financial statements for the six months ended 30 June 2015 prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting":

Condensed Consolidated Statement of Profit or Loss and other Comprehensive Income

for the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Revenue	**87,783**	129,197
Cost of sales	**(59,391)**	(89,101)
Gross profit	**28,392**	40,096
Selling, general and administrative expenses	**(4,447)**	(4,010)
Other gains and losses	**(434)**	(256)
Other income	**348**	315
Other expenses	**(199)**	(142)
Interest income	**410**	293
Finance costs	**(2,039)**	(1,915)
Share of results of associates	**129**	138
Profit before income tax	**22,160**	34,519
Income tax expense	**(4,555)**	(6,866)
Profit for the period	**17,605**	27,653
Other comprehensive income for the period, net of income tax, that may be subsequently reclassified to profit or loss:		
Exchange differences	**82**	277
Total comprehensive income for the period	**17,687**	27,930
Profit for the period attributable to:		
Equity holders of the Company	**13,068**	22,775
Non-controlling interests	**4,537**	4,878
	17,605	27,653
Total comprehensive income for the period attributable to:		
Equity holders of the Company	**13,152**	23,050
Non-controlling interests	**4,535**	4,880
	17,687	27,930
Earnings per share (RMB)		
– Basic	**0.657**	1.145

Condensed Consolidated Statement of Financial Position

at 30 June 2015

	At 30 June 2015 *RMB million* **(Unaudited)**	At 31 December 2014 *RMB million* (Audited)
Non-current assets		
Property, plant and equipment	**301,892**	281,514
Construction in progress	**57,429**	78,924
Exploration and evaluation assets	**2,112**	2,212
Intangible assets	**2,975**	1,509
Interest in associates	**4,925**	5,016
Available-for-sale investments	**1,795**	1,795
Other non-current assets	**32,137**	32,423
Lease prepayments	**15,207**	14,825
Deferred tax assets	**2,353**	2,042
Total non-current assets	**420,825**	420,260
Current assets		
Inventories	**17,884**	15,790
Accounts and bills receivable	**34,867**	29,914
Prepaid expenses and other current assets	**26,827**	29,431
Restricted bank deposits	**8,574**	6,271
Time deposits with original maturity over three months	**853**	1,275
Cash and cash equivalents	**51,585**	35,956
Total current assets	**140,590**	118,637
Current liabilities		
Borrowings	**9,784**	17,330
Short-term debenture	**14,987**	9,994
Accounts and bills payable	**33,663**	38,286
Accrued expenses and other payables	**56,501**	40,354
Current portion of long-term payables	**230**	280
Income tax payable	**1,774**	2,617
Total current liabilities	**116,939**	108,861
Net current assets	**23,651**	9,776
Total assets less current liabilities	**444,476**	430,036
Non-current liabilities		
Borrowings	**43,034**	38,726
Medium-term notes	**24,941**	24,933
Bonds payable	**9,039**	–
Long-term payables	**1,519**	1,546
Accrued reclamation obligations	**2,161**	2,102
Deferred tax liabilities	**963**	1,130
Total non-current liabilities	**81,657**	68,437
Net assets	**362,819**	361,599
Equity		
Share capital	**19,890**	19,890
Reserves	**275,788**	277,354
Equity attributable to equity holders of the Company	**295,678**	297,244
Non-controlling interests	**67,141**	64,355
Total equity	**362,819**	361,599

Condensed Consolidated Statement of Changes in Equity

for the six months ended 30 June 2015

	Attributable to equity holders of the Company									
	Share capital *RMB million* *(Note 25)*	Share premium *RMB million* *(note (i))*	Capital reserve *RMB million* *(note (ii))*	Exchange reserve *RMB million*	Statutory reserves *RMB million* *(note (iii))*	Other reserves *RMB million*	Retained earnings *RMB million* *(note (iv))*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 1 January 2014	19,890	85,001	3,612	(52)	15,031	(11,290)	164,711	276,903	57,739	334,642
Profit for the period	–	–	–	–	–	–	22,775	22,775	4,878	27,653
Other comprehensive income for the period	–	–	–	275	–	–	–	275	2	277
Total comprehensive income for the period	–	–	–	275	–	–	22,775	23,050	4,880	27,930
Dividend declared *(Note 9)*	–	–	–	–	–	–	(18,100)	(18,100)	–	(18,100)
Appropriation of maintenance and production funds *(note (iii))*	–	–	–	–	3,158	–	(3,158)	–	–	–
Utilisation of maintenance and production funds *(note (iii))*	–	–	–	–	(1,814)	–	1,814	–	–	–
Capital contributions from non-controlling shareholders	–	–	–	–	–	–	–	–	400	400
Distributions to non-controlling shareholders	–	–	–	–	–	–	–	–	(1,073)	(1,073)
Other	–	–	–	–	–	53	–	53	(7)	46
At 30 June 2014 (Unaudited)	19,890	85,001	3,612	223	16,375	(11,237)	168,042	281,906	61,939	343,845

	Attributable to equity holders of the Company									
	Share capital *RMB million* *(Note 25)*	Share premium *RMB million* *(note (i))*	Capital reserve *RMB million* *(note (ii))*	Exchange reserve *RMB million*	Statutory reserves *RMB million* *(note (iii))*	Other reserves *RMB million*	Retained earnings *RMB million* *(note (iv))*	Total *RMB million*	Non-controlling interests *RMB million*	Total equity *RMB million*
At 1 January 2015	19,890	85,001	3,612	(353)	16,071	(11,237)	184,260	297,244	64,355	361,599
Profit for the period	-	-	-	-	-	-	13,068	13,068	4,537	17,605
Other comprehensive income for the period	-	-	-	84	-	-	-	84	(2)	82
Total comprehensive income for the period	-	-	-	84	-	-	13,068	13,152	4,535	17,687
Dividend declared *(Note 9)*	-	-	-	-	-	-	(14,718)	(14,718)	-	(14,718)
Appropriation of maintenance and production funds *(note (iii))*	-	-	-	-	2,733	-	(2,733)	-	-	-
Utilisation of maintenance and production funds *(note (iii))*	-	-	-	-	(1,359)	-	1,359	-	-	-
Capital contributions from non-controlling shareholders	-	-	-	-	-	-	-	-	296	296
Acquisition of non-controlling interests	-	-	-	-	-	-	-	-	(4)	(4)
Distributions to non-controlling shareholders	-	-	-	-	-	-	-	-	(2,041)	(2,041)
At 30 June 2015 (Unaudited)	19,890	85,001	3,612	(269)	17,445	(11,237)	181,236	295,678	67,141	362,819

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 are listed on The Stock Exchange of Hong Kong Limited.

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

Condensed Consolidated Statement of Cash Flows

for the six months ended 30 June 2015

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
OPERATING ACTIVITIES		
Profit before income tax	**22,160**	34,519
Adjustments for:		
Depreciation and amortisation *(Note 8)*	**10,861**	10,146
Other gains and losses *(Note 8)*	**434**	256
Interest income	**(410)**	(293)
Share of results of associates	**(129)**	(138)
Interest expense	**1,819**	1,789
Fair value loss (gain) on derivative financial instruments and trading debt securities	**1**	(26)
Exchange loss, net	**210**	152
Operating cash flows before movements in working capital	**34,946**	46,405
Increase in inventories	**(2,094)**	(730)
Increase in accounts and bills receivable	**(4,953)**	(7,554)
Decrease (increase) in prepaid expenses and other assets	**2,023**	(3,759)
(Decrease) increase in accounts and bills payable	**(4,623)**	405
Increase in accrued expenses and other payables	**11,488**	4,020
Cash generated from operations	**36,787**	38,787
Income taxes paid	**(5,876)**	(6,706)
NET CASH FROM OPERATING ACTIVITIES	**30,911**	32,081
INVESTING ACTIVITIES		
Acquisition of property, plant and equipment, intangible assets,exploration and evaluation assets, and additions to construction in progress	**(10,690)**	(17,882)
Increase in lease prepayments	**(2)**	(233)
Proceeds from disposal of property, plant and equipment, intangible assets and lease prepayments	**23**	25
Proceeds from disposal of an associate	**2**	–
Investments in associates	**(28)**	(8)
Dividend received from associates	**234**	308
Interest received	**191**	249
Interest received on trading debt securities	**128**	62
Proceeds from trading debt securities	**400**	146
Net increase in restricted bank deposits	**(2,303)**	(754)
Increase in time deposits with original maturity over three months	**(154)**	(576)
Maturity of time deposits with original maturity over three months	**576**	428
Repayment of entrusted loans	**–**	15
Entrusted loans to a third party	**–**	(37)
NET CASH USED IN INVESTING ACTIVITIES	**(11,623)**	(18,257)

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
FINANCING ACTIVITIES		
Interest paid	**(2,118)**	(2,190)
Proceeds from borrowings	**10,909**	30,699
Repayments of borrowings	**(14,077)**	(25,944)
Net proceeds from short-term debentures	**14,985**	19,945
Payments of short-term debentures	**(10,000)**	(10,000)
Net proceeds from issuance of bonds	**9,049**	–
Contributions from non-controlling shareholders	**296**	400
Contributions from equity holders of the Company	**700**	53
Distributions to non-controlling shareholders	**(1,190)**	(1,652)
Dividend paid to shareholders	**(12,203)**	–
Acquisition of non-controlling interests	**(4)**	–
NET CASH (USED IN) FROM FINANCING ACTIVITIES	**(3,653)**	11,311
NET INCREASE IN CASH AND CASH EQUIVALENTS	**15,635**	25,135
Cash and cash equivalents at 1 January	**35,956**	38,332
Effect of foreign exchange rate changes	**(6)**	2
CASH AND CASH EQUIVALENTS AT 30 JUNE	**51,585**	63,469

1. Application of new and revised International Financial Reporting Standards ("IFRS")

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

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2015 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2014.

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

Amendments to IAS 19	*Defined Benefit Plans: Employee Contributions*
Amendments to IFRSs	*Annual Improvements to IFRSs 2010-2012 Cycle*
Amendments to IFRSs	*Annual Improvements to IFRSs 2011-2013 Cycle*

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

2. Revenue

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

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Coal revenue	**43,856**	71,230
Power revenue	**32,726**	36,334
Transportation revenue	**1,936**	2,330
Coal chemical revenue	**2,710**	3,181
	81,228	113,075
Other revenue	**6,555**	16,122
	87,783	129,197

3. Cost of sales

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Coal purchased	**9,673**	26,324
Materials, fuel and power	**7,130**	9,007
Personnel expenses	**5,272**	5,054
Depreciation and amortisation	**9,372**	8,963
Repairs and maintenance	**4,396**	4,389
Transportation charges	**6,064**	7,864
Taxes and surcharges	**3,061**	1,869
Others	**14,423**	25,631
	59,391	89,101

4. Income tax

	Six months ended 30 June	
	2015	2014
	RMB million	*RMB million*
	(Unaudited)	(Unaudited)
Provision for PRC income tax	**5,033**	7,245
Deferred tax	**(478)**	(379)
	4,555	6,866

Under the Law of the PRC on Enterprise Income Tax (the "EIT Law") and Implementation Regulation of the EIT Law, the tax rate applicable for PRC group entities is 25% (six months ended 30 June 2014: 25%) except for certain group entities which are entitled to a concessionary tax rate as disclosed below.

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

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

	Six months ended 30 June	
	2015	2014
	%	*%*
Australia	**30.0**	30.0
Indonesia	**25.0**	25.0
Russia	**20.0**	20.0
Hong Kong	**16.5**	16.5

No provision for income tax was made for these overseas subsidiaries as there were no assessable profits during the current and prior periods.

5. Dividends

A final dividend of RMB0.74 per share totalling RMB14,718 million in respect of the year ended 31 December 2014 (six months ended 30 June 2014: RMB0.91 per share totaling RMB18,100 million in respect of the year ended 31 December 2013) was approved at the annual general meeting held on 5 June 2015 and was all paid by July 2015.

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

6. Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2015 was based on the profit attributable to equity holders of the Company of RMB13,068 million (six months ended 30 June 2014: RMB22,775 million) and the number of shares in issue during the six months ended 30 June 2015 of 19,890 million (six months ended 30 June 2014: 19,890 million) shares.

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

7. Review of condensed consolidated financial statements

The condensed consolidated financial statements for the six months ended 30 June 2015 have been reviewed with no disagreement by the Audit Committee of the Company.

II. CHAIRMAN'S STATEMENT

On behalf of the board of directors, I am delighted to present the 2015 interim report of China Shenhua and to report to all shareholders on the Company's performance for the period.

During the first half of 2015, China's economy grew at a slower yet stable pace while structural adjustment was accelerating. Affected by insufficient market demand and oversupply, spot prices of coal continued to slide and the loss suffered by China's coal industry continued to widen. Facing such challenging market conditions, China Shenhua, focusing on its strategic goal of "building itself into a world first-class supplier of clean energy" and supported by a one-stop operation chain of production, transportation and sales, pushed forward the implementation of its clean energy development strategy with making conventional energies clean and green as its core task, successfully delivering sound business results.

During the reporting period, the Company placed extra emphasis on improving the standards of refined management, enhancing the research and forecast on market trends, stepping up marketing efforts in the coal and power segments, strengthening cost control, and improving operational coordination among different business segments, thereby effectively mitigating the impact of falling coal prices on the Company's operating results. For the first half of 2015, the Company's profit before tax was RMB22,160 million; profit for the period attributable to shareholders of the Company amounted to RMB13,068 million with a basic earnings per share of RMB0.657.

As at 30 June 2015, the total market capitalisation of China Shenhua reached US$64.0 billion, ranking the first among all listed coal companies worldwide and the third among all listed integrated mining companies worldwide.

In the first half of 2015: structural adjustment, optimized operation and facilitation of the implementation of clean energy development strategy

Adjustment of business structure substantially enhanced risk resilience

Benefiting from the continual adjustment of capital expenditure in recent years, the Company has achieved sound results in adjusting its business structure, thereby further improving its risk resilience. Under the International Financial Reporting Standards, operating profits from the coal, power, transportation and coal chemical segments before elimination on consolidation improved from 45%, 28%, 24% and 3% in the first half of 2014 to 31%, 42%, 25% and 2%, respectively, in the first half of 2015. The stable profit contribution from the power segment partially mitigated the impact of oversupply in the coal market.

Focusing on value creation and enhancing its marketing efforts in the coal and power segments

Adhering to the principle of value creation, the Company adopted a flexible and multi-dimensional sales strategy with the most efficient seaborne coal sales as the focus, intensified its efforts to tap into new markets through promotion of clean coal so as to maintain its market share. In the first half of 2015, the Company recorded sales of commercial coal of 177.8 million tonnes, with seaborne coal sales amounting to 97.9 million tonnes, representing a rise of 4 percentage points in its proportion to total sales compared to the first half of 2014.

The Company intensified its marketing efforts in the power segment to increase its market share. Efforts had also been made to make full play of the power segment's capacity to consume self-produced coal and to maintain coal inventory at a stable level, thereby ensuring the stability of the integrated operation model. In the first half of 2015, gross power generation reached 100.42 billion kwh while total power output dispatch reached 93.62 billion kwh. The average utilisation hours of coal-fired generators reached 2,330 hours, surpassing the national average level by 172 hours.

Pushed forward the clean transformation of conventional energies

The Company strengthened its efforts in building digital mines and exploring greener and more efficient production methods, as well as enhancing the product structure of commercial coal and stepping up arrangements for the balanced production of "high quality, high efficiency" mines. Improvements had also been made in terms of coal quality control, as well as building the brand image of Shenhua clean coal and increasing the supply of clean coal in key regions including Hebei, Beijing and Tianjin.

The Company pushed forward the application and promotion of "ultra-low emission" technology for coal-fired generators. During the first half of the year, the additional and renovated capacity of "ultra-low emission" coal-fired generators amounted to 7,100 MW, with the accumulated installed capacity of "ultra-low emission" coal-fired generators amounting to 9,450 MW, representing 21% of the total installed capacity of the Company's coal-fired power generators. The construction of China's first environmental information publishing system for real-time data monitoring focusing on air pollutant emission from power generation enterprises had also been launched.

The Company completed the construction of green and efficient transportation channels, secured synergy of the integrated operation model of production, transportation and sales; carried out rational loading arrangement and strengthened port operation management, reducing the impact of volatile inventory level to the minimum. During the first half of 2015, the Company's self-owned railway completed 98.5 billion tonne km of transportation turnover; seaborne coal volume of the Company's self-owned ports reached 74.5 million tonnes; and the shipping segment's freight volume amounted to 39.8 million tonnes.

The coal chemical segment further strengthened its production and equipment management, facilitated energy-saving and consumption-reducing measures and successfully maintained stable and sound operation. During the first half of 2015, sales volume of coal-to-olefins products reached 316,400 tonnes, substantially achieving a balance of production and sales.

Enhancement of safety management ensured safe development

The Company tightened up its control and rectification of potential safety hazards and comprehensively reinforced its risk prevention and control system. During the first half of 2015, the fatality rate per million tonnes of raw coal production was zero, maintaining the Company's leading position in safe production of the coal industry worldwide.

Enforced cost reduction and efficiency enhancement measures in a comprehensive manner with steady improvement in operation quality

The Company stringently put its budget management measures into practice and focused on pushing forward the coupling of cost management with performance appraisal, achieving outstanding results in its cost control initiatives. During the first half of 2015, the Group's unit production cost of self-produced coal was RMB117.0/tonne, representing a year-on-year decrease of 8.0%. The unit cost of power output dispatch decreased by 9.6% year-on-year to RMB229.6/mwh.

The Company strived to enhance asset operation management. Making full play of its edge in international credit rating, the Company initiated bond issuance overseas in order to effectively reduce financing costs. The Company also enhanced its management of inventory and accounts receivable to ensure efficiency in asset allocation, as well as developed a mindset of "asset-light strategy" by placing extra emphasis on the management of return on net assets for its existing assets and exercising control on the scale and allocation of incremental assets when making investments.

Enhancement of project management to respond actively to energy reforms

The Company optimised its industrial resources allocation through various initiatives such as project construction, acquisition of equity interests and overseas investment, so as to cope with the demand from energy reforms.

The application for the exploration rights of Xinjie Mines and construction of Guojiawan Coal Mine was pushed forward in an orderly manner, thereby ensuring the continuous supply of high-end coal resources in first priority. The Phase II of Anqing Power Generation Project of Shenwan Energy Company and the Phase II of Fujian Hongshan Thermal Power Plant were put into operation, while projects including Jiujiang Coal and Power Integration Project and Shouguang Power Plant progressed smoothly, further optimising the regional deployment of power business. The construction of Huangda Railway advanced as scheduled, ensuring the transportation network fits in well with the industrial deployment of the Company. The Company also proactively pushed forward the acquisition of the equity interests in certain larger capacity clean coal-fired power generators from Shenhua Group and asset injection is expected to complete in the second half of 2015, further speeding up the progress in the clean development of coal and power businesses.

The operation of the PT.GH EMM Indonesia Project was running smoothly with stable operating revenue. The environmental assessment for the Watermark Coal Project in Australia was approved by the federal government of Australia; and local projects in Mongolia and Russia were under steady progress. The Company also stepped up efforts to push forward its internationalization progress and participated actively in the strategic layout of the country's "The Belt and Road Initiative".

In the second half of 2015: building itself into a world first-class supplier of clean energy by adhering to its strategic goal

In the second half of the year, as energy production and consumption revolution continue to progress, the structural adjustment and transformational development of the coal and power sectors will be on a faster track. China Shenhua will expedite the implementation of the clean energy development strategy, adhere to the concept of value creation, enhance arrangements and control costs to strive for achieving operational objectives. The following tasks will be key focuses:

1. **To enhance arrangements for the integrated operation model of production, transportation and sales and improve the competitiveness of the coal-based energy segment.** Firstly, the Company will intensify its efforts to tap into new markets and boost its marketing efforts in the coal and power segments to promote sound operation of the integrated operation model. By continuing to develop new markets, the Company will safeguard the sale of sea borne coal and speed up the substitution by clean coal in key regions. Marketing efforts for electricity will also be strengthened and the Company will attempt to achieve higher utilisation hours of its power generators as compared to the average level of similar generators in the same region. Secondly, the Company will enhance its arrangements to boost the efficiency of the integrated operation model. Efforts will be made to improve coal production structure on an on-going basis by driving up the production volume of mines with high gross profit. The Company will also aim for higher production efficiency and effectiveness. Refined management of power plants will be strengthened while newly

installed generators will be made ready for production to continuously consume Shenhua coal and maintain coal inventory at a stable level. The Company will have rational arrangements for transportation flow in place, enhance the deployment of its transportation capacity and explore the new model of cooperation between transportation and logistics businesses. The Company will strengthen operations management of the existing coal chemical equipment, tighten up cost control and ensure safe and sound operations.

2. **To build on the foundation of safe production and push forward the progress of transformation and upgrading.** Firstly, the Company will attach the highest priority to safe production, continue to tighten up its control of material potential safety hazards and facilitate the launch of the risk prevention and control management system. Secondly, the Company will actively push forward the construction of a clean coal industrial chain. Technologies such as "digital mines" and "ultra-low emission" will be promoted and applied more extensively to propel the industry's clean development. Thirdly, research and development in technologies for the clean mining, use and transformation of coal will be further stepped up by greater investments in research and development in order to speed up the transformation of technological advances for commercial uses so as to drive the transformational development of traditional industries with technological innovations.

3. **To tighten up cost control and improve operational efficiency.** Firstly, the Company will strive to reduce financial costs by a series of measures including a performance-linked appraisal mechanism, assignment of targets level by level, and monthly settlement to curtail non-production expenses in every aspect. Secondly, the Company will attempt to control the increase in inventories and strengthen the management of accounts and notes receivable to keep the Company's cash flows in a healthy status. Thirdly, investment management will be better executed by rationally controlling the investment scale, raising the quality of investment decision making and eliminating inefficient investments. Fourthly, the Company will better examine its existing assets and enhance its asset structure so as to explore the possible development of an asset-light strategy and to improve its asset quality and operational efficiency. Fifthly, various debt financing instruments will be fully utilized to reduce financing cost for enhancing the efficient use of capital.

4. **To accelerate the construction of key projects and implement a well-planned strategic layout.** Adhering to the principle of value creation, the Company will arrange capacity deployment in a rational manner, steadily pushing forward the construction of key projects including the Port and Power Integration Projects in Jiujiang and Beihai and Huangda Railway to enrich the Company's development potential. Overseas construction projects will be moved forward steadily to better map out the international development pathway.

Looking into the second half of 2015 and facing the market challenges, China Shenhua will expedite with strong determination the implementation of the clean energy development strategy and the initiatives for making conventional energies clean, with an aim to bring about a healthy and sustainable development as well as to create greater value for all investors.

III. MANAGEMENT DISCUSSION AND ANALYSIS

Board Discussion and Analysis on Operations during the Reporting Period

Summary of Operations

		Target for 2015	**Completed in the first half of 2015**	Percentage of completion (%)	Completed in the first half of 2014	**Change (%)**
Commercial coal production	Million tonnes	**273.60**	**139.4**	51.0	155.0	(10.1)
Coal sales	Million tonnes	**404.25**	**177.8**	44.0	234.6	(24.2)
Total power output dispatch	Billion kwh	**212.70**	**93.62**	44.0	99.38	(5.8)
Revenue	RMB100 million	**2,100**	**877.83**	41.8	1,291.97	(32.1)
Cost of sales	RMB100 million	**1,563**	**593.91**	38.0	891.01	(33.3)
Net selling, general and administrative expenses and finance costs	RMB100 million	**150**	**60.76**	40.5	56.32	7.9

In the first half of 2015, by actively exploring new markets and stabilising existing markets externally, and enhancing the structure of the Company and stringently controlling costs internally, China Shenhua fully unleashed the advantages of integrated operation and effectively adapted to the evolving market. According to the IFRSs, in the first half of 2015, the Group recorded profit attributable to equity holders of the Company of RMB13,068 million (first half of 2014: RMB22,775 million), and basic earnings per share of RMB0.657/share (first half of 2014: RMB1.145/share), representing a year-on-year decrease of 42.6%.

Major financial indicators of the Group for the first half of 2015 are as follows:

		First half of 2015	First half of 2014	**Change (%)**
Return on total assets as at the end of the period	%	**3.1**	4.9	Decreased by 1.8 percentage points
Return on net assets as at the end of the period	%	**4.4**	8.1	Decreased by 3.7 percentage points
EBITDA	RMB million	**34,521**	46,149	(25.2)

		As at 30 June 2015	As at 31 December 2014	**Change (%)**
Net assets per share	RMB/Share	**14.87**	14.94	(0.5)
Liability to asset ratio	%	**35.4**	32.9	Increased by 2.5 percentage points
Total debt to total debt + total equity	%	**22.4**	20.9	Increased by 1.5 percentage points

Note: Please refer to the section headed "Definitions" of this report for the calculations of the above indicators.

Analysis on principal business

1 *Analysis on the Changes in the Items in the Consolidated Statement of Profit or Loss and Other Comprehensive Income and Consolidated Statement of Cash Flows*

Unit: RMB million

Item	**First half of 2015**	First half of 2014	**Change (%)**
Revenue	**87,783**	129,197	(32.1)
Cost of sales	**(59,391)**	(89,101)	(33.3)
Selling, general and administrative expenses	**(4,447)**	(4,010)	10.9
Other gains and losses	**(434)**	(256)	69.5
Interest income	**410**	293	39.9
Finance costs	**(2,039)**	(1,915)	6.5
Net cash inflow generated from operating activities	**30,911**	32,081	(3.6)
Of which: Net cash inflow generated from operating activities of Shenhua Finance Company [Note]	**9,575**	1,659	477.2
Net cash inflow generated from operating activities excluding the effect of Shenhua Finance Company	**21,336**	30,422	(29.9)
Net cash outflow from investing activities	**(11,623)**	(18,257)	(36.3)
Net cash (outflow)/inflow from financing activities	**(3,653)**	11,311	(132.3)

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

(1) Revenue

The Group recorded revenue of RMB87,783 million in the first half of 2015 (first half of 2014: RMB129,197 million), representing a year-on-year decrease of 32.1%. The main reasons for such change are as follows:

1 the impact of factors such as demand from downstream industries and weather, resulting in a year-on-year decrease of 24.2% in the Group's sales of coal to 177.8 million tonnes (first half of 2014: 234.6 million tonnes); and the average sales price of commercial coal was RMB316.0 per tonne (first half of 2014: RMB368.4 per tonne), representing a year-on-year decrease of 14.2%;

2 being affected by factors such as increase of power generation by non-fossil fuels, the power output dispatch of the Group in the first half of 2015 was 93.62 billion kwh (first half of 2014: 99.38 billion kwh), representing a year-on-year decrease of 5.8%; average power tariff was RMB343.2/mwh (first half of 2014: RMB360.0/mwh), representing a year-on-year decrease of 4.7%;

3 a decrease in the volume of material trading business.

Please refer to the relevant contents in the latter part of this section for the analysis on the business operations of the Group in first half of 2015 by business and by region.

(2) Cost of sales

Unit: RMB million

Breakdown of cost items	**Amount for the period**	**Percentage to cost of sales for the period (%)**	**Amount for the same period of the previous year**	**Percentage to cost of sales for the same period of the previous year (%)**	**Change in amount for the period over that of the same period of the previous year (%)**
Coal purchased from third parties	**9,673**	**16.3**	26,324	29.5	(63.3)
Materials, fuel and power	**7,130**	**12.0**	9,007	10.1	(20.8)
Personnel expenses	**5,272**	**8.9**	5,054	5.7	4.3
Depreciation and amortisation	**9,372**	**15.8**	8,963	10.1	4.6
Repairs and maintenance	**4,396**	**7.4**	4,389	4.9	0.2
Transportation charges	**6,064**	**10.2**	7,864	8.8	(22.9)
Taxes and surcharges	**3,061**	**5.2**	1,869	2.1	63.8
Others	**14,423**	**24.2**	25,631	28.8	(43.7)
Total cost of sales	**59,391**	**100.0**	89,101	100.0	(33.3)

The cost of sales of the Group in the first half of 2015 amounted to RMB59,391 million (first half of 2014: RMB89,101 million), representing a year-on-year decrease of 33.3%, of which:

1 the cost of coal purchased from third parties decreased by 63.3% year-on-year to RMB9,673 million (first half of 2014: RMB26,324 million), which was mainly attributable to the decrease in the purchasing price of coal and the year-on-year decrease of the sales volume of the coal purchased from third parties;

2 the cost of materials, fuel and power amounted to RMB7,130 million (first half of 2014: RMB9,007 million), representing a year-on-year decrease of 20.8%, which was mainly attributable to the year-on-year decrease in the sales volume of coal and power output dispatch;

3 transportation charges decreased by 22.9% year-on-year to RMB6,064 million (first half of 2014: RMB7,864 million), which was primarily driven by the decrease in the transportation volume of commercial coal;

4 taxes and surcharges increased by 63.8% year-on-year to RMB3,061 million (first half of 2014: RMB1,869 million), which was mainly attributable to the fact that coal price adjustment fund and mineral resources compensation fee were accounted for by the Group as resource tax as a result of the resource tax reform. The relevant amounts were adjusted from "others" to "taxes and surcharges" for accounting;

5 other costs decreased by 43.7% year-on-year to RMB14,423 million (first half of 2014: RMB25,631 million), which was mainly attributable to the fall in volume in the material trading business.

(3) Selling, general and administrative expenses

The selling, general and administrative expenses of the Group in the first half of 2015 amounted to RMB4,447 million (first half of 2014: RMB4,010 million), representing a year-on-year increase of 10.9%, which was mainly attributable to the year-on-year increase of expensed research and development expenditure and the increase in depreciation and amortization resulting from the operation of the self-developed informatization system.

(4) Other gains and losses

Other losses of the Group in the first half of 2015 amounted to RMB434 million (first half of 2014: RMB256 million), representing a year-on-year increase of 69.5%, which was mainly attributable to the provisions for impairment loss of the power generation equipment and related machines owned by Beijing Thermal due to its closure.

As at the end of the reporting period, no provision for decrease in the price of coal inventory was made as the cost of the Group's coal inventory was lower than its net realizable value.

(5) Interest income

The interest income of the Group in the first half of 2015 amounted to RMB410 million (first half of 2014: RMB293 million), representing a year-on-year increase of 39.9%, which was mainly attributable to the increase in interest income from deposits and profit from loans made to external parties.

(6) Finance costs

The finance costs of the Group in the first half of 2015 amounted to RMB2,039 million (first half of 2014: RMB1,915 million), representing a year-on-year increase of 6.5%, which was mainly attributable to the increase in interest expense and net exchange loss for loans denominated in Japanese Yen.

(7) Net cash inflow generated from operating activities

The net cash inflow generated from operating activities of the Group in the first half of 2015 amounted to RMB30,911 million (first half of 2014: RMB32,081 million), representing a year-on-year decrease of 3.6%, of which net cash inflow generated from operating activities of Shenhua Finance Company amounted to RMB9,575 million (first half of 2014: RMB1,659 million). Net cash inflow generated from operating activities of the Group excluding the effect of Shenhua Finance Company amounted to RMB21,336 million (first half of 2014: RMB30,422 million), representing a year-on-year decrease of 29.9%, which was mainly attributable to the decrease in net cash inflow caused by year-on-year decrease in profits for the period.

(8) Net cash outflow from investing activities

The net cash outflow from investing activities of the Group in the first half of 2015 amounted to RMB11,623 million (first half of 2014: RMB18,257 million), representing a year-on-year decrease of 36.3%, which was mainly attributable to decrease in cash paid for acquisition and construction of long-term assets.

(9) Net cash outflow from financing activities

The net cash outflow from financing activities of the Group in the first half of 2015 amounted to RMB3,653 million (first half of 2014: net cash inflow of RMB11,311 million), representing a year-on-year decrease of 132.3%, which was mainly attributable to the smaller scale of debt financing year-on-year and the payment of final dividend of A Shares for 2014 during the reporting period.

(10) Research and development expenditure

	Unit: RMB million
Expensed research and development expenditure in the period	131
Capitalised research and development expenditure in the period	129
Total research and development expenditure	260
Percentage of total research and development expenditure to revenue (%)	0.3

The total research and development expenditure of the Group in the first half of 2015 amounted to RMB260 million, which was mainly attributable to the technological research of the Group on areas such as further strengthening the clean use of coal as well as on green mining, heavy-loaded railways and ultra-low emission of coal-fired generators. The research and development expenditure is in line with the Group's strategic principle of promoting the development of clean energy, which allows the Group to enhance its core competitiveness and its ability to maintain sustainable growth.

2 *Others*

(1) Details on material changes in the composition of profit or source of profit of the Company

The major changes in the composition of profit of the Group during the reporting period are detailed as follows: the proportion of the profit from operations of the coal segment decreased substantially while that of the power segment increased substantially.

Based on the profit from operations of all business segments before elimination on consolidation under the International Financial Reporting Standards, the percentages of the profit from operations attributable to the coal, power, transportation and coal chemical segments of the Group changed to 31%, 42%, 25% and 2% respectively in the first half of 2015 from 45%, 28%, 24% and 3% in the first half of 2014.

(2) Analysis on the progress of financing and major asset restructuring matters of the Company

Name of Bonds	Date of Issue	Interest Rate	Offering Amount	Interest Payment	Value Date	Maturity Date	Status of Redemption
Third tranche of super short-term debentures for 2015	11 June 2015	3.4%	RMB5 billion	Principal is payable together with accrued interest upon maturity	12 June 2015	7 February 2016	Outstanding
Second tranche of super short-term debentures for 2015	10 February 2015	4.39%	RMB5 billion	Principal is payable together with accrued interest upon maturity	11 February 2015	8 November 2015	Outstanding
First tranche of super short-term debentures for 2015	6 January 2015	4.55%	RMB5 billion	Principal is payable together with accrued interest upon maturity	7 January 2015	4 October 2015	Outstanding
Second tranche of medium-term notes for 2014	16 September 2014	5.04%	RMB10 billion	Principal is payable upon maturity with accrued interest paid annually	18 September 2014	18 September 2017	Outstanding
First tranche of medium-term notes for 2014	19 August 2014	5.10%	RMB10 billion	Principal is payable upon maturity with accrued interest paid annually	21 August 2014	21 August 2017	Outstanding
Third tranche of super short-term debentures for 2014	16 June 2014	4.73%	RMB10 billion	Principal is payable together with accrued interest upon maturity	17 June 2014	14 March 2015	Redeemed
First tranche of medium-term notes for 2013	7 November 2013	5.49%	RMB5 billion	Principal is payable upon maturity with accrued interest paid annually	11 November 2013	11 November 2018	Outstanding

On 20 January 2015, China Shenhua Overseas Capital Company Limited, a wholly-owned subsidiary of Shenhua Hong Kong Limited, a wholly-owned subsidiary of the Company, completed the issuance of US dollar notes in the amount of US$1.5 billion.

Such notes were offered to professional investors in accordance with Regulation S under the U.S. Securities Act and listed on The Hong Kong Stock Exchange. Net proceeds from this issuance of notes were approximately US$1.48 billion, which would be mainly used for the repayment of loans of overseas subsidiaries, approved overseas projects and other uses in compliance with applicable rules.

(3) Elaboration on the Company's progress of operation plans

For the Company's progress of development strategies, please refer to the section headed "Chairman's Statement".

For the progress of operation plans in 2015, please refer to "Summary of Operations" in this section.

Analysis on Operating Results by Business Segment, Product or Region

I. Operating Results of Principal Business by Business Segment and Product

1. Coal Segment

(1) Overview of production and operations

In the first half of 2015, the Company persevered in being market-oriented and timely optimised its mix of products to increase the proportion of coal products with high added value in order to achieve maximum efficiency. Research and development of technologies were emphasised to improve production efficiency and reduce operating costs. The Company implemented coal quality management measures, enhanced refined management and promoted the standard operation procedures for specific posts. Promotion of the "Digital Mine" projects has been carried out to build the Shenhua clean coal brand so as to further enhance the competitiveness of its coal products.

In the first half of 2015, commercial coal production of the Company amounted to 139.4 million tonnes (first half of 2014: 155.0 million tonnes), representing a year-on-year decrease of 10.1%. Commercial coal production of Shendong Mines (including Jinjie Mine) and Zhunge'er Mines amounted to 87.2 million tonnes and 28.8 million tonnes respectively, representing a year-on-year decline of 7.9% and 4.0%. Commercial coal production of Baorixile Mines, Shengli Mines and Baotou Mines reached 11.8 million tonnes, 6.7 million tonnes and 2.9 million tonnes respectively, representing a year-on-year decrease of 15.1%, 22.1% and 54.7%.

In the first half of 2015, the coal segment of the Group accomplished total footage of advancing tunnels of 302,000 meters, representing a year-on-year decrease of 5.3%. Specifically, Shendong Mines recorded total footage of advancing tunnels of 290,000 meters, representing a year-on-year decrease of 4.9%; and Baotou Mines recorded total footage of advancing tunnels of 12,000 meters, representing a year-on-year decrease of 14.3%.

(2) Coal sales

The Company adopted a market-oriented pricing strategy, timely adjusted product structure, actively explored new markets and new customers. Due to the influence of market demand and other factors, coal sales of the Company in the first half of the year amounted to 177.8 million tonnes (first half of 2014: 234.6 million tonnes), representing a year-on-year decrease of 24.2%. The weighted average sales price of coal was RMB316.0 per tonne (first half of 2014: RMB368.4 per tonne), representing a year-on-year decrease of 14.2%.

A By sales types

	First half of 2015			First half of 2014			**Percentage Change**	
	Sales volume	**Proportion of total sales**	**Price**	Sales volume	Proportion of total sales	Price	Sales volume	Price
	million tonnes	**%**	***RMB/ tonne***	*million tonnes*	%	*RMB/ tonne*	%	%
I. Domestic sales	**175.4**	**98.7**	**316.1**	226.9	96.7	361.0	(22.7)	(12.4)
(I) Self-produced coal and purchased coal	**168.0**	**94.5**	**313.3**	206.6	88.0	356.3	(18.7)	(12.1)
1. Direct arrival	**70.7**	**39.8**	**238.6**	88.0	37.5	259.1	(19.7)	(7.9)
2. Seaborne	**97.3**	**54.7**	**367.6**	118.6	50.5	428.5	(18.0)	(14.2)
(II) Sales of domestic trading coal	**7.4**	**4.2**	**380.8**	15.9	6.8	390.5	(53.5)	(2.5)
(III) Sales of imported coal	**0.0**	**0.0**	**–**	4.4	1.9	470.9	(100.0)	–
II. Export Sales	**0.6**	**0.3**	**467.9**	0.9	0.4	571.7	(33.3)	(18.2)
III. Overseas coal sales	**1.8**	**1.0**	**251.7**	6.8	2.9	586.7	(73.5)	(57.1)
(I) EMM Indonesia	**0.8**	**0.4**	**81.2**	1.0	0.4	122.8	(20.0)	(33.9)
(II) Re-export trade	**1.0**	**0.6**	**393.3**	5.8	2.5	665.9	(82.8)	(40.9)
Total sales volume/weighted average price	**177.8**	**100.0**	**316.0**	234.6	100.0	368.4	(24.2)	(14.2)

In the first half of 2015, domestic coal sales of the Company amounted to 175.4 million tonnes (first half of 2014: 226.9 million tonnes), representing a year-on-year decrease of 22.7% and accounting for 98.7% of the total coal sales. The decrease is mainly affected by factors such as demand from downstream industries and weather, as well as the downward adjustment of trading coal sales by the Company.

In the first half of 2015, the seaborne sales volume of self-produced coal and purchased coal in respect of the Company's domestic sales amounted to 97.3 million tonnes (first half of 2014: 118.6 million tonnes), representing a year-on-year decline of 18.0 % which was less than the decrease in the Company's domestic sales of coal for the same period.

In the first half of 2015, sales volume of the Company to the top five domestic coal customers was 15.2 million tonnes, representing 8.7 % of domestic sales, while the sales volume to our biggest customer was 4.3 million tonnes, representing 2.5% of domestic sales. The top five domestic coal customers were mainly fuel companies and power generation companies.

The coal sales business of each mine area of the Group is mainly coordinated by Shenhua Trading Group, with the majority of the coal products sold by the Company being thermal coal.

B By internal and external customers

	First half of 2015			First half of 2014			
	Sales volume ***million tonnes***	**Percent-age of total sales** ***%***	**Price** ***RMB/ tonne***	Sales volume *million tonnes*	Percent-age of total sales *%*	Price *RMB/ tonne*	**Change in price** *%*
Sales to external customers	**138.4**	**77.8**	**316.8**	189.5	80.8	375.9	(15.7)
Sales to internal power segment	**37.2**	**21.0**	**315.2**	43.0	18.3	339.0	(7.0)
Sales to internal coal chemical segment	**2.2**	**1.2**	**277.2**	2.1	0.9	296.0	(6.4)
Total coal sales volume/ weighted average price	**177.8**	**100.0**	**316.0**	234.6	100.0	368.4	(14.2)

In the first half of 2015, the percentage of the Company's coal sales volume to external customers fell to 77.8% from 80.8% year-on-year. The Company adopted unified pricing policies in coal sales to internal power segment, coal chemical segment and external customers.

(3) Production safety

In the first half of 2015, the Company continued to strengthen safety supervision and inspection, made solid progress on the construction of the intrinsic safety system, carried out educational and precautionary activities on production safety and enhanced contingency plans for production safety accidents so as to consolidate the foundation of safety management. During the reporting period, the fatality rate per million tonnes of raw coal production of the Company was zero.

(4) Environmental protection

In the first half of 2015, the Company focused on the special tasks of implementing energy-saving and environmental protection, seriously managed the environmental issues and advanced the environmental protection and compliance work of construction projects. The Company's overall energy consumption for raw coal production was 2.34 kg of standard coal/tonne.

In order to implement the requirements on air pollution control in the Beijing-Tianjin-Hebei region, the Company and local authorities in areas such as Cangzhou City and Baoding City have entered into cooperation agreements on clean coal supply to increase the sales of Shenhua's clean coal.

(5) Progress of projects

At the end of the reporting period, the initial working face of the Guojiawan Mine was ready for joint trial operation. The application for the exploration rights of Xinjie Mines was in smooth progress.

(6) Coal resources

As at 30 June 2015, the Group had actual coal resources amounting to 24,513 million tonnes and recoverable coal reserve amounting to 15,866 million tonnes under the PRC Standard; and the Group's marketable coal reserve amounted to 8,282 million tonnes under the JORC Standard.

In the first half of 2015, the Company's exploration expenses (which were incurred before the conclusion of feasibility study and represented the expenses related to exploration and evaluation of coal resources) amounted to approximately RMB10 million (first half of 2014: RMB13 million), which was mainly included the relevant exploration expenses of Watermark Project in Australia.

In the first half of 2015, the Company's relevant capital expenditure of coal mine development and exploration amounted to approximately RMB1,363 million (first half of 2014: RMB2,588 million), which was mainly attributable to the development expenditure of Guojiawan Mines and Taigemiao Mines, as well as the coal exploration expenditure of various mines including Shendong Mines and Shengli Mines.

Characteristics of the commercial coal produced by the Company's major mines are as follows:

No.	**Mines**	**Major types of coal**	**Net calorific value (as received basis) of major commercial coal products** *(kcal/kg)*	**Sulphur content**	**Ash content (average)**
1	Shendong Mines	Long flame coal/ non-caking coal	>5,400	≤0.5%	≈12.9%
2	Zhunge'er Mines	Long flame coal	>4,500	≤0.5%	≈27.5%
3	Shengli Mines	Lignite	>3,200	≤0.8%	≈18.4%
4	Baorixile Mines	Lignite	>3,600	≤0.8%	≈15.0%
5	Baotou Mines	Long flame coal/ non-caking coal	>4,500	≤0.8%	≈21.0%

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

(7) Analysis on operating results

The operating results of the coal segment of the Group before elimination on consolidation in the first half of 2015 are as follows:

		First half of 2015	First half of 2014	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**62,170**	103,566	(40.0)	Decrease in coal sales volume and sales prices
Cost of sales	RMB million	**52,579**	85,589	(38.6)	Decrease in cost of coal purchased from third parties and cost of coal transportation
Of which:					
1. Production cost of self-produced coal	RMB million	**16,180**	19,562	(17.3)	Decrease in sales volume of self-produced coal
2. Cost of coal purchased from third parties	RMB million	**9,673**	26,324	(63.3)	Decrease in sales volume and purchasing price of coal purchased from third parties
Gross profit margin	%	**15.4**	17.4	Decreased by 2.0 percentage points	
Profit from operations	RMB million	**7,472**	16,164	(53.8)	
Profit margin from operations	%	**12.0**	15.6	Decreased by 3.6 percentage points	

(8) Unit production cost of self-produced coal

In the first half of 2015, unit production cost of self-produced coal in the coal segment was RMB117.0/tonne (first half of 2014: RMB127.2/tonne), representing a year-on-year decrease of 8.0%. The main reasons for the above changes are as follows:

1 costs of raw materials, fuel and power amounted to RMB20.4/tonne (first half of 2014: RMB24.8/tonne), representing a year-on-year decrease of 17.7%. This decrease was mainly due to the decrease in footage of advancing tunnels and decrease in prices of fuel and electricity;

2 personnel expenses amounted to RMB17.1/tonne (first half of 2014: RMB14.2/tonne), representing a year-on-year increase of 20.4%. This increase was mainly due to the decrease in sales volume of coal;

3 maintenance fee amounted to RMB8.2/tonne (first half of 2014: RMB8.4/tonne), representing a year-on-year decrease of 2.4%;

4 depreciation and amortisation amounted to RMB21.1/tonne (first half of 2014: RMB19.3/tonne), representing a year-on-year increase of 9.3%, which was mainly due to the decrease in sales volume of coal;

5 other costs amounted to RMB50.2/tonne (first half of 2014: RMB60.5/tonne), representing a year-on-year decrease of 17.0%. The decrease was mainly due to the price adjustment fund and mineral resources compensation fee being accounted for in "taxes and surcharges" as resource tax as a result of the resource tax reform and decrease in mining engineering expenses and open-cut mine stripping expenses.

Other costs consist of the following three components: (1) expenses directly related to production, including coal washing, selecting and processing expenses and mining engineering expenses, accounting for 64%; (2) auxiliary production expenses, accounting for 12%; (3) land requisition and surface subsidence compensation, environmental protection expenses, fees levied by local government, etc., accounting for 24%.

Excluding the influence of resource tax reform, the unit production cost of self-produced coal of the Company increased by 1.5% year-on-year.

(9) Analysis on cost of coal purchased from third parties

The Company's coal purchased from third parties includes coal purchased from the surrounding areas of the self-owned mines and railways, domestic trading coal, imported and re-exported coal.

In the first half of 2015, costs of coal purchased from third parties amounted to RMB9,673 million (first half of 2014: RMB26,324 million), representing a year-on-year decrease of 63.3%, which was mainly due to the decrease in the sales volume and purchasing price of the coal purchased from third parties.

The sales volume of coal purchased from third parties was 39.5 million tonnes (first half of 2014: 80.8 million tonnes), representing a year-on-year decrease of 51.1%, and its proportion to total sales volume of coal of the Company decreased to 22.2% from 34.4% in the first half of 2014, of which the sales volume of domestic trading coal decreased by 8.5 million tonnes, or 53.5%; and the sales volume of imported coal decreased by 4.4 million tonnes, or 100.0%.

2. *Power segment*

Power plants	Regional grid	Location	Gross power generation	Total power output dispatch	Average utilisation hours	Standard coal consumption rate for power output dispatch	Power tariff	Total installed capacity as at 31 December 2014	Increase/ (decrease) in installed capacity for the first half of 2015	Total installed capacity as at 30 June 2015	Equity installed capacity as at 30 June 2015
			100 million kwh	*100 million kwh*	*hours*	*g/kwh*	*RMB/mwh*	*MW*	*MW*	*MW*	*MW*
Cangdong Power	North China Power Grid	Hebei	68.2	64.9	2,707	309	347	2,520	–	2,520	1,285
Sanhe Power	North China Power Grid	Hebei	32.1	29.7	2,471	298	359	1,300	–	1,300	501
Dingzhou Power	North China Power Grid	Hebei	67.4	62.1	2,673	323	340	2,520	–	2,520	1,021
Panshan Power	North China Power Grid	Tianjin	29.3	27.4	2,762	315	391	1,060	–	1,060	482
Zhunge'er Power	North China Power Grid	Inner Mongolia	19.3	17.2	2,014	372	233	960	–	960	554
Shendong Power	Northwest/North China/ Shaanxi Provincial Local Power Grid	Inner Mongolia	107.0	97.9	2,335	349	252	4,167	1,000	5,167	4,657
Guohua Zhunge'er	North China Power Grid	Inner Mongolia	27.1	24.5	2,056	310	238	1,320	–	1,320	639
Guohua Hulunbei'er Power	Northeast Power Grid	Inner Mongolia	21.1	19.0	1,757	330	233	1,200	–	1,200	960
Beijing Thermal	North China Power Grid	Beijing	5.6	4.8	1,612	169	412	400	(400)	–	–
Suizhong Power	Northeast Power Grid	Liaoning	65.5	61.3	1,819	311	332	3,600	–	3,600	1,800
Zheneng Power	East China Power Grid	Zhejiang	108.0	102.4	2,454	303	387	4,400	–	4,400	2,640
Taicang Power	East China Power Grid	Jiangsu	35.9	34.3	2,851	301	326	1,260	–	1,260	630
Jinjie Energy	North China Power Grid	Shaanxi	81.8	75.3	3,410	327	295	2,400	–	2,400	1,680
Shenmu Power	Northwest Power Grid	Shaanxi	5.1	4.5	2,295	379	329	220	–	220	112
Taishan Power	South China Power Grid	Guangdong	105.5	98.9	2,109	312	415	5,000	–	5,000	4,000
Huizhou Thermal	South China Power Grid	Guangdong	15.3	13.9	2,321	326	417	660	–	660	660
Mengjin Power	Central China Power Grid	Henan	21.5	20.3	1,793	309	353	1,200	–	1,200	612
Chenjiagang Power	East China Power Grid	Jiangsu	39.9	38.0	3,025	291	335	1,320	–	1,320	726
Shenwan Energy	East China Power Grid	Anhui	66.6	63.1	2,474	321	355	2,600	2,000	4,600	2,346
Shenhua Sichuan Energy	Sichuan Power Grid	Sichuan	19.4	17.6	1,537	333	435	1,260	–	1,260	604
Fujian Energy	East China Power Grid	Fujian	42.8	40.6	1,716	327	345	1,240	2,000	3,240	1,501
EMM Indonesia	PLN (Perusahaan Listrik Negara)	Indonesia	9.2	8.2	3,072	366	404	300	–	300	210
Total for coal-fired power plants/weighted average			993.6	925.9	2,330	318	340	40,907	4,600	45,507	27,620
Other power plants											
Zhuhai Wind Energy	South China Power Grid	Guangdong	0.1	0.1	746	–	596	16	–	16	12
Yuyao Power	East China Power Grid	Zhejiang	7.8	7.6	1,005	232	761	780	–	780	624
Shenhua Sichuan Energy	Sichuan Provincial Local Power Grid	Sichuan	2.7	2.6	2,087	–	255	125	–	125	48

(1) Overview of production and operations

In the first half of 2015, confronting with negative factors such as slowdown in the growth of electricity demand, newly installed capacity of coal-fired generators increasing relatively faster and increase in power generated by non-fossil energy, the power segment actively carried out marketing efforts to maintain its steady operation. The segment recorded gross power generation of 100.42 billion kwh in the first half of 2015, representing a year-on-year decrease of 5.7%; and total power output dispatch of 93.62 billion kwh, representing a year-on-year decrease of 5.8%. The coal-fired generators operated with average utilisation hours of 2,330 hours for the first half of the year, 172 hours above the national average level of 2,158 hours[1]. At the end of the reporting period, total installed capacity of the Group reached 46,428 MW, of which total installed capacity of the coal-fired generators was 45,507 MW.

In the first half of 2015, a total of 38.5 million tonnes of the Group's coal was consumed in the power segment, accounting for 89.5% of the 43.0 million tonnes of total thermal coal consumption of the power segment of the Group (first half of 2014: 88.2%).

(2) Environmental protection

The power segment strived to implement the clean energy development strategy of China Shenhua and vigorously advanced the "ultra-low emission" renovation of coal-fired power generators. In the first half of the year, the capacity of newly installed and renovated coal-fired generators with "ultra-low emission" technology amounted to 7,100 MW, pushing the total installed capacity of coal-fired generators with "ultra-low emission" to 9,450 MW, which accounts for 21% of the total installed capacity of all coal-fired power generators of the Company.

(3) Progress of projects

Phase II of Anqing Power Generation Project of Shenwan Energy Company (2×1,000 MW), Fujian Hongshan Thermal Power Plant (2×1,000 MW) and Generator No. 1 of the Wanzhou Port and Power Integration Project in Chongqing (1,000 MW) with a total capacity of 5,000 MW were put into operation. The projects regarding the generators of Qinghai Golmud Power Plant (2×660 MW), Shengli Power Plant (2×660 MW), Shendong Power Zhundong Wucaiwan Power Plant Phase II (2×660 MW) were approved. Jiujiang Coal and Power Integration Project and Shouguang Power Plant progressed smoothly.

1 Source: China Electricity Council

(4) Analysis on operating results

In the first half of 2015, the power segment maintained stable profitability as average power tariff and fuel costs both decreased. The operating results of the power segment of the Group before elimination on consolidation are as follows:

		First half of 2015	First half of 2014	Change (%)	Main reasons for changes
Revenue	RMB million	**33,580**	37,074	(9.4)	Decrease in power output dispatch and average power tariff
Cost of sales	RMB million	**22,249**	25,927	(14.2)	Decrease in power output dispatch and unit fuel costs of power plants
Gross profit margin	%	**33.7**	30.1	Increased by 3.6 percentage points	
Profit from operations	RMB million	**9,889**	10,030	(1.4)	
Profit margin from operations	%	**29.4**	27.1	Increased by 2.3 percentage points	

The average power tariff of the Company in the first half of 2015 was RMB343.2/mwh (first half of 2014: RMB360.0/mwh), representing a year-on-year decrease of 4.7%; of which the average power tariff of the Company's thermal power plants was RMB340.0/mwh (first half of 2014: RMB355.7/mwh), representing a year-on-year decrease of 4.4%. The unit cost of power output dispatch was RMB229.6/mwh (first half of 2014: RMB253.9/mwh), representing a year-on-year decrease of 9.6%. The decrease was mainly due to the decrease of fuel costs of power plants.

3. Railway segment

(1) Overview of production and operations

In the first half of 2015, the railway segment strived to maximise transportation volume through optimising resources allocation and maintaining transportation in dynamic balance. The segment also controlled operational costs through various measures, including increasing the load per train car, enhancing internal resources sharing and controlling the maintenance cost.

In the first half of 2015, the transportation turnover of self-owned railways of the Group was 98.5 billion tonne km, representing a year-on-year decrease of 10.0%, which accounted for 83.8% of the total turnover, representing a slight increase compared to that of the same period last year.

(2) Progress of projects

The newly constructed Zhunchi Railway is expected to be put into trial operation in full scale in the second half of the year. The progress of the construction of Huangda Railway remains on track.

(3) Analysis on operating results

The operating results of the railway segment of the Group before elimination on consolidation in the first half of 2015 are as follows:

		First half of 2015	First half of 2014	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**13,338**	15,033	(11.3)	Decrease in turnover of railway transportation
Cost of sales	RMB million	**7,415**	6,799	9.1	Increase in maintenance cost year-on-year
Gross profit margin	%	**44.4**	54.8	Decreased by 10.4 percentage points	
Profit from operations	RMB million	**5,265**	7,746	(32.0)	
Profit margin from operations	%	**39.5**	51.5	Decreased by 12.0 percentage points	

In the first half of 2015, the revenue generated from the internal transportation services provided by the railway segment for the Group amounted to RMB11,679 million (first half of 2014: RMB13,467 million), representing a year-on-year decrease of 13.3% and accounting for 87.6% of the revenue of the railway segment (first half of 2014: 89.6%). Meanwhile, certain railway lines of the Group provided transportation services for third parties and generated transportation revenue.

In the first half of 2015, the unit transportation cost of the railway segment was RMB0.073/tonne km (first half of 2014: RMB0.059/tonne km), representing a year-on-year increase of 23.7%, mainly due to the increase in maintenance cost arising from intensified railway maintenance by the Company during the designated railway overhaul days in the first half of 2015, and a year-on-year decrease in turnover of railway transportation.

4. *Port Segment*

(1) Overview of production and operations

In the first half of 2015, the Company strengthened the management of port and yards operation to mitigate the impact brought by unfavorable factors such as fluctuation in demands and weather. The seaborne coal through the self-owned ports of the Company amounted to 74.5 million tonnes (first half of 2014: 87.8 million tonnes), representing a year-on-year decrease of 15.1%. Seaborne coal of Huanghua Port reached 51.4 million tonnes (first half of 2014: 67.8 million tonnes), representing a year-on-year decrease of 24.2%, which was mainly due to the shrinking demand for coal and the corresponding decrease in sales volume of the seaborne coal. Seaborne coal of Tianjin Coal Dock reached 20.0 million tonnes (first half of 2014: 17.3 million tonnes), representing a year-on-year increase of 15.6%. Seaborne coal of Zhuhai Coal Dock reached 3.1 million tonnes (first half of 2014: 2.7 million tonnes), representing a year-on-year increase of 14.8%. Seaborne coal volume of Shenhua Tianjin Coal Dock and Shenhua Zhuhai Coal Dock progressed according to the annual plan and saw a slight increase. The seaborne coal sales through the self-owned ports of the Company accounted for 76.1% of the total seaborne coal sales, representing an increase of 2.6 percentage points as compared to 73.5% of the same period of last year.

(2) Progress of projects

Phase II Project of Tianjin Coal Dock progressed steadily. The construction of Guangxi Beihai Dock, with a designed annual throughput capacity of approximately 9 million tonnes, remains on track.

(3) Analysis on operating results

The operating results of the port segment of the Group before elimination on consolidation in the first half of 2015 are as follows:

		First half of 2015	First half of 2014	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**1,769**	2,058	(14.0)	Decrease in turnover of the ports
Cost of sales	RMB million	**1,031**	972	6.1	Increase in depreciation and amortisation cost arising from the transfer of part of the Phase IV Project of Huanghua Port to fixed asset
Gross profit margin	%	**41.7**	52.8	Decreased by 11.1 percentage points	
Profit from operations	RMB million	**567**	841	(32.6)	
Profit margins from operations	%	**32.1**	40.9	Decreased by 8.8 percentage points	

In the first half of 2015, the revenue generated from the internal transportation services provided by the port segment for the Group amounted to RMB1,687 million (first half of 2014: RMB1,906 million), representing a year-on-year decrease of 11.5% and accounting for 95.4% of the revenue of the port segment (first half of 2014: 92.6%). Cost of internal transportation services provided for the Group amounted to RMB951 million.

5. Shipping Segment

(1) Overview of production and operations

The shipping segment provided services to contribute to the integrated operation, and actively cooperated with sales initiatives to develop the "River-Sea Coordinated Transport". In the first half of 2015, shipping volume amounted to 39.8 million tonnes, with shipment turnover amounting to 32.8 billion tonne nautical miles.

(2) Analysis on operating results

The operating results of the shipping segment of the Group before elimination on consolidation in the first half of 2015 are as follows:

		First half of 2015	First half of 2014	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**1,010**	1,745	(42.1)	Decrease in shipping volume
Cost of sales	RMB million	**924**	1,452	(36.4)	Decrease in shipping volume, fuel price and charter cost
Gross profit margin	%	**8.5**	16.8	Decreased by 8.3 percentage points	
Profit from operations	RMB million	**35**	244	(85.7)	
Profit margin from operations	%	**3.5**	14.0	Decreased by 10.5 percentage points	

In the first half of 2015, the unit transportation cost of the shipping segment was RMB0.028/tonne nautical mile (first half of 2014: RMB0.038/tonne nautical mile), representing a year-on-year decrease of 26.3%, mainly due to the decrease in fuel price and charter costs.

6. Coal Chemical Segment

(1) Overview of production and operations

In the first half of 2015, the coal chemical segment ensured the safe and stable operations of production equipment, and strived to reduce costs through actively engaging in diagnoses on benchmarking and attainment of benchmarks for energy and material consumption, introducing advanced equipment operation techniques, and establishing new measures including fixed budget for repair and maintenance. The total consumption of fuel coal and material coal of the Company's coal chemical segment amounted to 2.1 million tonnes (first half of 2014: 2.1 million tonnes), all being Shenhua coal.

In the first half of 2015, the sales of polyethylene products reached 163.2 thousand tonnes and that of polypropylene products 153.2 thousand tonnes.

	First half of 2015		First half of 2014		**Change**	
	Sales volume	**Price**	Sales volume	Price	**Sales volume**	**Price**
	Thousand tonnes	***RMB/ tonne***	*Thousand tonnes*	*RMB/ tonne*	*%*	*%*
Polyethylene	**163.2**	**7,909.7**	152.5	9,053.7	7.0	(12.6)
Polypropylene	**153.2**	**7,178.6**	155.0	8,766.5	(1.2)	(18.1)

(2) Analysis on operating results

The operating results of the coal chemical segment of the Group before elimination on consolidation in the first half of 2015 are as follows:

		First half of 2015	First half of 2014	**Change (%)**	**Main reasons for changes**
Revenue	RMB million	**2,969**	3,430	(13.4)	Decrease in sales price of polyethylene and polypropylene
Cost of sales	RMB million	**2,319**	2,362	(1.8)	A year-on-year decrease of maintenance cost resulted from reduced overhaul time of equipment
Gross profit margin	%	**21.9**	31.1	Decreased by 9.2 percentage points	
Profit from operations	RMB million	**563**	980	(42.6)	
Profit margin from operations	%	**19.0**	28.6	Decreased by 9.6 percentage points	

(3) Unit production cost for main products

	First half of 2015		First half of 2014		**Change**	
	Production volume	**Unit production cost**	Production volume	Unit production cost	**Production volume**	**Unit production cost**
	Thousand tonnes	***RMB/tonne***	*Thousand tonnes*	*RMB/tonne*	*%*	*%*
Polyethylene	**161.2**	**5,568.9**	145.8	5,891.2	10.6	(5.5)
Polypropylene	**160.0**	**5,209.6**	148.9	5,685.1	7.5	(8.4)

II. *Principal business by region*

Unit: RMB million

Region	Revenue	Year-on-year change (%)
Revenue from external customers from Mainland China	86,805	(30.4)
Revenue from external customers from other countries or regions	978	(78.4)

Explanation on principal business by region: The Group is principally engaged in the production and sales of coal and power, railway, port and shipping transportation as well as coal-based chemical processing businesses such as coal-to-olefins in Mainland China.

In the first half of 2015, the revenue from external customers from Mainland China reached RMB86.805 billion, accounting for 98.9% of the total revenue of the Group. Revenue from external customers from other countries or regions reached RMB978 million, representing a year-on-year decrease of 78.4%, mainly due to the decrease in sales volume and sales price of re-exported coal.

Analysis on Assets and Liabilities

Unit: RMB million

Name of item	Amount at the end of the period	Percentage of total assets at the end of the period (%)	Amount at the end of the previous period	Percentage of total assets at the end of the previous period (%)	Change in amount between the two periods (%)	Main reasons for changes
Property, plant and equipment	**301,892**	53.8	281,514	52.2	7.2	Increase in fixed assets due to new investments in transportation and power segments
Construction in progress	**57,429**	10.2	78,924	14.6	(27.2)	Completed construction assets in transportation and power segments were put into use
Intangible assets	**2,975**	0.5	1,509	0.3	97.2	The self-built information system was put into use
Inventory	**17,884**	3.2	15,790	2.9	13.3	Increase in coal inventory
Accounts and bills receivable	**34,867**	6.2	29,914	5.6	16.6	Increase in coal sales accounts receivable and bank acceptance bills receivable of the coal segment
Time deposits with original maturity over three months	**853**	0.2	1,275	0.2	(33.1)	Time deposits matured
Cash and cash equivalents	**51,585**	9.2	35,956	6.7	43.5	Increase in deposits placed with Shenhua Finance Company, and increase in cash inflows from the debt financing of the Company
Borrowings	**9,784**	1.7	17,330	3.2	(43.5)	The Company issued bonds in place of short-term borrowings
Short-term debentures	**14,987**	2.7	9,994	1.9	50.0	Increase in the balance of super short-term financial debentures issued by the Company
Accrued expenses and other payables	**56,501**	10.1	40,354	7.5	40.0	As at the end of the reporting period, part of the final dividends for 2014 of the Company has not been distributed. The said dividends were distributed on 10 July.
Debentures payable	**9,039**	1.6	0	0.0	N/A	Increase in issuance of US dollar notes by the Group
Reserve	**275,788**	49.1	277,354	51.5	(0.6)	The amount of final dividends for 2014 distributed by the Company was higher than the profit for the period for the first half of 2015.

Board's Discussion and Analysis on Future Development of the Company

Competition Landscape and Development Trend in the Industry

1. *Macroeconomic Conditions*

   Faced with the challenging and complex economic situations at home and abroad during the first half of the year, the Chinese government took a proactive approach to adapting to and leading the "new normal" with the focus on improving the quality and efficiency of economic growth. Growth rate was largely in line with expectations, showing signs of a slowly but steadily improving economy, while escalating efforts were put to implement structural reforms. In the first half of the year, China's gross domestic product (GDP) grew by 7.0% year-on-year, representing a decrease of 0.4 percentage point over the same period of last year. The consumer price index (CPI) soared 1.3% year-on-year, representing a decrease of 1 percentage point over the same period of last year.

   Looking ahead to the second half of the year, the domestic and international economic situations are expected to remain intricate, and the Chinese government will continue to adhere to the keynote of "making progress while maintaining stability" to maintain stable economic development, striving to achieve the annual economic growth target of 7%. A stabilising and recovering macro economy will be conducive to maintaining stable demand for coal and other types of energy.

2. *Market environment of the coal industry*

   (1) Thermal coal market in China

   Review for the first half of 2015

   Due to factors such as the slowdown in domestic macroeconomic growth, structural reform in the energy sector and overcapacity in the coal industry, oversupply remained unsolved in China's coal market in the first half of the year, resulting in a slump in coal prices. As at the end of June, the average price of the Bohai-Rim Thermal Coal Price Index (5,500 kcal/kg) fell to RMB418/tonne, down 20.4% from RMB525/tonne at the beginning of the year.

   With the oversupply issue dampening the coal market, coal companies suffered massive losses while production was reduced or suspended at a number of coal mines in China. In the first half of 2015, national raw coal output decreased by 5.8% to 1.789 billion tonnes year-on-year. In particular, Shanxi recorded an output of 460 million tonnes, representing a year-on-year decrease of 4.4%; Inner Mongolia recorded an output of 460 million tonnes, representing a year-on-year decrease of 7.3%; and Shaanxi recorded an output of 210 million tonnes, representing a year-on-year decrease of 0.3%.

   Coal imports continued to shrink due to factors such as the decline in domestic coal demand, imported coal prices becoming less attractive and the implementation of quality management policy in the coal industry. From January to June, China imported 99.87 million tonnes of coal, down 37.5% year-on-year.

   Given the macroeconomic situation and the economic structure adjustment, main sectors in the downstream coal industry remained lacklustre and coal consumption continued to shrink. In the first half of the year, China's sales volume of coal amounted to 1.62 billion tonnes[1], representing a year-on-year decrease of 8.1%.

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[1] Source: China Coal Transportation & Sale Society

In the first half of 2015, coal transportation volume decreased significantly as the market demand remained sluggish. The total volume of coal transported by rail in China was 1.02 billion tonnes, representing a year-on-year decrease of 11.1%. Coal shipment volume through major ports in China amounted to 329 million tonnes, representing a year-on-year decrease of 3.2%.

Early in the second quarter, the de-stocking process accelerated while the coal inventory at major ports declined, owing to the overhaul of Daqin Railway and the seasonal factor of the upcoming summer peak period. Later in the second quarter, inventory index rebounded on the back of increased rainfall in southern China as compared to that of last year, heightened hydropower output and prolonged pressure on coal demand from the downstream industry. As at June 30, coal inventory at five major ports in northern China, namely Qinhuangdao Port, Tianjin Port, Huanghua Port, Qingdao Port and Rizhao Port, amounted to 17.11 million tonnes, representing an increase of 9.8% as compared to that recorded at the end of last year. Inventories held by coal companies in China amounted to 99.50 million tonnes, representing an increase of 14.9% as compared to that recorded early in the year while inventories held by major power plants amounted to 65.40 million tonnes, representing a decrease of 28.0% as compared to that recorded early in the year.

Prospects for the second half of 2015

The overcapacity issue in the coal industry persists. However, the weakening profitability of coal companies, the standardisation of production in the coal industry and the introduction of new policy to enhance coal quality management will probably trigger further reduction in output or suspension of production by some of the coal mines. Coal production volume of the year will see a larger year-on-year decrease compared to that of 2014.

Coal imports are expected to stay at a considerable level in the second half of the year, which is mainly attributed to the continuous demand for imported coal in the coastal areas in China and the competitive coal prices offered by Indonesia and other major exporters. However, considering the sluggish domestic coal demand, narrowed domestic and international coal price spreads and China's increasing focus on quality management of imported coal, coal imports in the second half of 2015 are expected to continue the trend of year-on-year decrease, while the total amount for the whole year will be significantly less than those for the previous year.

Coal demand is anticipated to increase in the second half of 2015 as the economy begins to stabilise and pick up slowly, with the peak for coal consumption for heating purposes during winter arriving soon. However, oversupply is expected to sustain in the domestic coal market in the second half of 2015 as the industry as a whole maintains abundant supply.

(2) Thermal coal market in the Asia Pacific region

Review for the first half of 2015

The international coal market continued to witness oversupply and coal prices encountered downward volatility due to sluggish global economic recovery, ongoing energy restructuring and lacklustre demand from conventional coal consuming countries in the first half of 2015. The spot price of Australian BJ thermal coal fell from US$62.95/tonne as at the beginning of 2015 to US$61.31/tonne as at the end of June. Due to the impact of the oversupply of coal, thermal coal spot price kept descending, leading to production cuts in certain coal companies in Australia.

During the first half of 2015, Australia exported a total of 190 million tonnes of coal, representing a year-on-year increase of 2.5%; Indonesia exported 164 million tonnes of coal, representing a year-on-year decrease of 17.0%; Russia exported 72.0 million tonnes of coal, representing a year-on-year decrease of 5.0%; and the United States exported 38 million tonnes of coal, representing a year-on-year decrease of 20.5%.

Major increments in coal consumption in the Asia Pacific region are concentrated in India. In the first half of 2015, India imported 124 million tonnes of thermal coal, representing a year-on-year increase of 38.3%. Japan and South Korea maintained a stable coal import in general, of which Japan imported 92 million tonnes of coal, representing a year-on-year decrease of 0.6%; while South Korea imported 68 million tonnes of coal, representing a year-on-year increase of 4.1%.

Prospects for the second half of 2015

Coal supply is expected to remain excessive in the Asia Pacific region in the second half of 2015, with Indonesia and Australia still dominating coal supply to the region. Upon the signing of the China-Australia Free Trade Agreement, Australia's gradual tariffs reduction to zero on coal exports from China will eventually push up coal exports. And the volume of exports from Russia, Mongolia and other countries will show a steady growth.

China and India will continue to be the major consumers of coal in the second half of 2015. India's coal imports are expected to maintain a relatively high growth due to tight supply in the domestic market and increasing coal demand for power generation. The uncertainties over the restart of nuclear power plants in Japan will effectively support the country's energy imports, and as a result coal imports are expected to increase. Coal consumption in South Korea as well as in other countries and regions will remain basically stable.

Hit by the slow global economic recovery and the gradual progress in the structural reforms in the energy sector, global coal demand is expected to demonstrate a downward trend in the second half of 2015. The oversupply in the international coal market is expected to persist in the short run; and the price of thermal coal will remain volatile at low levels.

3. *Market environment of the power industry*

Review for the first half of 2015

In the first half of 2015, power supply was generally sufficient to meet the demand in China, and the rate of growth in power consumption fell substantially year-on-year as a result of factors such as a declining macro economy (especially for industrial production), industrial restructuring and temperature. Society-wide power consumption was 2,662.4 billion kwh in total, representing a year-on-year growth of 1.3%, down 4.0 percentage points in growth rate year-on-year. The power consumption by the primary industry grew by 0.9% year-on-year; the power consumption by the secondary industry fell by 0.5% year-on-year; and the power consumption by the tertiary industry as well as by urban and rural residents saw a year-on-year growth of 8.1% and 4.8% respectively, further demonstrating the results of economic restructuring.

In the first half of 2015, thermal power generation and hydropower generation by power plants above a designated scale in China amounted to 2,087.9 billion kwh and 423.4 billion kwh respectively, down 3.2% and up 13.3% year-on-year, indicating that the thermal power market was further seized by increased hydropower output.

Due to factors such as the decelerated rate of growth in power demand, faster rate of growth in newly installed capacity of thermal power and increased power generation by non-fossil energy, the utilisation hours of thermal power equipment stood at 2,158 hours in the first half of 2015, representing a decrease of 217 hours year-on-year, while the utilisation hours of hydropower, nuclear power and wind power equipment increased year-on-year.

As at the end of June, the capacity of power generation equipment of nationwide power plants with a capacity of 6,000 kw or above reached 1.36 billion kw, representing a growth of 8.7% from the end of June in 2014, of which the installed capacity of thermal power was 935 million kw, representing a growth of 6.4%; the installed capacity of hydropower was 260 million kw, representing a growth of 5.7%; and the installed capacity of wind power and nuclear power increased by 26.8% and 24.5% respectively, both significantly higher than the rate of growth in total installed capacity and the installed capacity of thermal power on a nationwide basis. Power supplied by non-fossil energy continued to grow.

In the first half of 2015, the thermal power industry continued to step up renovation for energy conservation and environmental protection by aggressively pushing forward the development and utilisation of "ultra-low emission" technology for generators, thus having significantly improved the emission performance in major air pollutants and further accelerated the pace of clean development in the industry.

Prospects for the second half of 2015

In the second half of 2015, China's macro economy is expected to pick up while maintaining stability, which will help stabilise power demand. Moreover, driven by economic transformation, power consumption by the tertiary industry and for domestic use will continue to maintain rapid growth. Overall power consumption growth in China is expected to pick up in the second half of 2015 compared to that of the first half of 2015. However, as impacted by a number of factors such as the ongoing progress in the restructuring of industries and the control of total energy consumption, the annual growth rate will be lower than that of last year.

Nationwide power installed capacity will maintain stable growth with adequate power supply capacity in the second half of 2015. During the period of the Twelfth Five-year Plan, with the substantial increase in power generation investment in hydropower, nuclear power and wind power, thermal power demand will continue to be suppressed as the effects of alternative power generation by non-fossil energy begin to appear. It is expected that the number of utilisation hours of thermal power generators in the second half of the year will remain stable or rise slightly as compared with that in the first half of 2015.

Considering factors such as the economic growth, industrial restructuring, energy conservation and emission reduction in China, it is expected that power supply and demand on a nationwide basis will remain stable in general with a slight oversupply in the second half of 2015, while the power consumption structure will remain basically in line with that in the first half of 2015.

Status of accomplishment of 2015 business targets

		Accomplishment in the first half of 2015	Target of 2015	Percentage of accomplishment (%)
Commercial coal production	million tonnes	**139.4**	273.60	51.0
Coal sales	million tonnes	**177.8**	404.25	44.0
Power output dispatch	billion kwh	**93.62**	212.70	44.0
Revenue	RMB billion	**87.783**	210.0	41.8
Operating costs	RMB billion	**59.391**	156.3	38.0
Net selling, general and administrative expenses and finance costs	RMB billion	**6.076**	15.0	40.5

Note: The above business targets are subject to risks, uncertainties and assumptions. The actual outcome may differ materially from these statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to investment risks.

Warning and description about the prediction of recording a loss in respect of accumulated net profit from the start of the year to the end of the next reporting period or a substantial change compared with that for the same period of last year

According to the IFRSs, for the first half of 2015, the Group recorded profit for the period attributable to equity holders of the Company of RMB13,068 million, representing a year-on-year decrease of 42.6%.

Impacted by uncertainties such as demand for coal and thermal power consumption, the Croup's profit for the period attributable to equity holders of the Company is likely to decrease by up to or more than 50% for the period from January 2015 to September 2015.

The above statements are subject to risks, uncertainties and assumptions. The actual outcome may differ materially from the above statements. Such statements do not constitute actual commitments to investors. Investors should be aware that undue reliance on or use of such information may lead to investment risks.

Status of accomplishment of capital expenditures plans for 2015

	Accomplishment in the first half of 2015 ***(RMB100 million)***	Plans for 2015 *(RMB100 million)*	Percentage of accomplishment *(%)*
Coal segment	**17.6**	48.3	36.4
Power segment	**73.5**	147.7	49.8
Transportation segment	**26.0**	154.5	16.8
Of which: Railway	**21.7**	125.7	17.3
Port	**3.5**	18.9	18.5
Shipping	**0.8**	9.9	8.1
Coal chemical business	**0.9**	11.8	7.6
Others	**0.2**	6.7	3.0
Total	**118.2**	369.0	32.0

Total capital expenditures of the Company amounted to RMB11.82 billion in the first half of 2015, which were mainly used for power generation projects including the Guohua Shouguang Power Plant Project, Chongqing Wanzhou Port and Power Integration Project, Phase II of Anqing Power Generation Project of Shenwan Energy Company and Phase II of Hongshan Thermal Power Plant Project of Fujian Energy Company, as well as transportation projects including the newly constructed Zhunchi Railway Project, Bazhun Railway Project and Huangda Railway Project. During the second half of 2015, the Company will continue to make sure all its investment projects remain on track.

The current plans of the Company regarding capital expenditures in 2015 are subject to development of business plans, progress of investment projects, market conditions, outlook for future operation conditions and the obtaining of the requisite permissions and regulatory approvals. Unless required by laws, the Company shall not assume any responsibilities for updating the data of its capital expenditure plans. The Company intends to finance its capital expenditures by cash generated from operating activities, short-term and long-term borrowings, part of the proceeds from the initial public offering and other debt and equity financing (if necessary).

IV. SIGNIFICANT EVENTS

Purchase, sale or redemption of securities of the Company

For the six months ended 30 June 2015, neither the Company nor any of its subsidiaries repurchased, sold or redeemed any of the Company's securities (as provided under the Hong Kong Listing Rules).

Corporate governance

The Company has adopted the corporate governance polices as set out in Appendix 14 of the Hong Kong Listing Rules. The Company and all directors have been in full compliance with all the principles and provisions and most of the recommended best practices as specified therein during the six months ended 30 June 2015.

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 the 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 2015.

Other than the 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 2015.

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. Guo Peizhang and Mr. Chen Hongsheng. On 17 August 2015, the Audit Committee reviewed the Company's interim financial report for the six months ended 30 June 2015 and approved submission of the interim financial report to the board for approval.

Changes in directors, supervisors and senior management of the Company

On 10 March 2015, Mr. Xue Jilian resigned from the position of senior vice president of the Company upon reaching retirement age.

On 20 August 2015, Mr. Wang Xiaolin resigned as an executive director of the Company, a member of the Safety, Health and Environment Committee of the board of directors and a senior vice president due to adjustment of work arrangements.

On 21 August 2015, the 9th meeting of the third session of the Board resolved to dismiss Hao Gui from the position of senior vice president. The dismissal becomes effective immediately.

Subsequent event

After 30 June 2015, there is no occurrence of any significant event that may affect the Group.

V. DEFINITIONS

Shenhua Group Corporation	Shenhua Group Corporation Limited
Shenhua Group	Shenhua Group Corporation Limited and its controlling subsidiaries
China Shenhua/the Company	China Shenhua Energy Company Limited
The Group	The Company and its controlling subsidiaries
Shendong Power Company	Shenhua Shendong Power Co., Ltd.
Shenhua Trading Group	Shenhua Trading Group Limited
Tianjin Coal Dock	Shenhua Tianjin Coal Dock Co., Ltd.
Zhuhai Coal Dock	Shenhua Yudean Zhuhai Port Coal Dock Co., Ltd.
Shenwan Energy Company	Shenwan Energy Company Limited
Fujian Energy Company	Shenhua Fujian Energy Co., Ltd.
Shenhua Finance Company	Shenhua Finance Co., Ltd.
Indonesia Company/EMM Indonesia	PT.GH EMM INDONESIA
Beijing Thermal	Shenhua Guohua International Power Company Limited Beijing Thermal Power Branch
Panshan Power	Tianjin Guohua Panshan Power Generation Co., Ltd.
Sanhe Power	Sanhe Power Co., Ltd.
Guohua Zhunge’er	Inner Mongolia Guohua Zhunge’er Power Generation Co., Ltd.
Zhunge’er Power	Power-generating division controlled and operated by Zhunge’er Energy Company
Zheneng Power	Zhejiang Guohua Zheneng Power Generation Co., Ltd.
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yudean Taishan Power Co., Ltd.

Cangdong Power	Hebei Guohua Cangdong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Co., Ltd.
Dingzhou Power	Hebei Guohua Dingzhou Power Generation Co., Ltd.
Guohua Hulunbeier Power	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.
Taicang Power	Guohua Taicang Power Generation Co., Ltd.
Mengjin Power	Shenhua Guohua Mengjin Power Generation Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Zhuhai Wind Energy	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.
Huizhou Thermal	Guohua Huizhou Thermal Power Branch of the Company
JORC	Australasian Code for Reporting of Mineral Resources and Ore Reserves which sets out the standards, recommendation and guidelines for public reporting in Australasia of exploration results, mineral resources and ore reserves, a widely accepted code worldwide for reserve reporting purpose
Hong Kong Stock Exchange or Stock Exchange	The Stock Exchange of Hong Kong Limited
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Accounting Standards for Business Enterprises	the latest Accounting Standards for Business Enterprises issued by the Ministry of Finance of the People's Republic of China and the related application guidance, interpretations and other related requirements

International Financial Reporting Standards	International Financial Reporting Standards issued by the International Accounting Standards Committee
RMB	Renminbi, unless otherwise specified
EBITDA	[Net profit + finance expense + income tax expense + depreciation and amortisation – investment gain]. EBITDA is not yet an item acknowledged by the Accounting Standards for Business Enterprises and is for investors' reference only.
Total debt to total debt + total equity	[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 shareholders' equity]

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

Beijing, 21 August 2015

As at the date of this announcement, the board of directors comprises the following: Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo as executive directors, Mr. Chen Hongsheng as non-executive director, and Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. Guo Peizhang as independent non-executive directors.