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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2008

FINANCIAL HIGHLIGHTS

- Revenues of the Group in 2008 were RMB107,133 million, representing an increase of RMB25,026 million or 30.5% over 2007.
- Profit attributable to equity shareholders of the Company in 2008 was RMB26,641 million, representing an increase of RMB6,060 million or 29.4% over 2007.
- Earnings per share was RMB1.339.
- EBITDA[1] in 2008 was RMB49,568 million, representing an increase of RMB8,931 million or 22.0% over 2007.
- The Board proposed a final dividend of RMB0.46 per share or RMB9,149 million for the year of 2008.

The board of China Shenhua Energy Company Limited (the "Company") is pleased to present the annual results of the Company and its subsidiaries (the "Group" or "China Shenhua") for the year ended 31 December 2008 and to report our performance for the year.

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

FINANCIAL INFORMATION

Financial information extracted from the audited financial statements for the year ended 31 December 2008 prepared in accordance with International Financial Reporting Standards ("IFRSs"):

Consolidated income statement
for the year ended 31 December 2008
(Expressed in Renminbi)

	Note	***2008*** ***RMB million***	*2007* *RMB million*
Revenues			
Coal revenue		**74,572**	55,741
Power revenue		**29,393**	23,922
Other revenues		**3,168**	2,444
Total operating revenues	2	**107,133**	82,107
Cost of revenues			
Coal purchased from third parties		**(15,585)**	(10,719)
Materials, fuel and power		**(8,433)**	(6,276)
Personnel expenses		**(5,343)**	(3,960)
Depreciation and amortisation		**(9,396)**	(7,785)
Repairs and maintenance		**(4,717)**	(3,612)
Transportation charges		**(7,227)**	(6,845)
Others		**(8,677)**	(4,576)
Total cost of revenues		**(59,378)**	(43,773)
Selling, general and administrative expenses		**(6,961)**	(5,144)
Other operating expense, net		**(1,119)**	(693)
Total operating expenses	3	**(67,458)**	(49,610)
Profit from operations		**39,675**	32,497
Finance income	4	**1,288**	1,034
Finance expenses	4	**(4,681)**	(3,417)
Net finance costs		**(3,393)**	(2,383)
Investment income		**39**	38
Share of profits less losses of associates		**654**	627
Profit before income tax		**36,975**	30,779
Income tax	5	**(7,076)**	(6,742)
Profit for the year		**29,899**	24,037
Attributable to:			
Equity shareholders of the Company		**26,641**	20,581
Minority interests		**3,258**	3,456
Profit for the year		**29,899**	24,037
Dividends to equity shareholders of the Company			
Dividends approved during the year	6	**9,325**	22,949
Dividends proposed after the balance sheet date	6	**9,149**	9,325
Earnings per share (RMB)	7		
- Basic		**1.339**	1.110
- Diluted		**1.339**	1.110

Consolidated balance sheet
at 31 December 2008
(Expressed in Renminbi)

	Note	*2008* **RMB million**	*2007* *RMB million*
Non-current assets			
Property, plant and equipment, net		**145,253**	131,059
Construction in progress		**33,017**	22,358
Intangible assets		**2,435**	1,162
Interest in associates		**3,045**	2,754
Other investments		**831**	1,031
Other non-current assets		**6,373**	2,878
Lease prepayments		**6,011**	5,931
Deferred tax assets		**669**	1,168
Total non-current assets		**197,634**	168,341
Current assets			
Inventories		**7,842**	6,337
Accounts and bills receivable, net	8	**8,236**	6,642
Prepaid expenses and other current assets		**2,337**	3,771
Restricted bank deposits		**241**	-
Time deposits with original maturity over three months		**196**	32
Cash and cash equivalents		**59,054**	53,404
Total current assets		**77,906**	70,186
Current liabilities			
Short-term borrowings and current portion of long-term borrowings		**18,213**	10,196
Short-term bonds		**-**	1,453
Accounts and bills payable	9	**9,642**	9,074
Accrued expenses and other payables		**12,410**	9,577
Current portion of long-term payables		**264**	873
Income tax payable		**2,127**	2,198
Total current liabilities		**42,656**	33,371
Net current assets		**35,250**	36,815
Total assets less current liabilities		**232,884**	205,156
Non-current liabilities			
Long-term borrowings, less current portion		**56,045**	49,718
Long-term payables, less current portion		**2,765**	3,962
Accrued reclamation obligations		**1,869**	1,018
Deferred tax liabilities		**462**	654
Total non-current liabilities		**61,141**	55,352
Net assets		**171,743**	149,804
Equity			
Share capital		**19,890**	19,890
Reserves		**127,542**	109,898
Equity attributable to equity shareholders of the Company		**147,432**	129,788
Minority interests		**24,311**	20,016
Total equity		**171,743**	149,804

Consolidated statement of changes in equity

for the year ended 31 December 2008

(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company											
	Share capital	*Share premium*	*Capital reserve*	*Revaluation reserve*	*Future development fund*	*Exchange reserve*	*Statutory reserves*	*Other reserves*	*Retained earnings*	*Total*	*Minority interests*	*Total equity*
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
At 1 January 2007	18,090	20,813	(6,591)	7,180	1,578	-	4,742	3,395	20,577	69,784	19,447	89,231
Issuance of A shares	1,800	64,782	-	-	-	-	-	-	-	66,582	-	66,582
A shares issue expenses	-	(594)	-	-	-	-	-	-	-	(594)	-	(594)
Profit for the year	-	-	-	-	-	-	-	-	20,581	20,581	3,456	24,037
Dividend declared (Note 6)	-	-	-	-	-	-	-	-	(22,949)	(22,949)	-	(22,949)
Adjustment of profit appropriations for prior years	-	-	-	-	-	-	(498)	-	498	-	-	-
Appropriation of profits	-	-	-	-	-	-	2,019	-	(2,019)	-	-	-
Capital contributions from minority shareholders	-	-	-	-	-	-	-	-	-	-	654	654
Distributions to minority shareholders	-	-	-	-	-	-	-	-	-	-	(3,437)	(3,437)
Consideration for the acquisitions of Shendong Coal and Shendong Power	-	-	-	-	-	-	-	(3,587)	-	(3,587)	-	(3,587)
Through addition of a subsidiary	-	-	-	-	-	-	-	-	-	-	808	808
Write back of future development fund	-	-	-	-	(1,578)	-	-	-	1,578	-	-	-
Contributions from shareholders of Shendong Power	-	-	-	-	-	-	-	199	-	199	-	199
Acquisition of minority interests	-	-	-	-	-	-	-	(117)	-	(117)	(845)	(962)
Realisation/ reassessment of deferred tax	-	-	-	-	-	-	-	(120)	9	(111)	(67)	(178)
At 31 December 2007	19,890	85,001	(6,591)	7,180	-	-	6,263	(230)	18,275	129,788	20,016	149,804
At 1 January 2008	**19,890**	**85,001**	**(6,591)**	**7,180**	**-**	**-**	**6,263**	**(230)**	**18,275**	**129,788**	**20,016**	**149,804**
Profit for the year	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**26,641**	**26,641**	**3,258**	**29,899**
Dividend declared (Note 6)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,325)**	**(9,325)**	**-**	**(9,325)**
Adjustment of profit appropriations for prior years	**-**	**-**	**-**	**-**	**-**	**-**	**278**	**-**	**(278)**	**-**	**-**	**-**
Appropriation of profits	**-**	**-**	**-**	**-**	**-**	**-**	**2,274**	**-**	**(2,274)**	**-**	**-**	**-**
Appropriation of maintenance and production funds	**-**	**-**	**-**	**-**	**-**	**-**	**3,368**	**-**	**(3,368)**	**-**	**-**	**-**
Utilisation of maintenance and production funds	**-**	**-**	**-**	**-**	**-**	**-**	**(2,119)**	**-**	**2,119**	**-**	**-**	**-**
Capital contributions from minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,169**	**2,169**
Distributions to minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(953)**	**(953)**
Acquisition of minority interests	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**271**	**-**	**271**	**(271)**	**-**
Acquisition of a subsidiary	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**63**	**-**	**63**	**46**	**109**
Realisation of deferred tax	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(12)**	**12**	**-**	**-**	**-**
Realisation of revaluation reserve	**-**	**-**	**-**	**(20)**	**-**	**-**	**-**	**-**	**20**	**-**	**-**	**-**
Exchange difference on translation of financial statements of overseas subsidiaries	**-**	**-**	**-**	**-**	**-**	**(115)**	**-**	**-**	**-**	**(115)**	**-**	**(115)**
Others	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**109**	**-**	**109**	**46**	**155**
At 31 December 2008	**19,890**	**85,001**	**(6,591)**	**7,160**	**-**	**(115)**	**10,064**	**201**	**31,822**	**147,432**	**24,311**	**171,743**

Note:

In June 2005, the Company issued 2,785,000,000 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 to Hong Kong and overseas investors. As part of the global initial public offering, 278,500,000 domestic state-owned ordinary shares of RMB1.00 each owned by Shenhua Group Corporation Limited ("Shenhua Group") were converted into H shares and sold to Hong Kong and overseas investors. The Company was listed on the Stock Exchange of Hong Kong Limited ("the Stock Exchange") on 15 June 2005. In July 2005, the Company issued 304,620,455 H shares with a par value of RMB1.00 each, at a price of HKD7.50 per H share upon the exercise of the over-allotment option in connection with the global initial public offering. As part of the exercise of the over-allotment option, 30,462,045 domestic state-owned ordinary shares of RMB1.00 each owned by Shenhua Group were converted into H shares and sold to Hong Kong and overseas investors. A total of 3,398,582,500 H shares were listed on the Stock Exchange.

In September 2007, 1,800,000,000 A shares of the Company with a par value of RMB1.00 each were issued at a price of RMB36.99 per share and listed on the Shanghai Stock Exchange in October 2007. The net proceeds from the initial public offering of A shares, after deducting shares issue expenses of RMB593,620,000, amounted to RMB65,988 million of which RMB1,800 million and RMB64,188 million were credited to the Company's paid-up capital and capital reserve, respectively.

Consolidated cash flow statement
for the year ended 31 December 2008
(Expressed in Renminbi)

	Note	*2008* *RMB million*	*2007* *RMB million*
Net cash generated from operating activities	(a)	**40,618**	25,626
Investing activities			
Capital expenditure		**(35,980)**	(27,134)
Lease prepayments		**(566)**	(939)
Acquisition of subsidiaries	(b)	**(367)**	(3,328)
Purchase of associates		**(84)**	(285)
Purchase of other investments		**(12)**	(878)
Proceeds from disposal of associates		**-**	18
Proceeds from disposal of other investments		**9**	2,036
Proceeds from disposal of property, plant and equipment		**90**	136
Dividend received from associates		**343**	430
Dividend received from other investments		**39**	35
Increase in restricted bank deposits		**(241)**	-
Increase in time deposits with original maturity over three months		**(201)**	(541)
Maturity of time deposits with original maturity over three months		**37**	517
Net cash used in investing activities		**(36,933)**	(29,933)
Financing activities			
Proceeds from bank and other borrowings		**41,004**	48,140
Repayments of bank and other borrowings		**(27,652)**	(49,603)
Proceeds from bonds issued		**-**	1,453
Repayments of bonds		**(1,453)**	-
Contributions from minority shareholders	(c)	**1,739**	654
Distributions to minority shareholders		**(2,348)**	(1,929)
Contributions from shareholders of Shendong Power		**-**	199
Dividend paid to equity shareholders of the Company		**(9,325)**	(22,949)
Net proceeds from issuance of A shares		**-**	65,988
Net cash from financing activities		**1,965**	41,953
Net increase in cash and cash equivalents		**5,650**	37,646
Cash and cash equivalents, at the beginning of the year		**53,404**	15,758
Cash and cash equivalents, at the end of the year		**59,054**	53,404

(a) Reconciliation of profit before income tax to net cash from operating activities

	2008	*2007*
	RMB million	*RMB million*
Profit before income tax	**36,975**	30,779
Adjustments for:		
Depreciation and amortisation	**9,893**	8,140
Impairment losses on property, plant and equipment	**447**	380
Impairment losses on other investments	**204**	-
Net loss on disposal of property, plant and equipment	**434**	299
Investment income	**(39)**	(38)
Interest income	**(816)**	(622)
Share of profits less losses of associates	**(654)**	(627)
Net interest expense	**3,786**	3,417
Gain on remeasurement of derivative financial instruments to fair value	**(472)**	(283)
Unrealised foreign exchange loss/(gain)	**843**	(155)
	50,601	41,290
Increase in accounts and bills receivable	**(1,561)**	(1,130)
Increase in inventories	**(871)**	(1,387)
Decrease/(increase) in prepaid expenses and other assets	**730**	(2,555)
Increase/(decrease) in accounts and bills payable	**304**	(934)
Increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**1,960**	2
	51,163	35,286
Interest received	**816**	622
Interest paid	**(4,521)**	(3,500)
Income tax paid	**(6,840)**	(6,782)
Net cash generated from operating activities	**40,618**	25,626

(b) Acquisition of subsidiaries

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

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

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

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

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

(ii) In August 2007, the Company acquired the entire equity interests in Shenhua Shenfu Dongsheng Coal Company Limited and Shenhua Shendong Power Company Limited from Shenhua Group. RMB3,328 million was paid by the Company during the year ended 31 December 2007.

(c) Major non-cash transaction

During the year ended 31 December 2008, a payable to minority shareholder of RMB430 million was capitalised as a subsidiary's paid-in capital and, accordingly, the Group's minority interests were increased by the same amount.

Notes to the financial information

1 **New and revised IFRSs**

The International Accounting Standards Board ("IASB") has issued a number of new interpretations and amendments to IFRSs that are first effective for the current accounting period of the Group and the Company. These new developments do not have material implications to the Group's or the Company's operations.

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

2 **Revenues**

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

3 **Total operating expenses**

	2008	*2007*
	RMB million	*RMB million*
Personnel expenses, including	**7,185**	5,544
- contributions to retirement plans	**871**	621
- fair value (gain)/loss on revaluation of share appreciation rights	**(52)**	112
Depreciation and amortisation	**9,893**	8,140
Net loss on disposal of property, plant and equipment	**434**	299
Cost of inventories	**50,662**	36,475
Research and development costs	**94**	23
Auditors' remuneration, including		
- audit services	**42**	38
- tax services	**1**	1
Operating lease charges on properties	**264**	205
Allowance for accounts receivable and other receivables and write down of inventories	**638**	326
Impairment losses on property, plant and equipment	**447**	380
Impairment losses on other investments	**204**	3

4 **Finance income/(expenses)**

	2008	*2007*
	RMB million	*RMB million*
Interest income	**816**	622
Foreign exchange gain, net	**-**	129
Gain on remeasurement of derivative financial instruments to fair value	**472**	283
Finance income	**1,288**	1,034
Interest on loans from banks and other financial institutions, and other borrowings wholly repayable within five years	**(4,830)**	(3,816)
Less: Interest expense capitalised	**1,044**	399
Net interest expense	**(3,786)**	(3,417)
Foreign exchange loss, net	**(895)**	-
Finance expenses	**(4,681)**	(3,417)
Net finance costs	**(3,393)**	(2,383)

5 **Income tax**

Income tax in the consolidated income statement represents:

	2008	*2007*
	RMB million	*RMB million*
Provision for PRC income tax	**6,769**	6,737
Deferred taxation	**307**	5
	7,076	6,742

Notes:

(i) The provision for PRC current income tax is based on a statutory rate of 25% (2007: 33%) of the assessable profit of the entities comprising the Group as determined in accordance with the relevant income tax rules and regulations of the PRC, except for certain branches and subsidiaries of the Company, which are exempted or taxed at preferential rates.

(ii) On 16 March 2007, the Fifth Plenary Session of the Tenth National People's Congress passed the Corporate Income Tax Law of the PRC ("new tax law") which has taken effect from 1 January 2008. As a result of the new tax law, the statutory income tax rate adopted by the Company and its subsidiaries has changed from 33% to 25% with effect from 1 January 2008.

Pursuant to the grandfathering arrangement under the new tax law, the preferential policies enjoyed by the entities with operations in the western developing region of the PRC remain effective after the implementation of the new tax law until the preferential periods are expired. The income tax rates of entities that previously enjoyed a preferential tax rate of 15% have been revised to 18%, 20%, 22%, 24% and 25% for 2008, 2009, 2010, 2011 and 2012 respectively.

The deferred tax assets and liabilities were remeasured for the change in applicable tax rates as a result of the new tax law during the year ended 31 December 2007.

6 **Dividends**

(a) ***Dividends approved during the year***

	2008 ***RMB million***	*2007* *RMB million*
Special dividend to the Company's domestic state-owned share and H share shareholders, resolved and paid during the year	**5,745**	16,799
Final dividend in respect of the previous financial year, declared and paid during the year	**3,580**	6,150
	9,325	22,949

(i) *Special dividends*

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

(ii) *Final dividend*

A final dividend of RMB0.18 per share totalling RMB3,580 million in respect of the year ended 31 December 2007 was approved at the annual general meeting held on 16 May 2008 and was subsequently paid on 10 June 2008.

Pursuant to the shareholders' approval at the annual general meeting held on 15 May 2007, a final dividend of RMB0.34 per share totalling RMB6,150 million in respect of the year ended 31 December 2006 was paid on 15 June 2007.

(b) ***Dividends proposed after the balance sheet date***

	2008 ***RMB million***	*2007* *RMB million*
Special dividend to the Company's domestic state-owned share and H share shareholders (Note 6(a)(i))	**-**	5,745
Final dividend proposed of RMB0.46 (2007: RMB0.18) per ordinary share to all equity shareholders of the Company	**9,149**	3,580
	9,149	9,325

On 27 March 2009, the directors proposed a final dividend of RMB0.46 per share totalling RMB9,149 million to all equity shareholders of the Company for the shareholders' approval at the forthcoming annual general meeting.

The dividends resolved and proposed after the balance sheet date have not been recognised as a liability at the balance sheet date.

7 **Earnings per share**

The calculation of basic earnings per share for the year ended 31 December 2008 was based on the profit attributable to equity shareholders of the Company for the year of RMB26,641 million (2007: RMB20,581 million) and the weighted average number of shares in issue during the year ended 31 December 2008 of 19,890 million shares (2007: 18,540 million shares), calculated as follows:

Weighted average number of ordinary shares

	2008 ***million shares***	*2007* *million shares*
Issued ordinary shares at 1 January	**19,890**	18,090
Effect of A shares issued	**-**	450
Weighted average number of ordinary shares at 31 December	**19,890**	18,540

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

8 **Accounts and bills receivable, net**

Credit period of up to 60 days is granted to customers with established trading history, otherwise sales on cash terms are required.

The following is the ageing analysis of accounts and bills receivable, net of allowance for doubtful debts:

	2008 ***RMB million***	*2007* *RMB million*
Current	**8,131**	6,516
Less than one year past due	**105**	125
More than one year but less than two years past due	**-**	1
	8,236	6,642

9 **Accounts and bills payable**

The accounts and bills payable amounting to RMB90 million (2007: Nil) are expected to be settled after one year.

10 Segment information

The Group's risks and rates of return are affected predominantly by differences in the products and services it produces. The Group's primary format for reporting segment information is business segments with geographical segments as its secondary format.

Business segments:

	Coal		Railway		Port		Power		Corporate and others (Note)		Eliminations		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	RMB million	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*	*RMB million*
Revenues														
External sales	75,215	56,246	1,950	1,455	82	103	29,886	24,303	-	-	-	-	107,133	82,107
Inter-segment sales	13,619	9,703	15,576	14,755	1,856	1,878	108	84	-	-	(31,159)	(26,420)	-	-
Total operating revenues	88,834	65,949	17,526	16,210	1,938	1,981	29,994	24,387	-	-	(31,159)	(26,420)	107,133	82,107
Cost of revenues														
Coal purchased from Third parties	(15,585)	(10,719)	-	-	-	-	-	-	-	-	-	-	(15,585)	(10,719)
Cost of coal production	(17,702)	(11,842)	-	-	-	-	-	-	-	-	5,534	3,275	(12,168)	(8,567)
Cost of coal transportation	(23,253)	(22,152)	(7,804)	(5,956)	(1,259)	(1,309)	-	-	-	-	19,328	18,681	(12,988)	(10,736)
Power cost	-	-	-	-	-	-	(22,310)	(16,528)	-	-	6,126	4,352	(16,184)	(12,176)
Others	(600)	(304)	(1,271)	(977)	(64)	(69)	(518)	(225)	-	-	-	-	(2,453)	(1,575)
Total cost of revenues	(57,140)	(45,017)	(9,075)	(6,933)	(1,323)	(1,378)	(22,828)	(16,753)	-	-	30,988	26,308	(59,378)	(43,773)
Selling, general and administrative expenses	(4,210)	(2,517)	(650)	(643)	(228)	(211)	(1,630)	(1,459)	(259)	(314)	16	-	(6,961)	(5,144)
Other operating (expenses)/ income, net	(666)	(319)	(43)	(53)	(39)	(16)	(448)	(300)	77	(5)	-	-	(1,119)	(693)
Profit/(loss) from operations	26,818	18,096	7,758	8,581	348	376	5,088	5,875	(182)	(319)	(155)	(112)	39,675	32,497
Reconciliation of profit from operations to profit for the year:														
Profit from operations													39,675	32,497
Net financing costs													(3,393)	(2,383)
Investment income													39	38
Share of profits less losses of associates													654	627
Income tax													(7,076)	(6,742)
Profit for the year													29,899	24,037

Note: "Corporate and others" represents administrative and miscellaneous expenses that are immaterial.

Geographical segments:

	2008	*2007*
	RMB million	*RMB million*
Domestic markets	**94,924**	72,541
Export sales — Asia Pacific markets	**11,987**	9,222
Export sales — other markets	**222**	344
Total operating revenues	**107,133**	82,107

11 **Subsequent events**

The following significant transactions took place subsequent to 31 December 2008:

On 27 March 2009, the Board of Directors proposed a final dividend of RMB0.46 per share totalling RMB9,149 million to all equity shareholders of the Company.

CHAIRMAN'S STATEMENT

In 2008, the Board of Directors of China Shenhua (the "Board") has led and worked with all its staff and has continued to lead its peers in the industry worldwide. By leveraging on its unique business model integrated with coal, railway, port and power business, strong capital and healthy and stable financial performance, the Company responded calmly to dramatic changes of the operating environment, adjusted its structure and captured opportunities, thereby achieving remarkable results in return on equity, sales, production technology, business development, strategic layout and corporate governance. The Company has continued to maintain its fast-growing momentum.

On behalf of the Board, we are delighted to report on the Group's performance for the period ended 31 December 2008.

Stable growth of results performance and return on equity

In 2008, China Shenhua hit another historical record again.

- Revenues reached RMB107.133 billion, representing a year-on-year increase of RMB25.026 billion or 30.5%.

- Profit for the year attributable to equity shareholders of the Company reached RMB26.641 billion, representing a year-on-year increase of RMB6.06 billion or 29.4%.

- Net cash generated from operating activities reached RMB40.618 billion, representing a year-on-year increase of RMB14.992 billion or 58.5%.

- Basic earnings per share reached RMB1.339, representing a year-on-year increase of RMB0.229 or 20.6%.

- The Board has recommended the distribution of a final dividend for the year of RMB0.46 per share (inclusive of tax). The percentage of cash dividend accounted for 34.4% of earnings per share.

Continuous and steady growth in production and operation

In 2008, the coal segment produced commercial coal of 185.7 million tonnes and sold coal of 232.7 million tonnes, representing an increase of 27.7 million tonnes and 23.6 million tonnes over 2007 respectively or a year-on-year increase of 17.5% and 11.3%. The proportion of the sales volume of self-produced coal to total sales for 2008 increased to 79.8%, representing a year-on-year increase of 4.2 percentage points. China Shenhua has become the leading listed company in the PRC and the world in terms of coal production volume and sales volume. In 2008, the Company exported coal of 21.2 million tonnes and continued to maintain its position as the largest coal exporter in the PRC. The fatality rate per million tonnes of raw coal of the Company was zero, creating the best record in the coal industry of the PRC.

The Company managed to maximize its benefits by optimizing its coal sales structure, making timely adjustment to its sales strategy and endeavouring to overcome the impact of significant market fluctuation on sales. The average coal selling price for the whole year reached RMB378.6 per tonne, representing a year-on-year increase of 21.0%. Domestic long-term seaborne coal contract price reached RMB408.6 per tonne, representing a year-on-year increase of 13.4%. Domestic seaborne coal sales volume under long-term contract was 95.6 million tonnes, accounting for 41.1% of the total sales volume of the Company. Export selling price reached RMB577.2 per tonne, representing a year-on-year increase of 45.0%.

The Company continued to speed up mine construction and upgrade. Construction of mines of the "10-million tonnes" class in Shendong Mines was perfected. By extending the working face and promoting application of technologies such as domestic manufactured 6.3-metre high mining hydraulic supporters, the Company facilitated construction of comprehensive large-scale outstanding model mines through coal production, equipment maintenance, scientific research and teaching, recycled use of resources, environmental protection and residential area management. The Bu'ertai Coal Mine of Wanli Mines adopted advanced underground comprehensive mining technologies with a production volume of 5.3 million tonnes. The technological reform of Heidaigou Coal Mine of Zhunge'er Mines was completed. Large-scale open-cut mine dragline bucket operated at its designed capacity, resulting in a sharp increase in production efficiency and a reduction in mining costs. The production volume of Zhunge'er Mines reached 29.3 million tonnes, representing a year-on-year increase of 16.3%. The production volume of Shengli Mines exceeded 10 million tonnes for the first time and reached 10.9 million tonnes, representing a year-on-year increase of 75.8%.

The Company made real progress in its overseas development strategy. In October 2008, the Company won its bid for the mining lease in the Watermark exploration area of Australia. The Company has taken its first step in developing coal resources overseas. The Company has also invested in a coal and power integrated project in the South Sumatra Province of Indonesia, comprising of an open-cut mine with annual capacity 2.3 million tonnes and a 2X150MW coal-fired power plant.

The Company has strengthened construction of its transportation network to improve scheduling efficiency and to further expand railways and ports capacities. In 2008, the turnover of the Company's self-owned railway transportation reached 123.3 billion tonne km, representing a year-on-year increase of 5.7%. In 2008, the volume of seaborne coal reached 139.4 million tonnes, representing a year-on-year increase of 7.0%.

In 2008, against the backdrop of a drastic decline in domestic power demand, a sharp rise in fuel cost and general losses of power enterprises, the Company strengthened its power segment by refining its management and effectively controlling its costs, thereby achieving profit target for its power segment. As at 31 December 2008, the Company controlled and operated 14 thermal power plants with a total installed capacity of 18,001 MW, representing a year-on-year increase of 19.3%. The Company has a total of 54 coal-fired generation units with single unit generation capacity reaching 333MW. In addition, the Company also initiated green energy projects and commenced wind power business in Zhuhai, China, the installed capacity of which reached 16 MW.

Full confidence in meeting challenges in the new year

Looking ahead into 2009, due to the international financial crisis, it will be the most difficult year of the new century for economic development of the PRC. The Chinese government is implementing the macroeconomic control policy of "expanding domestic demand, maintaining growth and adjusting structure" and has successively introduced new economic stimulus plans and various industry revival plans. Besides, it has also implemented positive financial policies to increase government investment, domestic demand and consumption and facilitate the strategic adjustment of the economic structure. These measures will drive up the development of the economy in the PRC and ensure the achievement of the full-year target of a GDP growth of 8%.

In 2009, China Shenhua is confronted with various challenges in its operations, which mainly include the following:

- The financial crisis is extending to the fundamentals of the economy and the economy of China and the world are slowing down;

- Affected by the economic downturn in downstream industries, the growth in coal demand has slowed down. Power demand has slowed down due to the changes in the economic environment. The installed capacity will continue to increase while the utilization hours of thermal power generation units will continue to drop;

- Due to the accelerating reorganization coal and power industry, competition has become intense. Some enterprises have extended production chain and have replicated the integrated operation model of Shenhua;

- Increase in pressure on cost control. Factors such as price increase in raw material, increase in coal mining related tax and increase in investment on energy saving and emission reduction all drive further rises in costs; and

- Challenges to risk prevention. Turbulence and complexity of the market, that have not occurred in previous years, pose severe challenges to the Company on its ability to prevent and manage risks.

China Shenhua has built a solid foundation to cope with challenges in 2009. Our competitive advantages include the following:

- The mature and stable business model of China Shenhua with integrated coal, railway, port and power business, coal production capacity of the "100-million tonnes" class and supporting ancillary transportation systems together ensure considerable market share in coastal thermal coal markets;

- Ample operating cash flow and low gearing ratio ensure sufficient funds for business expansion and strategic development of the Company;

- The Company has abundant coal resource reserve and maintains a leading position in mining technologies and production efficiency; and

- The power segment of the Company has been leading in generation unit operation efficiency among its peers for a period of time and has been equipped with good and refined management.

Therefore, we are full of confidence and have the ability to overcome difficulties and turn them into opportunities. We will actively change our mode of development and increase our efforts on strategy management, resources acquisition, market exploration, refined management, independent innovation, risk control management and talents development and preservation, with a view to creating a solid foundation for the new development cycle.

In the coming years, the Company will step up its efforts to accelerate its development with an aim to building a world-leading integrated energy company.

To realize development targets, the Company will mainly carry out the following:

- Coordinate production, transportation and sales focusing on sales, adjust the industrial structure and plan of the Company through investment and capital operation, progressively increase production capacity with the support of specialized ancillaries, adjust development mode with the quality, efficiency and sustainable development as target, with a view to procuring in-depth development of the Company and improve competitiveness of the Company;

- Capture favourable market opportunities to facilitate domestic and overseas acquisition with a focus on new large-scale integrated coal fields, and develop new business growth points by leveraging on integrated competitive advantages of the Company;

- Promote development of the Company towards high-end products, technologies and markets and proceed with intensive processing of coal products in order to increase the added-value of products and develop new markets;

- Enhance the Company's efforts on refining management and strictly control operating costs and expenses with an aim to broaden income sources, reduce expenditure and improve efficiency;

- Increase investment in technological innovation, enhance research and transformation on domestic production of equipment, environmental protection, coal quality improvement, clean-coal-fired power generation, CO_2 capturing and sealing and energy saving and emission reduction to achieve sustainable development of the Company;

- Strengthen risk control, enhance risk prevention awareness, reinforce forward-looking research on decision making and ensure steady development of the Company amidst various unfavourable factors under the current economic environment; and

- Actively develop and preserve talents and endeavour to ensure the well being of its staff to prepare for the long-term development of the Company.

The Board will, with full confidence, meet challenges and capture opportunities with a view to pursuing continuous development and creating new value for shareholders.

MANAGEMENT DISCUSSION AND ANALYSIS

(I) Overview

In 2008, China Shenhua captured opportunities and coped with difficulties despite severe fluctuations in the economic environment and energy markets. Under the leadership of the Board, the employees of the Company led by the senior management team of the Company concentrated on the annual targets and made active progress. Performance results for 2008 were mainly realized in the following areas:

1. ***Complete fulfillment of operation targets***

   In 2008, commercial coal production volume of the Company amounted to 185.7 million tonnes representing a year-on-year increase of 17.5%; sales volume of commercial coal reached 232.7 million tonnes, representing a year-on-year increase of 11.3%; turnover of self-owned railway transportation reached 123.3 billion tonne km, representing a year-on-year increase of 5.7%; seaborne coal sales volume reached 139.4 million tonnes, representing a year-on-year increase of 7.0%; gross power generation and total power output dispatch reached 97.80 billion kwh and 90.29 billion kwh respectively, representing a year-on-year increase of 22.6% and 21.4% respectively.

2. ***Continuous growth in financial return***

   Profitability of the Company was further enhanced and corporate value was further improved. Pursuant to International Financial Reporting Standards, the operating revenues of the Group for 2008 was RMB107.133 billion (2007: RMB82.107 billion), representing a year-on-year increase of 30.5%; profit for the year attributable to equity shareholders of the Company was RMB26.641 billion (2007: RMB20.581 billion), representing a year-on-year increase of 29.4%. Basic earnings per share of the Group was RMB1.339 (2007: RMB1.110), representing a year-on-year increase of 20.6%. As at 31 December 2008, net assets per share of the Group was RMB7.41 (31 December 2007: RMB6.53), representing a year-on-year increase of 13.5%. The Group's return on total assets for 2008 was 10.9% (2007: 10.1%). Return on net assets as at the end of the year was 18.1% (2007: 15.9%), representing a year-on-year increase of 2.2 percentage points; EBITDA was RMB49.568 billion (2007: RMB40.637 billion), representing a year-on-year increase of 22.0%. As at 31 December 2008, the Group's total debt to equity ratio was 30.2%, representing an increase of 1.6 percentage points as compared to 28.6% as at 31 December 2007.

3. ***Glorious achievement in production safety***

In 2008, the Company launched comprehensive risk prevention and controlling policy and strengthened team building and standardized management of safety and quality, with a view to building a fundamentally safe enterprise. The Company achieved a zero fatality rate per million tonnes of raw coal, creating the best record for coal production. Accidents of railway operations exceeding general level were largely eliminated. Water traffic accidents in the ports were eliminated. Equipment accidents exceeding general level were avoided in power plants. The Company was never involved in environmental pollution events.

4. ***Better regulated internal management***

Corporate governance level was improved remarkably, management controling ability was further enhanced and corporate operations were better regulated.

(1) Internal control system was improved by establishing structure, basic rules and management process, and forming closed circuit monitoring system with a mechanism to assure realization of company objectives on a bottom-up basis and to promote the corporate culture of internal control on a top-down basis.

(2) Establishing a strategic financial management system to promote system optimization and process reforms. Currently, the basic framework of the strategic financial management system has been completed, and the Company is actively making efforts to improve the system.

(3) The Company established a regulatory system and mechanism to meet the requirements of market competition, related transactions and information disclosures.

(4) The management system was more comprehensive. Further improvements were made in accordance with the development needs of the Company in 20 management systems which include management system for the use of proceeds by the Company.

5. ***Breakthroughs made in overseas projects***

The Company pursued internationalization strategies actively. The management of the Company continued to follow up on potential overseas projects and initiated a great deal of detailed preliminary work. In 2008, China Shenhua made a new breakthrough in terms of internationalization by winning the mining lease of the Watermark Exploration Area in Australia. In addition, the Company initiated a coal and power integrated project in South Sumatra Province of Indonesia.

6. ***Remarkable achievement in technology innovation***

The Company attached great importance to technology innovations. RMB1.18 billion was invested in technology innovations in 2008. The coal segment achieved preliminary success in the research of home-made continuous mining machines and started the development of home-made 7-meter high hydraulic support system; Zhunge'er Energy Co., Ltd. successfully launched the techniques of reverse dumping of dragline bucket. A great breakthrough was achieved in the "research of simultaneous dehydration and ash-free technique for low caloric value coal". After being processed by the washing and drying techniques, quality of low caloric value coal was improved, thus its selling price increased significantly. The railway segment completed the "study on wireless concurrent operation and control system of loaded vehicles", which made total success on the the full line with the ten thousand tonnage integrated train traction test of Shenshuo-Shuohuang railway. The success provides technical assurance on the implementation of ten thousand tonnage trains on the Shenhua railway system; the first "railway transportation integrative simulated training system" in China was developed, filling up the gap in this area of local research. The power segment was using water saving power generation techniques as its core technology and continued to improve the "research on ten thousand tonnage low temperature and multiple effect desalination technology of sea water" and the "research on 600 MW generator air cooling operating technology".

7. ***Smooth preliminary work***

In 2008, the Company gave top priority to the preliminary work of projects in project management and enhanced communications with relevant parties, therefore the Company made remarkable progress in preliminary work. Coal projects including the two mines technology reform in Wanli and Jinfeng Coal Branches were approved by the State; a number of power projects such as Suizhong power plant phase II were approved by the State; Ganquan railway in Inner Mongolia was approved by the State; key projects completed include Shenshuo Railway 200 million tonnage capacity expansion and feasibility study of capacity expansion at Shuohuang Railway, and acceleration of preliminary work of related railway projects.

8. **High prestige in the capital market**

The Company established a reputable image in the capital markets on the basis of good results by means of shareholders' annual general meetings, roadshows and results announcements, which allowed the Company to win recognition from investors, research institutions and the media. In 2008, the Company was awarded many honours including the award of the Best Metal and Mining Company in China 2008, China's Top 50 Globally Competitive Companies, Top 50 Best Listed Companies in Asia Pacific, etc.

(II) **Management review on operating results by business segment**

1. ***Coal Segment***

(1) *Coal Production*

a Coal production business

The coal segment of the Group comprises Shendong Mines, Zhunge'er Mines, Wanli Mines and Shengli Mines. In 2008, the commercial coal production of the Group achieved 185.7 million tonnes (2007: 158.0 million tonnes), representing an increase of 27.7 million tonnes or 17.5% year-on-year.

The commercial coal production of Shendong Mines was 117.8 million tonnes, representing a year-on-year increase of 6.5%, which accounted for 63.4% of the total commercial coal production of the Company during the same period. Commercial coal production of Shendong Mines increased by 7.2 million tonnes year-on-year accounting for 26.0% of the net increase of 27.7 million tonnes in the commercial coal production of the Company. With continuous technological innovations, Shendong Mines successfully launched the first 400-metre extra long comprehensive mining face in China. Meanwhile, overcoming the difficulties of frequent changes of location and the limited output from the thin coal seams, Shendong Mines played role of backbone mines to renew historical records in three straight years for exceeding 100 million tonnes in terms of raw coal and commercial coal.

The commercial coal production of Zhunge'er Mines reached 29.3 million tonnes, representing an increase of 16.3% year-on-year. Commercial coal production of Zhunge'er Mines increased by 4.1 million tonnes year-on-year, which accounted for 14.8% of the net increase of 27.7 million tonnes in the commercial coal production of the Company. Zhunge'er Mines attached great importance to complete testing and operation for the dragline bucket at Heidaigou open-cut mine and realized high output on the basis of making full use of advanced equipment. Ha'erwusu open-cut mine was built successfully and commenced pilot production with its production capability increasing continuously.

The commercial coal production of Wanli Mines was 27.7 million tonnes, representing an increase of 73.1% year-on-year. The commercial coal production volume increased by 11.7 million tonnes year-on-year which accounted for 42.2% of the net increase of 27.7 million tonnes in the commercial coal production of the Company, and became a new driving force for the Company. The old mining technology reform project has been fully completed. Bu'ertai mine, the largest underground mine in the world, was fully constructed with production of 5.3 million tonnes of coal. Wanli No.1 mine renewed the record of using home-made equipment in one mine on one face to produce 10 million tonnes of coal.

The commercial coal production of Shengli Mines reached 10.9 million tonnes, representing an increase of 75.8% year-on-year. Commercial coal production of Shengli Mines increased by 4.7 million tonnes year-on-year, which accounted for 17.0% of the net increase of 27.7 million tonnes in commercial coal production of the Company. Shengli Mines took only 4 years to complete the conversion from a mine with annual production volume of one million tonnes to a large-scale open-cut coal mine with annual production volume of 10 million tonnes.

b Coal production technology and equipment

As at the end of 2008, China Shenhua was operating 4 mining areas with a total of 23 coal mines and 24 mining shafts. Underground mines adopted primarily comprehensive mining techniques, whereas open-cut mines mainly used dragline bucket, electric shovel and automatic tipping vehicles as the main mining techniques. In 2008, the Company completed the"Shenhua production technology and equipment policy directions",which elaborated in the aspects, namely, production scale, geological conditions, production system and technology and equipment, with an aim to drive up the scale and modernization of coal production equipment of the Company, unify coal mine equipment standards and enhance the safety of coal mine production.

China Shenhua achieved significant breakthrough for promotion of home-made equipment in particulary the adoption of hydraulic supporters, through which the Company realized domestic manufacture of a full range from 2.4 meters to 6.3 meters hydraulic supporters, thus equipment procurement expenditure of approximately RMB7 billion was saved in recent 3 years. The home-made continuous mining machines had completed pilot test in the underground mine at Shendong Mines and reached the level of imported equipment, while the price was less than 2/3 of the price of imported equipment. Four types of home-made explosive-proof vehicles had finished testing in underground mines. Its primary technology performance reached the level of imported equipment, but the price of equipment was only 1/3 of the price of imported equipment.

In 2008, the research on "Ecological and environmental integrated technology for the prevention of desertification of large coal base" and "Natural theory of coal and the research and application of preventive technology" conducted by the Shendong Mines won the National Science and Technology Progress Award.

c Coal mine production safety

While keeping rapid growth of coal production, the Group made unremitting efforts to improve the safety production level of the coal mines. Our coal safety production record continued to be in the leading position nationwide and even in the international coal industry. The fatality rate per one million tonnes of raw coal by China Shenhua was zero in 2008, while the national fatality rate was 1.182 per one million tonnes of raw coal during the same period.

d Coal quality management

In recent years, the Company adopted a number of measures to stabilize the quality of coal, including facilitating the establishment of a web-based information system on quality of coal, establishing an on-site coal quality management system, inspection and warning mechanism system, web-based information system on coal quality and a processing system for improving coal quality, thus the efficiency of coal quality management was enhanced; the promotion of on-site conversion from low caloric value coal to higher caloric value coal enhanced economic benefits; optimizing the structure of coal products to improve the marketability of China Shenhua; facilitating coal selection plants to adopt full scale washing reform and research on dehydrated coal to enhance the control over coal quality. The Company is the first one in China to initialize the research on the low-temperature coal dehydration technology. So far the basic research has been completed and entered the industrial testing phase. In 2008, the quality of commercial coal sold by the Company was basically stable, of which the average caloric value of commercial coal from the Shendong Mines in 2008 was 5,550 kcal/kg, the average caloric value of commercial coal from Zhunge'er Mines in 2008 was 4,724 kcal/kg, and the average caloric value of commercial coal from Wanli Mines in 2008 was 4,717 kcal/kg. The main type of commercial coal of Shengli Mines in 2008 was lignite.

(2) *Coal Sales*

In 2008, severe fluctuations occurred in both the domestic and international coal markets, which were roughly divided into two stages: from January to August, the coal market remained tight. Serious natural disasters and other factors further aggravated the tight demand and supply situation. In order to prevent inflation and alleviate the losses suffered by the coal-fired power industry, the National Development and Reform Commission ("NDRC") announced policies twice in June and August respectively to cap the thermal coal spot price and made clear rule on the thermal coal trading price in the thermal coal market. After September, the demand and supply of coal reversed. Under the impact of the financial crisis, demands for industrial raw materials such as steel, chemicals, cement, etc. fell and power demand dropped, which resulted in sharp decline of coal demand within a short time. The coal market performance was reflected by the rapid increasing inventory in society and power plants and sharply declining spot coal price.

The Company, after brewing over the trends carefully, captured opportunities to overcome the market fluctuations. In 2008, the Company continued to develop high value-added products for markets on the basis of our original domestic customers. The Company developed new additional coal slurry products and reached agreements with 4 domestic customers. In 2008, the coal sales of the Company was 232.7 million tonnes (2007: 209.1 million tonnes), representing a year-on-year increase of 11.3%. Weighted average coal selling price was RMB378.6/tonne (2007: RMB312.9/tonne), representing a year-on-year increase of 21.0%.

a Domestic Sales

Domestic sales volume of the Company was 211.5 million tonnes in 2008 (2007: 185.1 million tonnes), representing a year-on-year increase of 14.3% and accounted for 90.9% of the total coal sales. In 2008, the national coal transhipment volume for domestic sales through domestic ports reached 462 million tonnes, from which it was estimated that the market share of China Shenhua in coastal seaborne coal markets was approximately 25%. The weighted average domestic coal selling price of the Company was RMB358.8/tonne (2007: RMB301.8/tonne), representing an increase of 18.9% year-on-year.

By types of domestic sales contracts, the sales volume under long-term contract in 2008 was 163.9 million tonnes (2007: 147.5 million tonnes), representing a year-on-year increase of 11.1%, which accounted for 77.5% of domestic sales. Spot coal sales volume was 47.6 million tonnes (2007: 37.6 million tonnes), representing a year-on-year increase of 26.6%, which accounted for 22.5% of domestic sales. The weighted average selling price of coal under domestic long-term contract was RMB335.7/tonne (2007: RMB311.2/tonne), representing an increase of 7.9% year-on-year. The weighted average selling price of coal sales in spot market was RMB438.1/tonne (2007: RMB265.2/tonne), representing an increase of 65.2% year-on-year.

In 2008, the volume of seaborne coal sales under long-term contract was 95.6 million tonnes (2007: 92.4 million tonnes), representing an increase of 3.5% year-on-year and accounting for 58.3% of the total long-term contract sales, which was the most significant form of long-term contract sales. The minemouth sales recorded the highest growth to 10.1 million tonnes. The increase of minemouth sales was mainly attributable to long-term the increase in coal sales of Shengli Mines to power plants at minemouth and the change from spot sales to contract sales. The long-term seaborne contract coal sales price in 2008 was RMB408.6/tonne (2007: RMB360.2/tonne), representing an increase of 13.4% year-on-year, which was the major driving force for the growth of long-term contract price.

In terms of spot sales in 2008, the volume of seaborne coal sales was 22.6 million tonnes (2007: 13.9 million tonnes), representing an increase of 62.6% year-on-year and accounting for 47.5% of the total spot sales, which was the most significant form of the spot sales. The volume of spot sales at mine mouth was 12.2 million tonnes (2007: 13.0 million tonnes), declining by 6.2% year-on-year. For spot sales in 2008, the selling price of seaborne coal was RMB614.2/tonne (2007: RMB399.3/tonne), representing an increase of 53.8% year-on-year, which constituted the major driving force for the growth of the selling price in spot sales.

In 2008, the sales volume of the Company to the top five domestic external customers was 23.7 million tonnes, which accounted for 13.9% of the total domestic sales volume to external customers. Of which, the sales volume to the largest customer was 7.0 million tonnes, which accounted for 4.1% of total domestic sales volume. The top five domestic customers were either power generation companies or chemical companies.

b Export Sales

In 2008, the State government announced measures to restrict coal exports in order to increase the domestic coal supply: (1) by reducing the export quota. The total effective quota issued by domestic authority in 2008 was 47.70 million tonnes, reducing by 32% year-on-year; (2) by imposing 10% custom duty on export thermal coal. In 2008, the national accumulated export volume amounted to 45.59 million tonnes, representing a decrease of 8.22 million tonnes year-on-year.

In 2008, the coal export volume of the Company was 21.2 million tonnes (2007: 24.0 million tonnes), decreasing by 11.7% year-on-year. During the same period, the ratio of export sales to total sales of coal decreased from 11.5% to 9.1% compared to last year. In 2008, the delay of the issuance of coal export quota by the State resulted in a decrease of the Company's coal export.

In 2008, the coal export selling price was RMB577.2/tonne (2007: RMB398.1/tonne), increasing by 45.0% year-on-year. Major factors affecting the export coal price were: (1) positive factor: benefiting from the recording high global coal price in the first half of 2008, the long-term contract price for coal export signed with major customers was higher than the long-term contract price for coal export in 2007; (2) negative factor: in 2008, RMB appreciated over USD. The applicable weighted average exchange rate of USD for settlement of export sales was 6.891 (2007: 7.5863), RMB appreciated by 10.1%, which resulted in a lower export selling price in RMB upon conversion from the USD denominated price.

In 2008, the sales volume of the Group to the top five coal export customers was 13.3 million tonnes, which accounted for 62.7% of the total export volume. Of which, the sales volume to the largest customer was 4.4 million tonnes, which accounted for 20.8% of total export sales volume. The top five coal export customers were either power generation companies or fuel companies.

c Sales to external customers and internal power segment

In 2008, coal sales of the Company to external customers was 191.6 million tonnes (2007: 178.5 million tonnes), representing an increase of 7.3% year-on-year. Coal selling price to external customers increased from RMB312.3/tonne to RMB389.2/tonne, representing an increase of 24.6% year on year.

Selling coal to internal power segment was a unique model of integrated operation of the Group. In 2008, along with the increase of the installed capacity of self-owned power plants, demand for coal also increased accordingly. The volume of coal sales to the power segment of the Group was 41.1 million tonnes (2007: 30.6 million tonnes) increasing by 34.3% year-on-year. During the same period, the proportion of sales volume to the power segment of the Group to total coal sales volume increased from 14.6% to 17.7%. Price of sales to power segment of the Group increased from RMB316.0/tonne to RMB329.1/tonne, representing an increase of 4.1%. Coal sales to internal power segment were conducted mainly under long-term contracts. The settling price with internal power segment was determined by reference to the pricing model adopted in previous years for sales to external customers under long-term contracts.

(3) *Operating Results*

a Revenues

Benefiting from the significant increase in the sales volume and price of coal, the revenues from the coal segment of the Group before elimination on consolidation in 2008 were RMB88.834 billion (2007: RMB65.949 billion), representing an increase of 34.7% year-on-year.

b Cost of revenues

In 2008, the cost of revenues of the coal segment of the Group before elimination on consolidation was RMB57.140 billion (2007: RMB45.017 billion), representing an increase of 26.9% year-on-year. Cost of revenues mainly comprises coal purchased from third parties, cost of coal production, cost of coal transportation and others.

In 2008, cost of external coal purchased of the coal segment was RMB15.585 billion external (2007: RMB10.719 billion), representing an increase of 45.4% year-on-year. In 2008, the volume of external coal purchased of the coal segment amounted to 46.2 million tonnes (2007: 51.9 million tonnes), declining by 11.0% year-on-year. Unit cost of external coal purchased was RMB337.2/tonne, increasing by RMB130.7/tonne year-on-year, by 63.3%. In 2008, under the impact of snowstorms, safety inspection of domestic coal mines, etc., market for external coal purchased were tightened and price of external coal purchased rose significantly which resulted in a volume reduction in the external coal purchased for the full year.

In 2008, production cost of self-produced coal of the coal segment was RMB17.702 billion (2007: RMB11.842 billion), representing an increase of 49.5% year-on-year. In 2008, unit production cost of self-produced coal by the coal segment was RMB94.9/tonne (2007: RMB75.3/tonne), representing an increase of 26.0% year-on-year. The increase was mainly attributable to the following reasons:

(i) The unit cost of materials, fuel and power was RMB23.0/tonne, an increase of 25.7% over last year. The increase was mainly the increase in expenditures on supporting products and machinery spare parts due to changes in geographical conditions in mines and extension of underground mining areas; the production increase in high-cost mines such as Haerwusu, Jinjie Energy and Wanli Mines resulted in the high consumption of materials, fuel and power; and the increase in the price of fundamental materials such as steel, diesel and explosive products.

(ii) The unit cost of personnel expenses was RMB11.9/tonne, representing an increase of 15.5% over last year. The increase was mainly a result of the increase in the number of employees in mines; and the increase in employees' wages and labour service fee due to the introduction in the Labour Contract Law, changes in rules and regulations concerning the production safety of underground mines and the business growth of the Company.

(iii) The unit cost of others was RMB33.3/tonne, representing an increase of RMB12.9/tonne or 63.2%. The increase was mainly a result of the following:

(a) An increase in unit mining engineering expenses of RMB6.7/tonne over last year, accounting for 51.9% of the increase in unit cost of others. Mining engineering expenses represent trivial tunnel shaft maintenance expenses, ancillary engineering expenses and other mining-related engineering expenses incurred during the coal production. In terms of the operation of underground mines, due to the changes in geographical conditions of certain underground mines in Shendong Mines, the occurrence of complicated geographical structures unfavourable to mining such as faults and gushing water, the mining engineering expenses increased as the mining engineering work and the relocation of the Company increased; in terms of the operation of open-cut mines, engineering expenses increased as the production of Haerwusu open-cut mine and Shengli open-cut mine and the stripping volume increased; in addition, the amortisation derived from the first mining workface in Bu'ertai mine newly put into production also contributed to the increase in unit mining engineering expenses;

(b) An increase in unit taxes of RMB3.3/tonne, accounting for 25.6% of the increase in unit cost of others. Taxes such as mineral resources compensation fee and land use tax increased as the government raised the tax rates related to coal industry.

(c) An increase in unit coal selection expenses of RMB2.3/tonne, accounting for 17.8% of the increase in unit cost of others. The unit coal selection expenses increased as the Company increased its coal selection proportion in order to ensure the quality of its coal products.

c Profit from operations

In 2008, the profit from operations of the Group's coal segment before elimination on consolidation was RMB26.818 billion (2007: RMB18.096 billion), representing an increase of 48.2% year-on-year. During the same period, operating margin of the coal segment increased from 27.4% to 30.2%.

2. ***Railway Segment***

(1) *Business progress*

By making full use of the integrated transportation system consisting of self-owned railways and ports, the Group solved the universal problem of transportation bottleneck that other domestic coal producers may face, which let the Group enjoy a unique competitiveness in the coal industry. Based on the 5 self-owned railways, not only can the Group continuously transport coal to ports and sell to markets all over China and other countries, but also have sufficient room to adjust the sales volume of coal so as to get more market share within coastal regions and provide customers with steady and sufficient coal products.

The Group owns and operates five railways, including Shuohuang Railway, Shenshuo Railway, Dazhun Railway, Baoshen Railway and Huangwan Railway, with an aggregate length of approximately 1,367 km. Of which, Shenshuo-Shuohuang Railway is one of China's two major railways for the coal transportation from the western regions to the eastern regions of China. In 2008, the turnover of self-owned railway transportation of the Company was 123.3

billion tonne km (2007: 116.7 billion tonne km), representing an increase of 5.7% year-on-year. The turnover of self-owned railway transportation accounted for 81.4% to the total turnover, which was lower than the 82.3% recorded in 2007.

In 2008, the Company continued to progress with the ten thousand tonnage train capacity expansion project with 8 tests conducted consecutively. The Company overcame the difficulties such as numerous bridges, tunnels and bends, deep gradient slopes, small curvatures, etc. and created the new self-owned technology for ten thousand tonnage loading trains. The Company initiated the project of Shenhua road and port transportation scheduling centre for unified management, deployment, direction of all railway lines to timely deploy unloading work and coal types of self-owned ports and accelerate the turnover of motor vehicles and cargo delivery, in preparation for the next step to full operation of the ten thousand tonnage trains. In addition, the Company carried out routine maintenance work on tunnels and railway lines, improved the drainage system of stations, widening road shoulders and repairing slope edges to ensure safety of vehicle operations.

(2) *Operating results*

a Revenues

In 2008, revenue of the Group's railway segment before elimination on consolidation were RMB17.526 billion (2007: RMB16.210 billion), representing an increase of 8.1% year-on-year. Revenue from internal transportation of coal in the railway segment was RMB15.576 billion (2007: RMB14.755 billion), representing an increase of 5.6% year-on-year, accounting for 88.9% of the revenues of the railway segment. Meanwhile, some railway of the Group utilized their excessive transportation capacity to provide transportation service for the third parties to receive transportation revenue.

b Cost of revenues

In 2008, the cost of revenues of the Group's railway segment was RMB9.075 billion (2007: RMB6.933 billion), representing an increase of 30.9% year-on-year. The increase was mainly attributable to the increases in unit transportation cost and transportation volume.

Unit transportation cost of the railway segment was RMB0.072/tonne km (2007: RMB0.058/tonne km), representing an increase of 24.1% year-on-year, the increase was mainly attributable to:

(i) The increase in the price of materials, fuel and power resulted in the increase in the unit cost of materials, fuel and power per tonne km;

(ii) The increase in unit personnel expenses per tonne km resulting from the increase in the salaries and wages of the staff in the railway segment, which in turn was a result of the recruitment of additional employees by the transportation segment, the introduction of the Contract Law, the changes in rules and regulations concerning the operation of railways and the business growth of the Company;

(iii) The increase in unit cost of others per tonne km resulting from railway renovation and the increase in expenditures such as engineering service fee.

c Profit from operations

In 2008, profit from operations of the Group's railway segment before elimination on consolidation was RMB7.758 billion (2007: RMB8.581 billion), representing a decrease of 9.6% year-on-year. The decrease was mainly due to the increase in operating cost which was faster than the increase in revenues. During the same period, operating margin of the railway segment decreased from 52.9% to 44.3%.

3. ***Port Segment***

(1) *Business Progress*

The Company owns and operates Huanghua Port and Shenhua Tianjin Coal Dock with annual seaborne coal capacity exceeding 100 million tonnes. Both ports are the major transhipment hubs for the Group's coal sales to domestic coastal markets and overseas markets. Huanghua Port is the second largest port for seaborne coal in China. The Company also transports coal through third party ports such as Qinhuangdao port and Tianjin port. In 2008, the volume of seaborne coal sales of the Company was 139.4 million tonnes, accounting for 59.9% of total commercial coal sales. Of which, the self-owned ports of the Company, namely Huanghua Port and Shenhua Tianjin Coal Dock, completed seaborne coal sales of 101.1 million tonnes, representing an increase of 0.7 million tonnes year-on-year or by 0.7%, which accounted for 72.5% of the total volume of seaborne coal sales of the Company.

(2) *Operating results*

a Operating revenues

In 2008, revenues of the Group's port segment before elimination on consolidation were RMB1.938 billion (2007: RMB1.981 billion), representing a decrease of 2.2% year-on-year. Of which, revenues from internal coal transportation in the port segment were RMB1.856 billion (2007: RMB1.878 billion), representing a decrease of 1.2% year-on-year, which accounted for 95.8% of the revenues of the port segment. The decrease in the revenues of the port segment in 2008 was mainly attributable to the decrease in the total volume of seaborne coal in Huanghua Port, which resulted in changes in income composition.

b Cost of revenues

In 2008, the cost of revenues of the Group's port segment was RMB1.323 billion (2007: RMB1.378 billion), representing a decrease of 4.0% year-on-year. Unit cost of internal transportation of the port segment was RMB12.5/tonne (2007: RMB13.0/tonne), representing a decrease of 3.8% year-on-year. The decrease was mainly due to the fact that the increase in transportation volume in Shenhua Tianjin Coal Dock diluted the cost; in addition, dredging expenses decreased over last year.

c Profit from operations

In 2008, profit from operations of the Group's port segment was RMB0.348 billion (2007: RMB0.376 billion), representing a decrease of 7.4% year-on-year. During the same period, operating margin of the port segment decreased from 19.0% to 18.0%.

4. ***Power Segment***

(1) *Business Progress*

As at the end of 2008, the national total installed capacity was 792.53 million kw, representing an increase of 10.3% year-on-year. In 2008, power consumption of the whole society was 3,426.8 billion kwh, representing an increase of 5.2% year-on-year and the growth rate decreased by 9.2 percentage points compared to the previous year. Nationwide power generation was 3,466.8 billion kwh, representing an increase of 5.6% year-on-year, the growth rate was 8.8 percentage points lower than the previous year. Of which, coal-fired power generation amounted to 2,790.0 billion kwh, representing an increase of 2.5% year-on-year, the growth rate was 12.4 percentage points lower than the previous year. The average utilization hours of coal-fired power equipment amounted to

4,911 hours, representing a decrease of 427 hours year-on-year. Under such stringent market conditions, the power segment of the Company maintained stable and relatively rapid development, and was one of the few power plants which was able to maintain profitability in the power industry in 2008.

The Company's power segment achieved mainly the following results in 2008:

- The power segment of the Company mainly operates the coal-fired power generation business and also operates some wind power and gas-fired power generation business. Besides, it also operates Yuyao Gas-fired Power and Zhuhai wind energy with power generation of 180 million kwh and 30 million kwh respectively and power output dispatch of 170 million kwh and 30 million kwh respectively in 2008. In 2008, the gross power generation and total power output dispatch of the power segment of the Company amounted to 97.80 billion kwh and 90.29 billion kwh respectively. As at 31 December 2008, the Company controlled and operated 14 coal-fired power plants with total installed capacity and equity installed capacity reaching 18,001 MW and 10,777 MW respectively. The equity installed capacity accounted for 59.9% of total installed capacity and the average unit capacity was 333 MW. In 2008, gross power generation of the Group's coal-fired generators was 97.59 billion kwh, representing an increase of 17.85 billion kwh or 22.4% year-on-year; the total power dispatch of coal-fired generators was 90.09 billion kwh, representing an increase of 15.74 billion kwh or 21.2% year-on-year; average utilization hours of coal-fired generators amounted to 5,615 hours, which was 704 hours higher than the national average utilization hours of 4,911 hours. The coal consumption of the power generation operations of the Group in 2008 was 42.3 million tonnes, of which 39.0 million tonnes were from internal coal segment, accounting for 92.2%.

- Enriching operational management measures, optimizing generation units operation and maintenance and repair policy for power generators and enhancing safety and economy of power generators. In the meanwhile, the Company made efforts in risk prevention and control and systematic training sessions for team leaders with an aim to promote refined safe production management. The equivalent usable index of the coal-fired generators in operation of the Company's Guohua Power Branch for the year was 91.17%, representing an increase of 0.3% year-on-year.

- Highlighting the strategy of cost control, optimizing materials procurement management and strengthening the control in infrastructure construction, production and operation activities and staff conduct in order to make good control of various costs and expenses.

- Strengthening economic analysis, following the market closely and active participation in the exchange of power generation rights of replacing small by large exchange transactions. The Company also focused on entering into annual sale and purchase agreements for power supply timely and regulating the process for obtaining power business licence to ensure effective legal protection for the operations of the enterprise.

- Basic completion of the data collection platform for operating cost management. Financial assessment models for power projects with MVA (market economic value added) and CFROI (cash flow return on investment) as the core was developed and initially a system of assessment indicators for appraising short, medium and long-term financial performance was established.

- Apart from coal-fired power generation, the Company also developed green energy projects and operated wind power generation business in Zhuhai area of PRC with installed capacity of 16 MW and power generation of 30 million kwh, which is equivalent to reduce the combustion of standard coal by approximately 10,000 tonnes. The project could satisfy the annual power needs of 30,000 families in Zhuhai city.

(2) *Operating results*

a Revenues

In 2008, revenues of the Group's power segment before elimination on consolidation were RMB29.994 billion (2007: RMB24.387 billion), representing an increase of 23.0% year-on-year. The increase was mainly attributable to an increase in the power output dispatch and the on-grid power tariffs.

According to the relevant notice issued by the National Development and Reform Commission, the State government raised the on-grid power tariffs of coal-fired power enterprises twice on 1 July and 20 August 2008 respectively, hence the power segment of the Company benefited from these two tariff adjustments. The average on-grid power tariff (excluding value-added tax) of the Company on 1 July 2008 increased by RMB13.8/MWh or approximately 4.53% higher than the tariff before adjustment (according to the installed capacity calculated on weighted average basis on 30 June 2008); the average on-grid power tariff (excluding value-added tax) of the Company on 20 August 2008 increased by RMB18.3/MWh or approximately 5.74% higher than the tariff before adjustment (according to the installed capacity calculated on weighted average basis on 31 July 2008). On-grid power tariff refers to the power tariff corresponding to power usage as specified in the sale and purchase agreement of power supply entered into between the Company and the power grid company, which is different from the power tariff for power dispatch normally used by our Company.

b Cost of revenues

Cost of revenues of the Group's power segment before elimination on consolidation in 2008 was RMB22.828 billion (2007: RMB16.753 billion), representing an increase of 36.3% year-on-year.

The unit cost of revenues of the power segment was RMB247.1/MWh (2007: RMB222.3/MWh), representing an increase of 11.2% over last year. The increase was mainly attributable to the following factors:

(i) The unit cost of materials, fuel and power increased to RMB170.3/MWh, representing an increase of 13.8% over last year and accounting for 68.9% of the unit cost of power sales. Such an increase was mainly due to the significant increase in coal price;

(ii) The unit cost to others increased to RMB8.6/MWh, representing an increase of 45.8% over last year. The unit cost of others increased as a result of the decrease in average utilization hours of the power generation facilities of the Company.

c Profit from operations

Profit from operations of the Group's power segment for 2008 was RMB5.088 billion (2007: RMB5.875 billion), representing an decrease of 13.4% year-on-year. During the same period, the operating margin of the power segment decreased from 24.1% to 17.0%.

(III) Business plans and measures in 2009

Against the backdrop of the implementation of macro-economic control policies of "expanding domestic demands, maintaining growth and adjusting structure" by the Chinese Government and the introduction of new economic stimulus plans and the revival plans for various industries, it is full of challenges and opportunities in the Company's operating environment in 2009. Since it is difficult to conclude the depth of the impact of the economic crisis on our country, and there are uncertainties in the development of coal and power markets, therefore, after serious study, the Board and the senior management of the Company confirmed that the guiding principles of operation in 2009 are: proactive and stable development and laying solid foundation.

In order to fulfill the above objectives, the Company will focus on the following:

1. **To strengthen the coordination in production, transportation and sales in order to ensure the fulfillment of the production and operation targets**

   The Company will aim at market demand, strengthening the coordination in production, transportation and sales and reinforcing the co-ordination among its mine, railway, port and power segments so as to ensure the safe, stable and efficient operation of each segment and accomplish production and operation targets for the whole year.

   For the coal segment, its main focus is to ensure stable production in the major mine areas and facilitate the dragline bucket of Ha'erwusu Mine to reach its designed capacity and to increase the production output of Wanli Mines. In the meanwhile, the Company will maintain the proper management of coal quality by making full use of the coal washing and selection system for full washing and respond to market flexibly to make adjustments on the basis of different user demand.

   For the railway segment, the aims are to optimize the transportation schedule and to strive to increase the carrying capacity of Shenshuo Railway, to do research on the proposal of Shenshuo and Shuohuang railway with train having capacity of 10,000 tonnes, to speed up the upgrade work of 10,000 tonnes train platform for the trains with capacity of 10,000 tonnes, to activate the second line for Dazhun and Baoshen railways, to speed up the construction of Huangda railway and Ganquan railways, to improve the safety and reliability of transportation vehicles, to strengthen the maintenance of vehicles and to continue the transformation work on railway roadbeds, road shoulders and bridges.

   For the port segment, the aims are to strengthen the scheduling production, to fully exploit the efficiency of facilities so as to ensure annual targets are met and to actively implement the expansion project for Huanghua Port and to fully promote phase II project of Shenhua Tianjin Coal Dock.

   For the power segment, the aims are to enhance the analysis on market demand and supply, to focus on market sales, to positively react to on-grid tariff bidding and energy conservation dispatching, to strive for higher average utilisation hours of the Company under the circumstances of obvious decrease in national power demand and decrease in average utilsation hours, to improve the reliability of the facilities, to reduce the rate of equipment malfunctioning, to better manage operations and to lower operating costs.

2. **Strengthen the safety production and strive to realize zero fatality rate per million tonnes of raw coal for the year**

In 2009, the Company will endeavor to avoid substantial human accidents and significant environment pollution, so as to realize zero fatality rate per million tonnes of raw coal for the year; propel the implementation of intrinsic security system in a comprehensive manner and do a good job on the treatment and utilization of mine gas, so as to enhance the safety level; promote the advancement and innovation in respect of safety production technology; and push forward the occupational health and environmental protection management.

3. **Broaden revenue base, control cost and improve the profitability**

The Company will actively promote the establishment of strategic financial system, strengthen the accuracy and foreseeability of periodic financial report and reinforce the supporting function of financial decision; strengthen the capital management and financing management and establish intensive material purchasing management system, so as to reduce the purchase costs and enhance the controlling power; strictly control the costs and use activity-oriented costing manner to suppress the rapid increase of the labour cost, maintenance expenses, equipment purchasing spending and material costs; leverage on technology advancement to optimize the coal mine production layout and production organization and promote new technology, new techniques and new equipment, so as to reduce production costs; closely monitor the local taxation policy for the purpose to reduce costs; and establish a constraint mechanism of encouraging costs saving and efficiency improvement on the basis of strict performance checking.

4. **Strengthen investment management and do a good job on key project construction**

The approval procedure will be performed strictly in accordance with the construction process, with a view to move forward step by step and arrange the construction phase reasonably; strengthen the designing and bidding management of the construction project; and do a good job on key project construction for the purpose to make sure that it is rolled out step by step. For the coal mine, the Company will attach importance to the construction and the production commencement for the Bu'ertai mine, Ha'erwusu open-cut mine and Huangyuchuan mine; for the railway and port, the focus is the reconstruction and capacity expansion of the trains with 10,000 tonnes of loading capacity for Shenshuo-Shuohuang Railway and the construction of alternate railway lines of Dazhuan Railway and Bazhun Railway, actively promote the construction of phase III of Huanghua Port and phase II of

Shenhua Tianjin Coal Dock; and for the power, the importance lies in the construction of key projects, such as phase II of Ninghai and Phase II of Dingzhou, phase II of Suizhong and phase II of Taishan.

5. **Strengthen the team building and intensify the cohesion among the staff**

   We will strengthen the building of middle management of the Company, and enhance the staff's awareness of crisis, urgency and responsibility; enhance the knowledge attainments and professional competence of the staff through various means including training, research and discussion; and do research on the talent's career development and long term incentive issues and focus on fostering expert-like, management-knowing and technology-oriented talents, so as to settle the talents strategic reserve and sustainable development problems.

6. **Accelerate capital operation and realize rapid development**

   We will actively carry out capital operation to strive for more reserve resources. We will, based on the existing mine areas and transportation network, make efforts to strive for domestic coal resources. Meanwhile, we will select the power projects with strong power demand and market attractiveness to carry out capital operation in an active manner, and develop overseas projects cautiously to ensure more development space for the Company.

7. **Strengthen risk control and regularize the Company's operation**

   As compared with the international leading energy companies, there are still some disadvantages in many aspects of the Company, such as refined management and workflow system. The Company will continue to improve its management mode. The Company will also enhance the establishment of internal controls to strictly prevent operational risks. In 2009, the Company will actively and prudentially promote the establishment of internal control systems in subsidiaries and branches, and implement the requirements of the Internal Control Manual and Self Assessment Manual.

   In general, in 2009 the Company will, in line with the spirit of honesty and diligence, comprehensively strengthen the above-mentioned work to accelerate the development of the Company and turn the crisis into development opportunities, so as to accomplish the operational targets of 2009 and strive for the maximization of the shareholders' interests.

PROFIT DISTRIBUTIONS

In accordance with the requirements of relevant laws and regulations and the articles of association of the Company, the Company adheres to the profit distribution policy whereby the distributable profits shall be the lower of distributable profits in the financial statements prepared under the PRC Enterprise Accounting Standards and the International Financial Reporting Standards.

The net profit attributable to shareholders of the Company for 2008 under China Accounting Standard amounted to RMB26.588 billion, representing basic earnings per share of RMB1.337. The Board recommends payment of final dividend for 2008 in the amount of RMB0.46 per share (inclusive of tax), representing 34.4% of net profit attributable to shareholders of the Company.

The register of members for H share of the Company will be closed from 6 May 2009 to 5 June 2009 (both days inclusive). The record date for the payment of dividends for H share by the Company will be 6 May 2009, i.e. the dividends will be distributed to the H share shareholders whose names appear on the register of members of the Company at the close of 6 May 2009.

Under relevant regulations of China Securities Depository and Clearing Corporation Shanghai Branch and according to the market practice adopted in dividend distribution for A shares, the Company will publish a separate announcement in respect of dividend distribution to holders of A shares for the year 2008 after the Annual General Meeting of 2008 to determine the record date and ex-rights date for dividend distribution to holders of A shares for the year 2008.

In accordance with the Enterprise Income Tax Law of the PRC and its implementation regulations which came into effect on 1 January 2008, the Company is required to withhold enterprise income tax at the rate of 10% on behalf of the non-resident enterprise shareholders whose names appear on the register of members for H share of the Company when distributing dividends to them. Any H shares of the Company registered other than in the name(s) of individual(s), including HKSCC Nominees Limited, other nominees, trustees, or other organizations or groups, shall be deemed to be shares held by non-resident enterprise shareholder(s). On this basis, enterprise income tax shall be withheld from dividends payable to such shareholder(s).

Investors should review and consider the above carefully. The Company will strictly comply with laws, and withhold and pay enterprise income tax on behalf of the relevant shareholders based on the register of members for H share of the Company as of 6 May 2009.

During the reporting period, there was no change in the Company’s accounting policies, accounting estimates, nor was there any rectification of major accounting errors.

CORPORATE GOVERNANCE

Compliance with Code on Corporate Governance Practices

The Company has established its systems in relation to corporate governance practices in accordance with the "Code on Corporate Governance Practices" set out in Appendix 14 of the Hong Kong Listing Rules. The Company was in full compliance with the provisions of the "Code on Corporate Governance Practices" and most of the recommended best practices as specified therein for the year ended 31 December 2008.

Operation of board committees

1. **Summary work report of the Audit Committee**

   The audit committee (the "Audit Committee") of the Board comprises of independent directors including Dr. Chen Xiaoyue, Mr. Neoh Anthony Francis and Mr. Huang Yicheng, with Dr. Chen Xiaoyue as the chairman.

   During the reporting period, the Audit Committee, in strict compliance with the "Rules and Procedures of Meetings of the Audit Committee of the Board of China Shenhua Energy Company Limited", amended the "Rules on Work of the Audit Committee of the Board of Directors", formulated the "Rules on Annual Reporting Work of the Audit Committee of the Board of Directors", and standardized the monitoring procedures for the Audit Committee on the preparation of annual financial statements and annual auditing".

   During the reporting period, the Audit Committee carried out its duties strictly in accordance with the "Rules and Procedures of Meetings of the Audit Committee of the Board of Directors".

(2) The Audit Committee has performed the following procedures:

   On 22 December 2008, the Audit Committee discussed with KPMG and KPMG Huazhen, the auditors of the Company, on the audit arrangement of the financial statements for the year;

   On 31 December 2008, the Audit Committee through internal control and audit department, discussed the progrss of hard close audit with the Company auditors;

   On 20 January 2009, the Audit Committee considered the report from, and discussed independently with, the auditors of the Company on the audit progress, there is no inconsistency with the reporting from the management.

On 15 February 2009, the Audit Committee considered the report from Zhang Kehui, the chief financial officer, on the accounting policies, the preparation of the financial statements and the audit progress;

On 20 February 2009, the Audit Committee considered the report from Ling Wen, the president, on the operating results for 2008 and the operating plans for 2009 and reviewed the unaudited financial statements prepared by the Company, and Ling Wen and Hua Zeqiao, a vice-president, accompanied independent directors in an on-site visit to the sales centre;

On 24 February 2009, the Audit Committee through the internal control and audit department, further discussed with the auditors of the Company on the annual auditor progress;

On 5 March 2009, the Audit Committee reviewed the revised draft of the unaudited financial statements, further the self-assessment report on internal control and the first draft of the social responsibilities report, and reviewed the reporting materials by the financial controller on the operating results for 2008; and

On 26 March 2009, the Audit Committee approved the annual financial statements for 2008, the self-assessment report on internal control for 2008 and the social responsibilities report for 2008, and agreed to submit them to the Board for approval.

2. **Summary work report of the Strategy Committee**

The strategy committee (the "Strategy Committee") of the Board consists of Dr. Zhang Xiwu and Dr. Ling Wen. Dr. Zhang Xiwu is the chairman of the committee.

The principal duties of the Strategy Committee are to conduct researches and to submit proposals regarding the long-term development strategies and material investment decisions of the Company. Its specific duties include conducting research and submitting proposals regarding material investments and financing plans which require approval from the Board; conducting research and submitting proposals regarding material capital operations and assets operation projects required to be approved by the Board; conducting research and submitting proposals regarding other material matters that may affect the Company's development; carrying out examination on the implementation of the above matters; and performing other matters authorised by the Board.

3. **Performance of duties by of the Remuneration Committee**

The remuneration committee (the "Remuneration Committee") of the Board comprises of Mr. Neoh Anthony Francis, Dr. Ling Wen and Dr. Chen Xiaoyue, with Mr. Neoh Anthony Francis as the chairman.

The main duties of the Remuneration Committee are to formulate the remuneration plan for the directors, supervisors, president and other senior management, and to make proposals to the Board on (including but not limited to) the criteria, procedures and the main systems of performance assessment, key incentive and punishment plans and systems, examine how directors, supervisors, the president and other senior management of the Company perform their duties and carry out annual performance assessment on them, and supervise implementation of the remuneration system of the Company. The Remuneration Committee is authorized by the Board to fix the specific remuneration, including non-monetary benefits, pension and compensation (including compensation for loss or termination of duties or appointment) for all the directors, supervisors, the president and other members of the senior management, to ensure that none of the directors (or his connected person(s)) fixes his own remuneration, and to carry out any other matter as authorized by the Board.

During the reporting period, the Remuneration Committee reviewed our remuneration management system and the remuneration level for the directors, supervisors, the president and other senior management in the year 2008.

The Remuneration Committee is of the view that the Company has a well-established remuneration management system which reflects the economic-centralized philosophy of a listed company and political, social and economical responsibility of a state-owned enterprise. The Remuneration Committee agrees on the remuneration management system of the Company.

4. **Performance of duties by the Nomination Committee**

The nomination committee (the “Nomination Committee”) of the Board consists of Dr. Zhang Xiwu, Mr. Huang Yicheng, Mr. Neoh Anthony Francis and Dr. Chen Xiaoyue. Dr. Zhang Xiwu is the chairman of the committee.

The main duties of the Nomination Committee are to regularly review the structure, size and composition (including skills, knowledge and experience) of the Board and to make recommendations to the Board with regard to any proposed changes; assess the independence of independent non-executive directors; draft procedures and criteria for election and appointment of directors, the president and other senior management and make recommendations to the Board; extensively search for qualified candidates of directors, president and other senior management; conduct examination on candidates of directors, president and other senior management and make recommendations; nominate candidates for members of the Board Committees (other than members of the Nomination Committee and chairman of any board committee); draft development plans for the president, other senior management and key personnel; and carry out any other matter as authorized by the Board.

In 2008, the Nomination Committee did not hold any meeting.

5. **Performance of duties by the Safety, Health and Environment Committee**

The safety, health and environment committee (the "Safety, Health and Environment Committee") of the Board consists of Mr. Huang Yicheng, Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo. Mr. Huang Yicheng is the chairman of this committee.

The principal duties of the Safety, Health and Environment Committee are to supervise the implementation of health, safety and environmental protection plans of the Company; provide advice to the Board or the president on material issues of the Company in respect of the health, safety and environmental protection, inquire into material incidents and liabilities regarding the Company's production, operations, properties, assets, staff or other facilities, as well as review and supervise the resolution of incidents and deal with any other issues authorised by the Board.

Others

For the year ended 31 December 2008, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any securities of the Company as defined in the Hong Kong Listing Rules.

ANNUAL REPORT

The 2008 annual report will be published on the website of the Hong Kong Stock Exchange in due course.

The 2008 annual report, which contains consolidated financial statements for the year ended 31 December 2008, with an unqualified auditor's report, will be despatched to shareholders as well as made available on the Company's website at *http://www.csec.com*.

DEFINITIONS

In this announcement, the following expressions have the following meaning unless the context requires otherwise:

"Shenhua Group"	Shenhua Group Corporation Limited
"Shendong Coal Branch"	China Shenhua Shendong Coal Branch
"Wanli Coal Branch"	China Shenhua Wanli Coal Branch
"Jinfeng Coal Branch"	China Shenhua Jinfeng Coal Branch

"Ha'erwusu Coal Branch"	China Shenhua Ha'erwusu Coal Branch
"Zhunge'er Energy"	Shenhua Zhunge'er Energy Company Limited
"Beidian Shengli Energy"	Shenhua Beidian Shengli Energy Co., Ltd.
"Shendong Coal"	Shenhua Group Shenfu Dongsheng Coal Company Limited
"Shendong Power"	Shenhua Shendong Power Company Limited
"Shenshuo Railway Branch"	China Shenhua Shenshuo Railway Branch
"Rolling Stock Branch"	China Shenhua Rolling Stock Branch
"Shuohuang Railway"	Shuohuang Railway Development Co., Ltd.
"Baoshen Railway"	Shenhua Baoshen Railway Co., Ltd.
"Huanghua Port"	Shenhua Huanghua Harbor Administration Co., Ltd.
"Shenhua Tianjin Coal Dock"	Shenhua Tianjin Coal Dock Co., Ltd
"Guohua Power Branch"	China Shenhua Guohua Power Branch
"Beijing Thermal"	CLP Guohua Power Co., Ltd. Beijing Thermal Power Branch
"Panshan Power"	Tianjin Guohua Panshan Power Generation Co. Ltd
"Sanhe Power"	Sanhe Power Generation Co., Ltd
"Guohua Zhunge'er"	Inner Mongolia Guohua Zhunge'er Power Generation Company
"Ninghai Power"	Zhejiang Guohua Zheneng Power Generation Co., Ltd
"Shenmu Power"	CLP Guohua Shenmu Power Co., Ltd
"Taishan Power"	Guangdong Guohua Yuedian Taishan Electric Power Co., Ltd.
"Huanghua Power"	Hebei Guohua Candong Power Company

"Suizhong Power"	Suizhong Power Co., Ltd
"Jinjie Energy"	Shaanxi Guohua Jinjie Energy Co., Ltd
"Dingzhou Power"	Hebei Guohua Dingzhou Power Co., Ltd
"Yuyao Power"	Zhejiang Guohua Yuyao Gas-fired Power Co.,Ltd
"Zhunge'er Power"	Power-generating arm controlled and operated by Shenhua Zhunge'er Energy Company Limited
"Zhunge'er Energy and Gangue Power"	Inner Mongolia Zhunge'er Energy and Gangue Power Co., Ltd
"Australia Holdings"	Shenhua Australia Holdings Pty Limited
"Watermark"	Shenhua Watermark Coal Pty Limited
"Xisanju"	collectively, Shenhua Wuda Mining Company Limited, Shenhua Haibowan Mining Company Limited and Shenhua Baotou Mining Company Limited, all of which are subsidiaries of Shenhua Group, and their respective subsidiaries
"Wuhai Energy"	Shenhua Wuhai Energy Company Limited
"Shenhua Finance"	Shenhua Finance Company
"Shenhua Trading"	Shenhua Coal Trading Company Limited
"Jiahua Power"	Zhejiang Jiahua Power Generation Limited Company
"Branches and Subsidiaries"	branches and subsidiaries of the Company, unless otherwise specifies
"PRC Enterprise Accounting Standards"	Accounting Standards for Business Enterprises (2006) and related rules and interpretations issued by the Ministry of Finance of the People's Republic of China
"Shanghai Listing Rules"	Rules Governing the Listing of Shares on the Shanghai Stock Exchange
"Shanghai Stock Exchange"	The Shanghai Stock Exchange

"Hong Kong Listing Rules"	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited

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

Beijing, 27 March 2009

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