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)

interim report 2008

Committed to achieving profits and fulfilling social responsibility

For more information please visit our website:
www.csec.com

Beijing Office
4th Floor, Zhouji Tower,
16 Ande Road,
Dongcheng District,
Beijing, China
Post code: 100011
Tel : +8610 5813 3399
+8610 5813 3355
Fax : +8610 8488 2107

Hong Kong Office
Unit B, 60th Floor,
Bank of China Tower,
1 Garden Road,
Central, Hong Kong
Tel : +852 2578 1635
Fax : +852 2915 0638

The Report is printed on environmentally friendly and elemental chlorine free paper

Important Notice

The board of directors, supervisory committee and the directors, supervisors and senior management of the Company warrant that this report does not contain any misrepresentations, misleading statements or material omissions, and jointly and severally accept full responsibility for the authenticity, accuracy and completeness of the information contained in this report.

Eight directors of the Company have attended meetings of the board of directors.

The interim financial report is unaudited. KPMG has issued a review report to the Company in accordance with Hong Kong Standard on Review Engagements 2410 – Review of interim financial information performed by the independent auditor of the entity. All financial data disclosed in this interim report was prepared in accordance with International Financial Reporting Standards, unless otherwise specified.

There is no appropriation of the Company's funds by any substantial shareholder.

Mr. Chen Biting, Chairman of the Company, Ms. Zhang Kehui, Chief Financial Officer, and Mr. Hao Jianxin, General Manager of the Accounting and Financial Department of the Company, warrant the authenticity and completeness of the interim financial report contained in this interim report.

There are certain forward-looking statements in this report made on the basis of subjective assumptions and judgments on future policy and economy, which are subject to risks, uncertainties and assumptions. Actual outcome may differ materially from the above-mentioned forward-looking statements. Investors should be aware that undue reliance on or use of such information may lead to risks of investment.

Contents

Results Highlights

Operational		For the six months ended 30 June 2008	2007 (restated)	Percentage change %
Commercial coal production	(Million tonnes)	**90.0**	76.6	17.5
Coal sales	(Million tonnes)	**115.1**	97.8	17.7
of which: Export	(Million tonnes)	**10.6**	12.2	(13.1)
Turnover of self-owned railway transportation	(Billion tonne km)	**62.5**	56.6	10.4
Seaborne coal	(Million tonnes)	**68.4**	64.1	6.7
of which:Huanghua Port	(Million tonnes)	**41.5**	39.8	4.3
Shenhua Tianjin Coal Dock	(Million tonnes)	**10.5**	9.2	14.1
Gross power generation	(Billion kwh)	**47.40**	38.10	24.4
Total power output dispatch	(Billion kwh)	**44.16**	35.45	24.6

		As at 30 June 2008	As at 31 December 2007	Percentage change %
Recoverable coal reserve (under PRC standard)	(100 million tonnes)	**114.01**	114.82	(0.7)
Marketable coal reserve (under JORC standard)	(100 million tonnes)	**72.31**	73.20	(1.2)

Financial		For the six months ended 30 June 2008	2007 (restated)	Percentage change %
Revenues	(RMB million)	**49,282**	38,857	26.8
Profit for the period	(RMB million)	**16,746**	12,363	35.5
Profit attributable to equity shareholders of the Company for the period	(RMB million)	**14,817**	10,363	43.0
Basic earnings per share	(RMB)	**0.745**	0.573	30.0

		As at 30 June 2008	As at 31 December 2007	Percentage change %
Total assets	(RMB million)	**254,109**	239,038	6.3
Total liabilities	(RMB million)	**96,081**	89,234	7.7
Equity attributable to equity shareholders of the Company	(RMB million)	**135,352**	129,788	4.3
Equity attributable to equity shareholders of the Company per share	(RMB)	**6.81**	6.53	4.3
Minority interests	(RMB million)	**22,676**	20,016	13.3

In this report:

- The "Group", "Company", "China Shenhua","we", "us"or "our"each refers to China Shenhua Energy Company Limited, a joint stock limited company established in the PRC on 8 November 2004, and unless otherwise specified in the context, includes all of its subsidiaries;
- Coal production figures are quoted in tonnes of commercial coal, unless otherwise specified;
- All prices are quoted exclusive of value-added tax, unless otherwise specified;
- All financial indicators are denominated in RMB, unless otherwise specified;
- All relevant terms used in this report and their definitions are contained in the definitions section of this report;
- "Half year period" and "interim" each refers to the six months ended 30 June 2008;
- This report is prepared in Chinese and English respectively. In case of any discrepancies, the Chinese version shall prevail; and
- In August 2007, the Company acquired the entire equity interests in Shendong Coal and Shendong Power from Shenhua Group. Such transactions have been reflected as a combination of entities under common control and accounted for in a manner similar to a pooling-of-interests. Restatements were made in the financial statements for the first half of 2007. Therefore, the restated data of the first half of 2007 herein included the results of Shendong Coal and Shendong Power.

Company Profile

1 Statutory Chinese Name: 中國神華能源股份有限公司
Abbreviation: 中國神華
English Name: China Shenhua Energy Company Limited
Abbreviation: CSEC

2 Legal Representative: Chen Biting

3 The Secretary of the Board of Directors: Huang Qing
Tel: (8610) 5813 3399
Fax: (8610) 8488 2107
E-mail: 1088@csec.com
Contact Address: 4th Floor, Zhouji Tower, 16 Ande Road, Dongcheng District, Beijing, China.
Representative of Securities Affairs: Chen Guangshui
Tel: (8610) 5813 3355
Fax: (8610) 8488 2107
E-mail: 1088@csec.com
Contact Address: 4th Floor, Zhouji Tower, 16 Ande Road, Dongcheng District, Beijing, China.

4 Registered Address: 22 Andingmen Xibinhe Road, Dongcheng District, Beijing, China.
Office Address: 4th Floor, Zhouji Tower, 16 Ande Road, Dongcheng District, Beijing, China.
Postal Code: 100011
Website: http://www.csec.com or http://www.shenhuachina.com
E-mail: 1088@csec.com

5 Newspapers for disclosure of information: China Securities Journal (A Shares), Shanghai Securities News (A Shares), Securities Times (A Shares, newly added since 1 July 2008))
Internet website designated by China Securities Regulatory Commission for publishing A shares half-year reports:
http://www.sse.com.cn
Internet website designated by The Stock Exchange of Hong Kong Limited for publishing H shares interim reports:
http://www.hkex.com.hk
This report is available at:
Investor Reception Room, 4th Floor, Zhouji Tower, 16 Ande Road, Dongcheng District, Beijing, China.

6 Stock Exchange for A Share listing: Shanghai Stock Exchange
Stock Short Name for A Shares: 中國神華
Stock Code for A Shares: 601088
Listing Date: 9 October 2007
Stock Exchange for H Share listing: The Stock Exchange of Hong Kong Limited
Stock Short Name for H Shares: China Shenhua
Stock Code for H Shares: 01088
Listing Date: 15 June 2005

7 Registration Number of Corporate Business Licence: 1000001003928
Tax Registration Number: Jing Guo Shui Dong Zi No.110101710933024;
Di Shui Jing Zi No. 110101710933024000
Organization Code: 71093302-4

8 PRC Auditor: KPMG Huazhen
Office address of the PRC Auditor:
8th Floor, Office Tower E2, Oriental Plaza, 1 East Chang An Avenue, Beijing
International Auditor: KPMG
Office address of the International Auditor:
8th Floor, Prince's Building, 10 Chater Road, Central, Hong Kong

9 Joint Company Secretaries
Huang Qing, Ng Chai Ngee (Hong Kong practising solicitor)

10 Authorised Representatives
Ling Wen, Huang Qing

11 Investor Contacts
Investor Relations Department, China Shenhua Energy Company Limited
Address: 4th Floor, Zhouji Tower, 16 Ande Road, Dongcheng District, Beijing, China
Postal Code: 100011
Tel: (8610) 5813 3399 or (8610) 5813 3355
Fax: (8610) 8488 2107
E-mail: ir@csec.com or 1088@csec.com

12 Legal Advisors
PRC Legal Advisor
King & Wood
Address: 40th Floor, Office Tower A, Beijing Fortune Plaza, 7 Dongsanhuan Zhonglu, Chaoyang District Beijing, China
Hong Kong Legal Advisor
Herbert Smith
Address: 23rd Floor, Gloucester Tower, 15 Queen's Road Central, Hong Kong

13 Hong Kong Representative Office
Address: Room B, 60th Floor, Bank of China Tower, 1 Garden Road, Central , Hong Kong

14 Domestic Share Registrar and Transfer Office
China Securities Depository and Clearing Corporation Limited Shanghai Branch
Address: 36th Floor, China Insurance Building, 166 Lu Jia Zui Dong Lu, Pudong New Area, Shanghai

15 Hong Kong Share Registrar and Transfer Office
Computershare Hong Kong Investor Services Limited
Address: Rooms 1712-1716, 17th Floor, Hopewell Centre, 183, Queen's Road East, Wanchai,Hong Kong

16 Principal Bankers
Industrial and Commercial Bank of China Limited, China Construction Bank Limited, Bank of China Limited and Bank of Communications Co., Ltd.

Chairman's Statement

Chen Biting
Chairman

Dear Shareholders,

The continuous growth of China's economy has boosted strong demand for coal and other energy related products. With a favorable coal market environment, the devoted efforts of all our staff and strong support of our shareholders, the financial and operating results of China Shenhua have achieved sustained and rapid growth in the first half year of 2008. On behalf of the board of directors, I am delighted to present the interim results of 2008 to the shareholders.

The Company has achieved significant advancement in financial performance for the first six months of 2008. Based on the financial information prepared in accordance with International Financial Reporting Standards ("IFRSs"), the Company's revenues for the first six months ended 30 June 2008 were RMB49.282 billion, representing an increase of 26.8% as compared with the same period of 2007; profit from operations was RMB21.608 billion, representing an increase of 30.8% as compared with the same period of 2007; profit for the period was RMB16.746 billion, representing an increase of 35.5% as compared with the same period of 2007; profit attributable to equity shareholders of the Company for the period was RMB14.817 billion, representing an increase of 43.0% as compared with the same period of 2007; basic earnings per share amounted to RMB0.745, representing an increase of 30.0% as compared with the same period of 2007; equity attributable to equity shareholders of the Company per share amounted to RMB6.81, representing an increase of 4.3% as compared to the year end of 2007.

In the first half of 2008, various business segments of China Shenhua achieved coordinated and rapid growth, and our core corporate competitiveness continued to strengthen, thereby laying a solid foundation for accomplishing our annual targets.

The Company's coal business has achieved positive development. Since the production and sales volume have continuously achieved rapid growth, the leading position of China Shenhua in domestic market has been further enhanced. In the first half of 2008, the production and sales volume of commercial coal of the Company reached 90.0 million tonnes and 115.1 million tonnes respectively, representing an increase of 13.4 million tonnes and 17.3 million tonnes or 17.5% and 17.7%, as compared with the same period of 2007. Export sales volume of the Company reached 10.6 million tonnes and the Company continued to be the largest domestic coal exporter. The Company's major coal mines continued to record stable and high production volume, and the construction work of new mines has proceeded smoothly. Bu'ertai mine, located in Wanli mining area, with a designed annual production capacity of 20 million tonnes of raw coal, has started trial production. Over 90% of stripping work of our Ha'erwusu open-cut mine located in Zhunge'er mining area, with a designed annual production capacity of 20 million tonnes of raw coal, has been completed as scheduled, and this has contributed to the Company's sustained development of coal production.

In the first half of 2008, the Company's production safety level has maintained leading position domestically and internationally. The fatality rate per million tonne of raw coal production in our mines was nil. In the same period, the nationwide average fatality rate per million tonne of raw coal production was 1.057, while that of the major state-owned coal mines was 0.272. The Company continued to intensify its efforts in environmental protection. In the first half of 2008, the Company's total investments in environmental protection amounted to RMB964 million, of which RMB647 million has been invested in desulphurisation and denitrification projects for power plants, Shendong Coal Branch has invested RMB70 million in 107 ecological construction projects in 2008, Zhunge'er Energy has invested RMB9 million in 1.908 million square meters land reclamation and forestation and Beidian Shengli Energy Branch has invested RMB2 million in the reclamation project of its southern and northern dumping yards.

Benefited from strong demand for coal, the Company's coal sales price increased steadily. In the first half of the year, the Company's average sales price of coal was RMB353.5/tonne, representing an increase of 12.0% as compared with the same period of 2007. In respect of marketing strategy, as the largest coal enterprise in China, the Company was committed to fulfilling its sales contract. It was a guiding principle of the Company in its sales management to achieve long-term win-win results with the customer. The Company focused on the establishment of long-term strategic cooperative relationship with the customers, and was committed to continuously creating values for the shareholders.

The Company's integrated transportation system with self-owned railways and ports achieved coordinated development with its coal production, and its transportation efficiency and capacity were further enhanced. In the first half of the year, the Company's total turnover of railway transportation increased by 7.8% to 74.20 billion tonne km as compared with the same period of 2007. The seaborne coal sales volume increased by 6.7% to 68.4 million tonnes as compared with the same period of 2007. The inward railway expansion project to Huanghua Port has been completed, and the sea channel dredging project of Huanghua Port has progressed smoothly. The trial train operation with 10,000 tonnes loading capacity for Shenshuo-Shuohuang Railway achieved complete success, which laid solid foundation for further transportation capacity expansion of the Company's railway transportation system.

In the first half of the year, the Company's power segment recorded profit from operations of RMB2.496 billion despite facing difficulties such as the increase in coal price. Gross power generation increased by 24.4% to 47.40 billion kwh as compared to the same period of last year and total power output dispatch increased by 24.6% to 44.16 billion kwh as compared to the same period of last year. As at 30 June 2008, the total installed capacity of the Company's operating coal-fired power plants increased by 2,500 MW to 17,591 MW as compared to the end of 2007. The construction and preliminary work of new projects of power plants under construction were in smooth progress.

While China Shenhua strived to achieve growth in its operations and results, it has always regarded implementation of corporate social responsibilities as one of its core objectives.

After the snow storm disaster in southern China and "12 May" Wenchuan earthquake early this year, China Shenhua, with high level of social responsibility, has dedicated to increase coal production, transportation and supplies to secure supplies of thermal coal to disaster-stricken areas, and has made great efforts to raise the ratio of coal contracts fulfillment, with a view to making a positive contribution to ease the coal shortage in China. The Company and its staff actively donated money and goods to assist residents of the stricken areas to overcome natural disasters and reconstruct their homeland.

In the first half of the year, the overall Chinese economy has maintained a sustained and rapid growth. The sustained economic growth has driven strong demand for coal and other energy related products, and in the first half of the year, the coal industry has demonstrated a trend of strong demand, continuous shortage in supplies and rapid increase in price. The overall nationwide power supply and demand were basically balanced, but power supplies remained tight in certain local areas and for certain periods. The macro economy and the rapid growth of the coal and power industry in China created favorable conditions for the Company's development.

In the second half of the year, the Chinese government may implement a macro control policy to prevent rapid price increase and to ensure the steady and rapid development of economy. It is anticipated that in the second half of the year, China's economy may still achieve continuous rapid growth, which would enhance demand for energy related products such as coal and would be helpful for the development of coal and power industry.

In the second half of the year, it is expected that the tight supply of coal will continue. In particular, the tight supply of thermal coal may be worsened during the peak consumption seasons. The potential reform of resource tax and other policy-driven cost may affect cost control of the Company. Recently, the government's temporary price capping policy has curbed further increase of coal spot price. In the long run, the reform of domestic coal market will continue. Pursuant to the guidance of the industrial policy of "preferring large enterprises to small enterprises" of the PRC, large-scale coal enterprises would have much more room for development.

It is anticipated that in the second half of the year, the national power supply and demand will remain basically balanced, but power supplies may still be tight in certain local districts and for certain periods. Installed power capacity in China will be further expanded, while the average utilization hours of power generation units will drop further.

China Shenhua will endeavour to build an enterprise featuring intrinsic safety, quality & efficiency, technological innovation, resource preservation and harmonious development, to maintain coordinated development of its coal, railway, port and power business, to effectively leverage on the core competitive advantages of its integrated operation model and to enhance its profitability. Currently, each business segment of the Company has achieved coordinated development, and in order to fully accomplish the operation targets for 2008, the Group's focuses in the second half of the year will be:

To enhance production organisation so as to achieve steady and high-yield growth of coal and power operations. Firstly, we shall leverage on the capacity advantages of the key coal mines to achieve safe, steady and high-yield production. Secondly, we shall handle properly the operation of new coal mines and coal mines undertaking technical renovations and focus on accelerating the construction of Ha'erwusu open-cut mine and the technical renovation project of Wanli Mines. Thirdly, we shall actively promote our construction progress of the new power plants.

To continue to proceed steadily with mergers and acquisitions and investments of the Company domestically and internationally, and strive to obtain new high-quality resources and identify new growth point with a view to continuing sustainable development of the Company.

To further coordinate the linkage between production, transportation and distribution, optimize the transportation system and enhance transportation capacity of existing railway and ports. We shall enhance the transportation capacity of Shenshuo-Shuohuang railway by putting into use trains with 10,000 tonnes loading capacity and other related measures. We endeavour to carry out preparation work of sub-line railway and continue to carry out the inward channel broadening project to Huanghua Port so as to enhance port transportation capacity.

To enhance operational management. We shall also strictly control costs and expenses budgets and reduce non-productive expenditure. We will strengthen cost accounting and make efforts to overcome the cost pressures brought about by rising price and policy-driven cost. We shall actively promote information-based construction, and extensively apply this to various sectors including human resources, assets, materials, production, supplies and sales, and aim to improve the Company's management by relying on informatized management.

To regulate the operations and enhance corporate governance of the Company. We shall expedite streamlining and reviewing of our risk management flow and continue to actively promote the establishment of internal control systems of branches and subsidiaries steadily, suitably and with appropriate focus, so as to further enhance the overall level of internal control of the Company.

To intensify our efforts on technology. We aim to meticulously build an innovative base for core research and development of various sectors including coal, railway, port and power, and carry out in-depth energy saving and discharge reduction by relying on technological innovations. We shall strive to realize the target of energy saving and discharge reduction so that both comprehensive energy consumption and discharge of sulfur dioxide and chemical oxygen demand volume will be lower than the same period of last year.

In order to realize the Company's great goal of "strengthen and expand the Company and realize great achievements", the Board and myself will not let you down, and will together with all our staff focus our efforts on maintaining and enhancing our leading position in the coal industry in both China and the world, and to generate better returns to our Shareholders!

Chen Biting
Chairman

Beijing, China
29 August 2008

The main contents of the Directors' Report include:

A Management discussion and analysis

(I) Review of the overall operating performance of the Company
(II) Business review and operating results by segment

1 Coal
(1) Coal resources
(2) Coal production
(3) Coal sales
(4) Operating results of coal segment
- **a. Revenues**
- **b. Cost of revenues**
- **c. Profit from operations**

2 Railway
(1) Railway operation
(2) Operating results of railway segment
- **a. Revenues**
- **b. Cost of revenues**
- **c. Profit from operations**

3 Port
(1) Port operation
(2) Operating results of port segment
- **a. Revenues**
- **b. Cost of revenues**
- **c. Profit from operations**

4 Unit cost of sales after consolidation of coal, railway and port operations

5 Power
(1) Power generation
(2) Progress of construction projects
(3) Operating results of power segment
- **a. Revenues**
- **b. Cost of revenues**
- **c. Profit from operations**

A Management discussion and analysis

(I) Review of the overall operating performance of the Company

In the first half year of 2008, through the joint efforts of the Company's Board of Directors, senior management and all the staff, the Company has maintained continuous, rapid and healthy development. The major coal mines of the Company have maintained steady and high-yield production; Bu'ertai mine of Wanli Mines has started trial production, and the designed project of mine construction and stripping work in Ha'erwusu open-cut mine of Zhunge'er Mines has been completed over 90%, which expanded the coal production capacity of the Company. The trial operation of the trains with 10,000 tonnage loading capacity for Shenshuo-Shuohuang Railway achieved complete success, laying solid foundation for further transportation capacity expansion of Shenhua railways system. With completion of the capacity expansion project for the inward railway to Huanghua Port and more efforts in the dredging project of sea channel of Huanghua Port, both railway and port transportation capacity were further enhanced. The Company's power business has achieved further expansion. While the company continued its coordinated development of coal, railway, port and power businesses, benefited from scale expansion and rising coal price, the Company has improved its financial performance significantly.

During the first half of 2008, the Company produced 90.0 million tonnes of commercial coal, representing an increase of 17.5% as compared to the same period of last year. Sales volume of commercial coal reached 115.1 million tonnes, representing an increase of 17.7% as compared to the same period of last year. The total turnover of railway transportation was 74.2 billion tonne km, representing an increase of 7.8% as compared to the same period of last year. The seaborne coal sales volume reached 68.4 million tonnes, representing an increase of 6.7% as compared to the same period of last year. The gross power generation and total power output dispatch reached 47.40 billion kwh and 44.16 billion kwh respectively, representing an increase of 24.4% and 24.6% respectively as compared to the same period of last year.

In accordance with IFRSs, the Group's revenues for the six months ended 30 June 2008 were RMB49.282 billion (the first half of 2007: RMB38.857 billion) representing an increase of 26.8% as compared to the same period of last year. Profit from operations was RMB21.608 billion (the first half of 2007: RMB16.520 billion), representing an increase of 30.8% over the same period of last year. Profit for the period was RMB16.746 billion (the first half of 2007: RMB12.363 billion), representing an increase of 35.5% over the same period of last year. Profit attributable to equity shareholders of the Company for the period amounted to RMB14.817 billion (the first half of 2007: RMB10.363 billion), representing an increase of 43.0% as compared to the same period of last year.

For the six months ended 30 June 2008, the Group's basic earnings per share was RMB0.745 (the first half of 2007: RMB0.573), representing an increase of 30.0% as compared to the same period of last year.

As at 30 June 2008, the equity attributable to equity shareholders of the Company per share was RMB6.81 (31 December 2007: RMB6.53), representing an increase of 4.3% as compared to the year end of 2007.

For the six months ended 30 June 2008, the Group's return on total assets[1] was 6.6%. Average rate of return on net assets[2] was 11.2% (the first half of 2007: 14.4%), representing a decrease of 3.2 percentage points as compared to the same period of last year. EBITDA[3] amounted to RMB26.307 billion (the first half of 2007: RMB20.522 billion), representing an increase of 28.2% as compared to the same period of last year. As at 30 June 2008, the Group's total debt capitalisation ratio[4] was 30.0%, representing an increase of 1.4 percentage points as compared to 28.6% as at 31 December 2007.

1. Return on total assets is based on the profit for the period and total assets at the end of the relevant period.

2. Average rate of return on net assets is based on the average equity attributable to equity shareholders of the Company and the profit attributable to equity shareholders of the Company for the relevant period.

3. EBITDA is a method for measuring the Company's operation performance, and is defined as profit for the period plus net finance costs, income tax and depreciation and amortisation and net of investment income and share of profits less losses of associates. The Company's EBITDA presented herein was additional information relating with operation performance provided to the investors and because the Company's management considered that EBITDA was normally regarded as the basis for appraising the operation performances of mining companies by securities analysts, investors and other related parties, and might be helpful to investors. EBITDA is not an item recognised under IFRSs. You should not regard it as an indication to replace the profit for such accounting period to measure the results performance, and should also not regard it as a replacing indication of cash flow from operation activities to measure its liquidity. The Company's calculation method of EBITDA might be different from those adopted by other companies, and therefore might be of limited comparability. In addition, EBITDA is not intended to be the basis of free cash flow which the management may discretionarily use. Its reason being that it does not reflect certain cash demands brought by interest expenses, tax expenses and debt repayment requirements.

4. Total debt capitalisation ratio = long-term interest bearing debts + short-term interest bearing debts (including bills payable) / (total debts + total equity)

(II) Business review and operating results by segment

The Group is mainly engaged in coal, railway, port and power generation and related business in China.

Segment report prepared under IFRSs

Unit: RMB million

	For the six months ended 30 June													
	Coal		Railway		Port		Power		Corporate and others		Eliminations		Total	
	2008	2007 (restated)	2008	2007 (restated)	2008	2007 (restated)	2008	2007 (restated)	2008	2007 (restated)	2008	2007 (restated)	2008	2007 (restated)
Revenues														
External sales	34,457	26,477	920	719	27	34	13,878	11,627	–	–	–	–	49,282	38,857
Inter-segment sales	6,601	4,549	7,850	7,208	966	915	32	40	–	–	(15,449)	(12,712)	–	–
Total operating revenues	41,058	31,026	8,770	7,927	993	949	13,910	11,667	–	–	(15,449)	(12,712)	49,282	38,857
Cost of revenues														
Coal purchased from third parties	(6,885)	(4,723)	–	–	–	–	–	–	–	–	–	–	(6,885)	(4,723)
Cost of coal production	(6,612)	(5,124)	–	–	–	–	–	–	–	–	2,355	1,478	(4,257)	(3,646)
Cost of coal transportation	(11,351)	(10,803)	(3,118)	(2,641)	(652)	(658)	–	–	–	–	10,457	8,991	(4,664)	(5,111)
Power cost	–	–	–	–	–	–	(10,417)	(7,531)	–	–	2,422	2,113	(7,995)	(5,418)
Others	(275)	(134)	(512)	(420)	(21)	(19)	(233)	(70)	–	–	–	–	(1,041)	(643)
Total cost of revenues	(25,123)	(20,784)	(3,630)	(3,061)	(673)	(677)	(10,650)	(7,601)	–	–	15,234	12,582	(24,842)	(19,541)
Selling, general and administrative expenses	(1,401)	(1,389)	(248)	(191)	(95)	(85)	(648)	(698)	(109)	(228)	–	–	(2,501)	(2,591)
Other operating expenses, net	(187)	(130)	(24)	(47)	(3)	–	(116)	(23)	(1)	(5)	–	–	(331)	(205)
Profit/(loss) from operations	14,347	8,723	4,868	4,628	222	187	2,496	3,345	(110)	(233)	(215)	(130)	21,608	16,520
Reconciliation of profit from operations to profit for the period:														
Profit from operations													21,608	16,520
Net finance costs													(1,471)	(1,318)
Investment income													2	36
Share of profits less losses of associates													316	238
Income tax													(3,709)	(3,113)
Profit for the period													16,746	12,363

Operating results by industry for the first half of 2008

Industry	Revenues RMB million	Cost of revenues RMB million	Gross profit margin %	Increase/ decrease in revenues over the same period of last year %	Increase/ decrease in cost of revenues over the same period of last year %	Increase/ decrease in gross profit margin over the same period of last year
Coal segment	41,058	25,123	38.8	32.3	20.9	increased by 5.8 percentage points
Railway segment	8,770	3,630	58.6	10.6	18.6	decreased by 2.8 percentage points
Port segment	993	673	32.2	4.6	(0.6)	increased by 3.5 percentage points
Power segment	13,910	10,650	23.4	19.2	40.1	decreased by 11.5 percentage points

Operating results by location for the first half of 2008

Region	Revenues RMB million	Increase/ decrease in revenues over the same period of last year %
Domestic markets	44,063	28.5
Asia Pacific markets	5,082	15.6
Other markets	137	(16.5)

1 Coal

(1) Coal resources

Coal resources and reserves under China National Standard

	Types of mine	As at 30 June 2008 Recoverable reserve 100 million tonnes	As at 30 June 2008 Resource 100 million tonnes	As at 31 December 2007 Recoverable reserve 100 million tonnes	As at 31 December 2007 Resource 100 million tonnes
Shendong Mines	Underground	69.82	117.84	70.33	118.66
Wanli Mines[2]	Underground	5.83	10.38	5.97	10.55
Zhunge'er Mines	Open-cut	26.67	29.66	26.77	29.77
Shengli Mines	Open-cut	11.69	21.21	11.75	21.26
Total		114.01	179.09	114.82	180.24

Coal resources and reserves under JORC Standard[1]

	Types of mine	As at 30 June 2008 Marketable reserve 100 million tonnes	As at 30 June 2008 Resource 100 million tonnes	As at 31 December 2007 Marketable reserve 100 million tonnes	As at 31 December 2007 Resource 100 million tonnes
Shendong Mines	Underground	40.81	117.84	41.40	118.66
Wanli Mines[2]	Underground	3.26	10.38	3.38	10.55
Zhunge'er Mines	Open-cut	19.66	29.66	19.79	29.77
Shengli Mines	Open-cut	8.58	21.21	8.63	21.26
Total		72.31	179.09	73.20	180.24

As at 30 June 2008, the Group's recoverable reserve amounted to 11.401 billion tonnes with resource of 17.909 billion tonnes under China National Standard. The Group's marketable reserve amounted to 7.231 billion tonnes, with resource of 17.909 billion tonnes under JORC standard.

1. JORC Standard refers to the AUSTRALASIAN JOINT ORE RESERVES COMMITTEE Standard effective from December 2004.

2. The data of resource and reserve of Bu'ertai coal mine was not included in Wanli Mines. The scope for exploring right of the mine had already been confirmed, while the final approval of the mining right was still under process. Its resource was approximately 3.315 billion tonnes.

(2) Coal production

Commercial coal production

	For the six months ended 30 June 2008 Million tonnes	2007 Million tonnes	Percentage change %
Shendong Mines	**58.1**	55.2	5.3
Bulianta	**10.4**	8.2	26.8
Daliuta-Huojitu	**9.2**	9.1	1.1
Yujialiang	**8.3**	8.9	(6.7)
Shangwan	**6.4**	6.0	6.7
Halagou	**5.8**	6.0	(3.3)
Baode (Kangjiatan)	**6.0**	6.1	(1.6)
Shigetai	**4.7**	4.4	6.8
Wulanmulun	**2.5**	3.3	(24.2)
Jinjie	**3.5**	1.3	169.2
Others	**1.3**	1.9	(31.6)
Zhunge'er Mines	**12.4**	13.2	(6.1)
Hedaigou	**12.2**	13.2	(7.6)
Ha'erwusu	**0.2**	–	N/A
Wanli Minies	**14.4**	5.9	144.1
Bu'ertai	**1.7**	–	N/A
Wanli mine No.1	**4.5**	2.0	125.0
Liuta mine	**2.6**	2.0	30.0
Cuncaota mine No. 1	**1.1**	0.6	83.3
Cuncaota mine No. 2	**2.2**	0.3	633.3
Tanggonggou mine	**1.9**	0.6	216.7
Others	**0.4**	0.4	–
Shengli Mines	**5.1**	2.3	121.7
Total	**90.0**	76.6	17.5

The coal segment of the Group comprises Shendong Mines, Zhunge'er Mines, Wanli Mines and Shengli Mines. During the first half of 2008, the commercial coal production of the Group achieved 90.0 million tonnes (the first half of 2007: 76.6 million tonnes), representing an increase of 13.4 million tonnes or 17.5% as compared to the same period of last year. 50.8% of the annual plan of 177 million tonnes has been achieved. The coal production in Jinjie mine, Wanli Mines and Shengli Mines has increased significantly.

During the first half of the year, the commercial coal production of Shendong Mines reached 58.1 million tonnes, representing an increase of 5.3% as compared to the same period of last year and accounting for 64.6% of total commercial coal production in the same period. The commercial coal production in Shendong Mines increased by 2.9 million tonnes as compared to the same period of last year, which accounted for 21.6% of the net increase in commercial coal production of 13.4 million tonnes of the Company. By extending the working face and enhancing the reliability of equipment, Shendong Mines maintained its global leading position in the field of underground mine production and productivity of underground mineworkers. During the first half of 2008, Shendong Mines continued its efforts to build Jinjie mine into a coal mine with an annual raw coal production of 10 million tonnes. The two mines, Bulianta mine and Daliuta mine, each with an annual output over 10 million tonnes, increased their production of raw coal and recovery rate through technological upgrade in coal mining techniques.

During the first half of the year, the commercial coal production of Zhunge'er Mines reached 12.4 million tonnes, representing a decrease of 6.1% as compared to the same period of last year. Constructions of Ha'erwusu open-cut mine were progressing smoothly. Up to 30 June 2008, over 90% of the planned project of mining construction and striping work of Ha'erwusu open-cut mine was completed. Construction of the coal preparation plant and dedicated coal railway for external transportation (Diandaigou-Nanping line) were progressing smoothly. Ha'erwusu open-cut mine, mainly producing high quality thermal coal, is adjacent to Heidaigou open-cut mine with planned annual production capacity of 20 million tonnes of raw coal. The coal produced by Ha'erwusu can be transported to the target markets for sales through the newly constructed dedicated railway that connects Dazhuan railway.

During the first half of the year, the commercial coal production of Wanli Mines reached 14.4 million tonnes representing an increase of 144.1% or 8.5 million tonnes as compared to the same period of last year, which accounted for 63.4% of the net increase in commercial coal production of 13.4 million tonnes of the Company. By mines consolidation and technological upgrade and by mining mechanisation, the integrated technological level of each coal mine was further enhanced and production capacity was expanded. Bu'ertai mine of Wanli Mines was the largest underground coal mine with one-off design and one-off construction over the world. The planned annual production capacity of the mine was 20 million tonnes of raw coal and longwall full-mechanised mining technology was adopted in this mine. In the first half of 2008, Bu'ertai mine produced 1.7 million tonnes of commercial coal and was expected to reach designed capacity in the next three years. Wanli mine No.1,the backbone mine of Wanli Mines, produced commercial coal in the first half of 2008 of 4.5 million tonnes, representing an increase of 125.0% as compared to the same period of last year. The production capacity of Wanli mine No.1 increased substantially after technology upgrade, and it was expected that its annual production capacity of raw coal would reach 10 million tonnes by 2010. Meanwhile, Wanli Mines was developing work processes related to the improvement in coal quality through selection and dry techniques.

During the first half of the year, the commercial coal production of Shengli Mines reached 5.1 million tonnes, representing an increase of 121.7% or 2.8 million tonnes as compared to the same period of last year, which accounted for 20.9% of the net increase in commercial coal production of 13.4 million tonnes of the Company. The construction of Shengli West No.1 open-cut mine was the first open-cut mine as planned in this mining area and was located in the mid-west region of Shengli Mines with an annual planned production capacity of 20 million tonnes. Additional capacity for further expansion was left.

While attaining rapid growth in coal production, the Group continued to concentrate on production safety in coal mines and maintained its leading position in production safety domestically and internationally. In the first half of 2008, the fatality rate per million tonne of raw coal production in China Shenhua was nil, while the national level of fatality rate per million tonne of raw coal production was 1.057 during the same period.

(3) Coal sales

Coal sales by region

		For the six months ended 30 June 2008 Million tonnes	2007 Million tonnes	Percentage change %
Domestic sales		**104.5**	85.6	22.1
By region	Northern China	**43.4**	32.5	33.5
	Eastern China	**41.7**	31.8	31.1
	Southern China	**15.5**	13.1	18.3
	Northeast China	**3.6**	2.4	50.0
	Others	**0.3**	5.8	(94.8)
By usage	Thermal coal	**85.7**	66.3	29.3
	Metallurgy	**2.8**	2.1	33.3
	Chemical (Coal-water slurry)	**2.4**	1.7	41.2
	Others	**13.6**	15.5	(12.3)
Export sales		**10.6**	12.2	(13.1)
	South Korea	**4.2**	5.5	(23.6)
	China Taiwan	**2.6**	3.3	(21.2)
	Japan	**2.7**	2.4	12.5
	Others	**1.1**	1.0	10.0
Total sales volume		**115.1**	97.8	17.7

For the six months ended 30 June 2008, the coal sales volume of the Group was 115.1 million tonnes (the first half of 2007: 97.8 million tonnes), representing an increase of 17.7% as compared to the same period of last year. Of which, the volume of domestic sales amounted to 104.5 million tonnes, which accounted for 90.8% of the Group's sales volume of coal. The export volume was 10.6 million tonnes, which accounted for 9.2% of the Group's sales volume of coal.

Sales volume and price of coal by market

	For the six months ended 30 June 2008		2007	
	Sales volume Million tonnes	Sales price RMB/tonne	Sales volume Million tonnes	Sales price RMB/tonne
Sub-total of domestic sales volume/ Weighted average price	104.5	339.4	85.6	307.3
Long-term contract sales volume/ Weighted average price	87.8	328.2	70.1	314.5
Mine mouth[1]	8.0	98.2	–	–
Direct arrival (along railway line)	29.5	251.3	24.7	237.2
Seaborne (port FOB)	50.3	410.2	45.4	356.6
Spot market sales volume/ Weighted average price	16.7	398.4	15.5	274.6
Mine mouth[1]	2.5	168.5	4.5	95.8
Direct arrival (along railway line)	6.6	347.3	4.5	284.5
Seaborne (port FOB)	7.6	518.7	6.5	392.1
Export sales volume/price	10.6	492.6	12.2	374.6
Total coal sales volume/Weighted average price	115.1	353.5	97.8	315.6

In respect of contract sales, the domestic coal sales of the Group can be divided into contract sales and spot sales. In respect of sales type, the domestic coal sales of the Group can be divided into mine mouth, direct arrival and seaborne sales.

In the first half of 2008, the average sales price of the Group was RMB353.5/tonne (the first half of 2007: RMB315.6/tonne), representing an increase of 12.0% over the same period of last year. Major factors affecting the increase of average coal price of the Company were: (1) coal price of the three types of coal sales of mine mouth, direct arrival and seaborne was totally different and the growth is different as well; (2) the change in sales volume among the above-mentioned three types of sales has led to changes in sales mix.

As shown in the above table, in terms of sales type, all different sales types recorded increases in coal price to a certain extent. Of which, the average coal price at mine mouth was RMB114.8/tonne, representing an increase of 19.8% over RMB95.8/tonne for the same period of last year; the average coal price of direct arrival was RMB268.9/tonne, representing an increase of 10.0% over RMB244.5/tonne for the same period of last year; the average seaborne sales price was RMB424.4/tonne, representing an increase of 17.5% over RMB361.1/tonne for the same period of last year. Export coal price was RMB492.6/tonne, representing an increase of 31.5% over RMB374.6/tonne for the same period of last year.

As shown in the above table, in respect of changes in sales mix, the proportion of the Company's coal sales at mine mouth to the total sales increased from 4.6% in the first half of 2007 to 9.1% in the first half of 2008, the proportion of the Company's seaborne coal sales to the total sales decreased from 53.1% in the first half of 2007 to 50.3% in the first half of 2008, the proportion of the Company's export coal sales to the total sales decreased from 12.5% in the first half of 2007 to 9.2% in the first half of 2008. Change in the sales mix is one of the key factors affecting the average sales price of the Company.

In the first half of the year, the reasons behind the increase of sales at mine mouth were: (1) Jinjie Energy was an integrated coal and power project and currently the coal mine was mainly supplying coal to the Jinjie Energy power plant; (2) given Shengli Mines mainly produced brown coal, most of its products were supplied to the power plants around mine mouth; (3) the increase in production of Jinjie Energy and Shengli Mines was relatively higher in the first half of the year as compared to the same period of last year.

1 In the past, coal sales of the Company at mine mouth were relatively small and the sales at mine mouth mainly happened in the spot market. From this year onwards, as the increase in sales at mine mouth of Shengli Mines and Jinjie mine of Shendong Mines, certain sales were changed to contract sales. Such change might lead to the incomparability of the price of sales at mine mouth by way of contract or spot sales in the first half of the year with historical prices.

In the first half of 2008, export coal sales volume of the Group was 10.6 million tonnes (the first half of 2007: 12.2 million tonnes), representing a decrease of 13.1% over the same period of last year. In the same period, the proportion of export sales volume to total coal sales volume decreased from 12.5% to 9.2%. In 2008, the government reduced the coal export quota. As a result, the coal export volume of the Company dropped in the first half of this year. The export coal sales price in the first half of 2008 was RMB492.6/tonne (the first half of 2007: RMB374.6/tonne), representing an increase of 31.5% over the same period of last year. The major factors affecting export coal prices were: (1) affected by the increase in international coal price, the long-term contract price signed with major customers increased when compared with that in 2007; (2) the appreciation of RMB against USD in 2008, with the weighted average exchange rate from USD to RMB applied to the settlement of export sales was 7.0682 (the first half of 2007: 7.7333), a RMB appreciation of 9.4% reduced the export sales price denominated in USD when quoted in RMB.

In the first half of 2008, the sales volume of the Group to the top five export customers was 6.3 million tonnes, which accounted for 59.4% of the total export sales. Of which, the sales volume to the largest customer was 2.1 million tonnes, which accounted for 19.8% of the total export sales. The top five export customers were either power generation companies or fuel companies.

Sales volume and price of coal by customer

	For the six months ended 30 June					
	2008			2007		
	Coal sales	As a percentage of total sales volume	Sales price	Coal sales	As a percentage of total sales volume	Sales price
	Million tonnes	%	RMB/ tonne	Million tonnes	%	RMB/ tonne
Coal sales to external customers	**95.4**	**82.9**	**357.6**	83.6	85.5	314.7
Domestic sales to external customers	**84.8**	**73.7**	**340.7**	71.4	73.0	304.5
Export sales	**10.6**	**9.2**	**492.6**	12.2	12.5	374.6
Coal sales to our power segment	**19.7**	**17.1**	**338.8**	14.2	14.5	321.1
Total coal sales volume/ Weighted average price	**115.1**	**100.0**	**353.5**	97.8	100.0	315.6

For the six months ended 30 June 2008, the revenues from coal sales to external customers of the Group were RMB34.112 billion (the first half of 2007: RMB26.328 billion), representing an increase of 29.6% as compared to the same period of last year. The main reasons for the increase were attributable to the increase in coal sales volume and coal sales price. During the same period, the coal sales volume of the Group to external customers was 95.4 million tonnes (the first half of 2007: 83.6 million tonnes), representing an increase of 14.1%; of which, the coal sales volume to the domestic external customers was 84.8 million tonnes (the first half of 2007: 71.4 million tonnes), representing an increase of 18.8%. During the same period, the proportion of coal sales volume to the external customers to the total coal sales volume decreased from 85.5% to 82.9%. The price of coal sales to external customers increased from RMB314.7/tonne to RMB357.6/tonne, representing an increase of 13.6%.

In the first half of 2008, the sales volume of the Group to the top five domestic external customers reached 12.2 million tonnes, which accounted for 11.7% of the total domestic sales. Of which, the sales volume to the largest external customer was 4.0 million tonnes, which accounted for 3.8% of the total domestic sales. The top five domestic external customers were either power generation companies or fuel companies.

Coal sales to our power segment is a unique integrated operational model within the Group. In 2008, due to the increasing installed capacity of the Group's power plants, the demand for coal also increased accordingly. The coal sales volume to the Group's power segment was 19.7 million tonnes (the first half of 2007: 14.2 million tonnes), representing an increase of 38.7%. In the same period, the proportion of coal sales volume to the Group's power segment to the total coal sales volume increased from 14.5% to 17.1%. The sales price to the Group's power segment increased from RMB321.1/tonne to RMB333.8/tonne, representing an increase of 4.0%. The reason for the price rise was mainly due to higher coal contract price in 2008 as compared to 2007, however, since the new additional coal demand from the power segment of the Company was mainly from mine mouth regions, etc., where the coal price was relatively lower, therefore, the increase in average coal price was relatively lower.

(4) Operating results of coal segment

a. Revenues

For the six months ended 30 June 2008, revenues of coal segment of the Group before elimination on consolidation were RMB41.058 billion (the first half of 2007: RMB31.026 billion), representing an increase of 32.3% over the same period of last year. The increase was mainly attributable to 17.7% increase in coal sales and 12.0% increase in the coal sales price during the same period.

b. Cost of revenues

Production and procurement costs breakdown in coal segment

	For the six months ended 30 June					
	2008			2007		
	Cost RMB million	Volume Million tonnes	Unit cost RMB/ tonne	Cost RMB million	Volume Million tonnes	Unit cost RMB/ tonne
Coal purchased from third parties	6,885	26.0	264.8	4,723	22.7	207.8
Cost of coal production	6,612	89.1	74.2	5,124	75.1	68.2
Materials, fuel and power	1,320	89.1	14.8	1,096	75.1	14.6
Personnel expenses	939	89.1	10.5	828	75.1	11.0
Repairs and maintenance	602	89.1	6.8	544	75.1	7.2
Depreciation and amortisation	1,424	89.1	16.0	1,218	75.1	16.2
Others	2,327	89.1	26.1	1,438	75.1	19.2

For the six months ended 30 June 2008, cost of revenues in the coal segment of the Group was RMB25.123 billion (the first half of 2007: RMB20.784 billion), representing an increase of 20.9% over the same period of last year. Cost of revenues mainly comprised of the cost of coal purchased from third parties, cost of coal production and cost of coal transportation. The increase was mainly attributable to the increase in purchasing price and the volume of coal purchased from third parties, as well as the increase in the sales volume of self-produced coal and the increase in the cost of production.

The unit production cost of self-produced coal in coal segment was RMB74.2/tonne (the first half of 2007: RMB68.2/tonne), representing an increase of 8.8% over the same period of last year. The reasons of increase were mainly attributable to:

(a) Materials, fuel and power was basically flat with those in the first half year of 2007. The main reason was that upon the significant increase in the production of our Wanli Mines and Shengli Mines, due to the effect of economies of scale, the unit cost of materials, fuel and power in these two mining areas dropped, while in the first half year of 2008, the additional productions were mainly derived from Wanli Mines and Shengli Mines. Due to the structural reasons, the overall unit cost of materials, fuel and power decreased.

(b) Decrease in personnel expenses. The main reason was that upon the significant increase in the production of our Wanli Mines and Shengli Mines, the unit cost of personnel expense in those two mining areas dropped as result of the effect of economies of scale, while in the first half year of 2008, the additional productions were mainly derived from Wanli Mines and Shengli Mines. Due to the structural reasons, the overall personnel expenses decreased.

(c) Decrease in depreciation and amortisation. The main reason was that after the significant increase in the production of our Wanli Mines and Shengli Mines, the unit cost of depreciation and amortisation in these two mining areas reduced as result of the effect of economies of scale, while in the first half year of 2008, the additional productions were mainly derived from Wanli Mines and Shengli Mines. Due to the structural reasons, the overall depreciation and amortisation decreased.

(d) Reasons for the increase in others in the unit production cost mainly included:

   (i) Transformation fund, environmental restoration fund and sustainable development fund levied by Shanxi province;

   (ii) Increase in the rate of land use tax;

   (iii) Increase in service charges.

In the first half of the year, the volume of coal purchased from third parties amounted to 26.0 million tonnes, representing an increase of 3.3 million tonnes or 14.5% over the same period of last year. The unit cost of coal purchased from third parties was RMB264.8/tonne (the first half of 2007: RMB207.8/tonne), representing an increase of 27.4% over the same period of last year. The main reason for the increase was: the coal price in the spot market during the first half of 2008 increased significantly and the Company mainly purchased coal from the spot markets.

c. Profit from operations

For the six months ended 30 June 2008, profit from operations of the Group's coal segment was RMB14.347 billion (the first half of 2007: RMB8.723 billion), representing an increase of 64.5% over the same period of last year. During the same period, the operating margin of the coal segment increased from 28.1% to 34.9%.

2 Railway

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 competitive advantage in the coal industry. Based on the five connected self-owned railways, not only the Group can continuously transport coal to ports and sell to markets all over China and other countries, but also we have sufficient room to adjust the sales volume of coal so as to get more market share within coastal regions to provide customers with steady and sufficient coal products.

(1) Railway operation

Turnover of railway transportation

	For the six months ended 30 June 2008 Billion tonne km	2007 Billion tonne km	Percentage change %
Self-owned railways	**62.5**	56.6	10.4
Shenshuo Railway	**15.7**	14.2	10.6
Shuohuang-HuangWan Railway	**38.3**	35.2	8.8
Dazhun Railway	**5.5**	5.0	10.0
Baoshen Railway	**3.0**	2.2	36.4
State-owned railways	**11.7**	12.2	(4.1)
Total	**74.2**	68.8	7.8

Currently, 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 the first half of 2008, the Company conducted the traction test on unit trains with a capacity of 10,000 tonnes along the whole Shenshuo-Shuohuang rail line and achieved complete success, which provided technical support for the Company to operate trains with a capacity of 10,000 tonnes on its railways. Meanwhile, the Company developed the first set of "Railway Transportation Comprehensive Simulation Training System" in China, which filled the blank of China in this field and improved the operation and management training of railway staff.

The total turnover of railway transportation by the Group in the first half of 2008 was 74.2 billion tonne km (the first half of 2007: 68.8 billion tonne km), representing an increase of 7.8%. Of which, turnover of self-owned railway transportation of the Company was 62.5 billion tonne km (the first half of 2007: 56.6 billion tonne km), representing an increase of 10.4%. The turnover of self-owned railway transportation accounted for 84.2% of the total turnover of railway transportation, which had increased as compared to 82.3% in the first half of 2007. The increase in the proportion of the turnover of self-owned railway transportation to the total turnover helped the Company further reduce the transportation cost per tonne.

(2) Operating results of railway segment

a. Revenues

For the six months ended 30 June 2008, revenues of railway segment of the Group before elimination on consolidation were RMB8.770 billion (the first half of 2007: RMB7.927 billion), representing an increase of 10.6% over the same period of last year. Of which, revenues generated by railway segment from internal coal transportation was RMB7.850 billion (the first half of 2007: RMB7.208 billion), representing an increase of 8.9% over the same period of last year, and accounted for 89.5% of the revenues of the railway segment. Meanwhile, the Group utilised the surplus transportation capacity of the railways to provide transportation services to third parties and generated transportation income. The main reason for the increase in revenues of the railway segment in the first half of 2008 was the increase in the volume of transportation.

b. Cost of revenues

Cost of revenues of railways

	For the six months ended 30 June	
	2008 RMB million	2007 RMB million
Cost of internal transportation	**3,118**	2,641
Materials, fuel and power	**762**	596
Personnel expenses	**558**	531
Repairs and maintenance	**444**	316
Depreciation and amortisation	**797**	756
Cost of transportation on national railways	**53**	18
Others	**504**	424
Cost of external transportation	**469**	331
Sub-total	**3,587**	2,972
Other operating costs	**43**	89
Total	**3,630**	3,061

For the six months ended 30 June 2008, cost of revenues of the Group's railway segment was RMB3.630 billion (the first half of 2007: RMB3.061 billion), representing an increase of 18.6% over the same period of last year. The increase was mainly attributable to the increase in unit transportation cost and the transportation volume.

The unit transportation cost of the railway segment was RMB0.057/tonne km (the first half of 2007: RMB0.053/tonne km), representing an increase of 7.5% over the same period of last year. The increase was mainly attributable to:

(a) Increase in cost of materials, fuel and power. The increase was mainly due to the adoption of internal combustion engine of some of our locomotives, and in the first half year of 2008, price of fuel rose.

(b) Increase in repairs and maintainance. The increase was mainly due to the increasing inspection and maintainance expenses along with the increase in the usage life.

(c) Increase in others. The increments were mainly due to the increase in external assignment expenses.

c. Profit from operations

For the six months ended 30 June 2008, profit from operations of the Group's railway segment was RMB4.868 billion (the first half of 2007: RMB4.628 billion), representing an increase of 5.2% over the same period of last year. In the same period, the operating margin of railway segment decreased from 58.4% to 55.5%.

3 Port

Besides enjoying self-owned railways specialised in coal transportation, the Group also owns and operates Huanghua Port and Shenhua Tianjin Coal Dock with the annual capacity for seaborne coal over 100 million tonnes.

(1) Port operation

Seaborne coal sales

	For the six months ended 30 June		Percentage
	2008	2007	change
	Million tonnes	Million tonnes	%
Self-owned ports	**52.0**	49.0	6.1
Huanghua Port	**41.5**	39.8	4.3
Shenhua Tianjin Coal Dock	**10.5**	9.2	14.1
Third-party ports	**16.4**	15.1	8.6
Qinhuangdao Port	**8.7**	9.5	(8.4)
Tianjin Port	**7.3**	5.0	46.0
Others	**0.4**	0.6	(33.3)
Total	**68.4**	64.1	6.7

The Group owns and operates Huanghua Port and Shenhua Tianjin Coal Dock, which have become the major hub the coal sales to domestic coastal markets and overseas markets. Of which, Huanghua Port is the second largest port for seaborne coal in China. In addition, the Group transports coal through Qinhuangdao Port, Tianjin Port and other third-party ports as well.

In the first half of 2008, seaborne coal sales of the Group reached 68.4 million tonnes, which accounted for 59.4% of the Company's commercial coal sales in the first half of the year. Of which, the volume of seaborne coal through Huanghua Port and Shenhua Tianjin Coal Dock reached 52.0 million tonnes, representing an increase of 3.0 million tonnes or 6.1% over the same period of last year, which accounted for 76.0% of the total volume of seaborne coal of the Company.

(2) Operating results of port segment

a. Revenues

For the six months ended 30 June 2008, revenues of port segment before elimination on consolidation were RMB993 million (the first half of 2007: RMB949 million), representing an increase of 4.6%. Of which, revenues generated by port segment from internal coal transportation amounted to RMB966 million (the first half of 2007: RMB915 million), representing an increase of 5.6% over the same period of last year, and accounted for 97.3% of the revenues in port segment. The increase in revenues of port segment in the first half of 2008 was mainly attributable to the increase in seaborne coal sales.

b. Cost of revenues

Cost of revenues of ports

	For the six months ended 30 June	
	2008	2007
	RMB million	RMB million
Cost of internal transportation	**652**	658
Materials, fuel and power	**81**	73
Personnel expenses	**37**	39
Repairs and maintenance	**47**	54
Depreciation and amortisation	**283**	283
Others	**204**	209
Cost of external transportation	**17**	19
Sub-total	**669**	677
Other operating costs	**4**	–
Total	**673**	677

For the six months ended 30 June 2008, cost of revenues of the Group's port segment was RMB673 million (the first half of 2007: RMB677 million), representing a decrease of 0.6% over the same period of last year.

The unit transportation cost of port segment was RMB12.9/tonne (the first half of 2007: RMB13.8/tonne), representing a decrease of 6.5% over the same period of last year. The decrease was mainly due to the unit transportation cost decreased as a result of the economies of scale resulted from the increase in the volume of transportation.

c. Profit from operations

For the six months ended 30 June 2008, profit from operations of the Group's port segment was RMB222 million (the first half of 2007: RMB187 million), representing an increase of 18.7% over the same period of last year. In the same period, the operating margin of port segment increased from 19.7% to 22.4%.

4 Unit cost of sales after consolidation of coal, railway and port operations[1]

As compared with other coal companies, the operating model integrating coal, railway, port and power businesses represents unique competitive advantages of China Shenhua. The railways and ports of the Company mainly transport its own coal. Therefore, we can divide the Company's operations into two major segments of coal and power. Among which, the coal segment includes coal production, railway and port transportation. Cost of sales after elimination on consolidation of profit and cost from the three segments of coal production, railway and port, we may analyse the impact of the coal operations in each mining area on the Company's operating results.

In the first half of 2008, the cost of sales per tonne[2] of coal including the coal purchased from third parties of the Company was RMB172.8, and the gross profit margin per tonne of coal sales was 49.1%. The cost of sales per tonne of self-produced coal in Shendong Mines was approximately RMB141.0, and the gross profit margin per tonne of coal sales was approximately 65.4%. The cost of sales per tonne of self-produced coal in Wanli Mines was approximately RMB113.9, and the gross profit margin per tonne of coal sales was approximately 54.0%. The cost of sales per tonne of self-produced coal in Zhunge'er Mines was approximately RMB128.1, and the gross profit margin per tonne of coal sales was approximately 44.4%. The cost of sales per tonne of self-produced coal in Shengli Mines was approximately RMB39.0, and the gross profit margin per tonne of coal sales was approximately 50.7%.

1 Coal sales of the Company are blended according to the request from customers, it is not possible to differentiate accurately between the sales of self-produced coal and the sales of coal purchased from third parties. The Company estimates the price of self-produced coal by mine according to the quality of coal, sales type and selling price. Hence, the price and gross profit margin of the sales of self-produced coal by mine are estimated data, for investors' reference only.

2 Cost of sales per tonne of coal of the Company represents coal production and procurement costs plus transportation cost after elimination on consolidation of the three segments of coal, railway and port. Cost of sales per tonne of self-produced coal by mine represents coal production cost plus transportation cost after elimination on consolidation of the three segments of coal, railway and port.

5 Power[1]

(1) Power generation

Installed capacity of coal-fired power plants

	Location	As at 31 December 2007 Installed capacity MW	First half of 2008 Additions of installed capacity MW	As at 30 June 2008 Installed capacity MW	As at 30 June 2008 Equity installed capacity MW
Huanghua Power	Hebei	1,200	–	1,200	612
Panshan Power	Tianjin	1,000	–	1,000	332
Sanhe Power	Hebei	1,300	–	1,300	365
Guohua Zhunge'er	Inner Mongolia	1,320	–	1,320	896
Beijing Thermal	Beijing	400	–	400	204
Zhunge'er Power	Inner Mongolia	200	300	500	289
Dingzhou Power	Hebei	–	1,200	1,200	486
Suizhong Power	Liaoning	1,600	–	1,600	1,040
Ninghai Power	Zhejiang	2,400	–	2,400	1,440
Jinjie Energy	Shaanxi	1,800	600	2,400	1,680
Shenmu Power	Shaanxi	200	–	200	102
Taishan Power	Guangdong	3,000	–	3,000	2,400
Shendong Coal	Shanxi/Shaanxi/ Inner Mongolia	324	–	324	301
Shendong Power	Shaanxi/ Inner Mongolia	347	400	747	422
Total		15,091	2,500	17,591	10,569

1 On 15 November 2007, the shareholders' meeting of Dingzhou Power resolved to revise the Articles of Association of Dingzhou Power, such that the Company was empowered to appoint the majority of the board of directors of Dingzhou Power so as to obtain control over Dingzhou Power. On 29 February 2008, Zhunge'er Energy, the Company's subsidiary, acquired the entire remaining equity interests in its associate, Zhunger'er Coal Gangue Power, and Zhunge'er Coal Gangue Power was included in the scope of the Company's consolidated financial statements since 29 February 2008.

Comprehensive performance indicators of coal-fired power plants for the first half of 2008

	Regional grid	Gross power generation 100 million kwh	Total power output dispatch 100 million kwh	Average utilization hours Hour	Standard coal consumption rate for power output dispatch g/kwh
Huanghua Power	North China Power Grid	34.7	33.1	2,889	313
Panshan Power	North China Power Grid	30.5	28.6	3,052	330
Sanhe Power	North China Power Grid	31.1	29.1	2,396	337
Guohua Zhunge'er	North China Power Grid	30.6	27.8	2,316	338
Beijing Thermal	North China Power Grid	12.3	10.9	3,070	266
Zhunge'er Power	North China Power Grid	9.8	8.7	2,430	465
Dingzhou Power	North China Power Grid	38.5	36.5	3,210	323
Suizhong Power	Northeast Power Grid	41.8	39.5	2,610	330
Ninghai Power	East China Power Grid	67.8	64.2	2,826	320
Jinjie Energy	North China Power Grid	49.2	44.9	2,588	343
Shenmu Power	Northwest Power Grid	7.2	6.5	3,580	394
Taishan Power	South China Power Grid	93.5	87.8	3,116	317
Shendong Coal	Northwest/North China Power Grid	9.8	8.6	3,026	374
Shendong Power	Northern China/Shaanxi province local Power Grid	16.3	14.5	2,403	428
Total/weighed average		473.1	440.7	2,795	332

The Group is keen on developing clean thermal power business which has synergies with the coal business. As at 30 June 2008, the Group controlled and operated 14 coal-fired power plants with the total installed capacity and equity installed capacity of 17,591 MW and 10,569 MW respectively. The equity installed capacity accounted for 60.1% of the total installed capacity. The average capacity of generation unit of the Group had reached 352 MW at the end of the period.

Gross power generation of the Group's coal-fired units in the first half of 2008 was 47.31 billion kwh, representing an increase of 9.31 billion kwh or 24.5% over the same period of last year. Total power output dispatch of the coal-fired units was 44.07 billion kwh, representing an increase of 8.62 billion kwh or 24.3% over the same period of last year; the average utilisation hours of the coal-fired units was 2,795 hours, representing a decrease of 167 hours over the same period of last year, which was 240 hours higher than the national average level of 2,555 hours.

In the first half of 2008, coal consumption for the power segment of the Group was 20.9 million tonnes, of which, the consumption of Shenhua coal was 19.8 million tonnes, which accounted for 94.7% of the total consumption. The standard coal consumption rate of power output dispatch was 332g/kwh. Due to the increase of coal gangue units, the thermal efficiency decreased as compared with the same period in 2007. However, the commencement of operations of coal gangue units increased the economic added value of the power business of the Company.

Besides coal-fired power generation, the Group also operates a gas-fired power plant, Yuyao Power, and a wind power company, Zhuhai Wind Energy. The installed capacity of Yuyao Power in the first half of 2008 was 780 MW, gross power generation was 76 million kwh and the on-grid power tariff was RMB390.9/MWh. The installed capacity of Zhuhai Wind Energy was 16 MW; gross power generation was 15 million kwh and the on-grid power tariff was RMB597.5/MWh.

(2) Progress of construction projects

In the first half of 2008, a coal-fired unit with capacity of 600 MW of Jinjie Energy successfully completed 168 hours full-load trial operation, which marked the full operation of the first two phases of Jinjie Energy. Two coal gangue units with capacity each of 200 MW of Shendong Power were successfully put into operation.

(3) Operation results of power segment

a. Revenues

For the six months ended 30 June 2008, revenues of power segment of the Group before elimination on consolidation was RMB13.910 billion (the first half of 2007: RMB11.667 billion), representing an increase of 19.2% over the same period of last year. The increase was mainly attributable to the increase in power generation. Since the newly-added units of the Company were mainly located in the mine mouth areas and along the rail lines, power tariff was relatively lower, thereby brought the average power tariff downward. Therefore, the growth of revenues was lower than the increase in power output dispatch.

Power tariff of coal-fired power plants

	Regional grid	For the six months ended 30 June 2008 RMB/MWh	2007 (restated) RMB/MWh
Huanghua Power	North China Power Grid	286	298
Panshan Power	North China Power Grid	339	341
Sanhe Power	North China Power Grid	301	307
Guohua Zhunge'er	North China Power Grid	223	207
Beijing Thermal	North China Power Grid	382	382
Zhunge'er Power	North China Power Grid	206	174
Dingzhou Power	North China Power Grid	263	–
Suizhong Power	Northeast Power Grid	299	303
Ninghai Power	East China Power Grid	358	369
Jinjie Energy	North China Power Grid	211	222
Shenmu Power	Northwest Power Grid	258	246
Taishan Power	South China Power Grid	381	381
Shendong Coal	Northwest/North China Power Grid	214	218
Shendong Power	Northern China/Shaanxi province local Power Grid	239	246
Weighted average		305	321

b. Cost of revenues

For the six months ended 30 June 2008, cost of revenues of the Group's power segment was RMB10.650 billion (the first half of 2007: RMB7.601 billion), representing an increase of 40.1% over the same period of last year. The major reasons of increase were:

(a) the increase of power generation resulted in the cost increase;

(b) The unit power generation cost increased, which was mainly attributable to: a. the decrease in the average utilization hours in the first half year led to an increase in all items in the unit cost; b. the increase in fuel prices led to an increase in materials, fuel and power; c. the increase in the number of staff led to an increase in personnel expenses.

Fuel cost and standard coal price of power plants

		For the six months ended 30 June			
		2008		2007 (restated)	
	Regional grid	Fuel cost RMB/MWh	Standard coal price RMB/tonne	Fuel cost RMB/MWh	Standard coal price RMB/tonne
Huanghua Power	North China Power Grid	158	506	136	418
Panshan Power	North China Power Grid	155	469	132	399
Sanhe Power	North China Power Grid	158	469	130	401
Guohua Zhunge'er	North China Power Grid	86	255	77	232
Beijing Thermal	North China Power Grid	121	454	100	385
Zhunge'er Power	North China Power Grid	102	219	95	228
Dingzhou Power	North China Power Grid	149	462	–	–
Suizhong Power	Northeast Power Grid	181	549	153	461
Ninghai Power	East China Power Grid	204	638	174	530
Jinjie Energy	North China Power Grid	59	173	82	236
Shenmu Power	Northwest Power Grid	62	156	65	164
Taishan Power	South China Power Grid	217	683	172	540
Shendong Coal	Northwest/North China Power Grid	73	196	23	52
Shendong Power	Northern China/Shaanxi province local Power Grid	94	219	74	165
Weighted average		155	466	139	417

c. Profit from operations

For the six months ended 30 June 2008, the profit from operations of the Group's power segment was RMB2.496 billion (the first half of 2007: RMB3.345 billion), representing a decrease of 25.4% over the same period of last year. During the same period, the operating margin of power segment decreased from 28.7% to 17.9%.

(III) Consolidated results of operations

1 Notes to consolidated income statement

(1) Revenues

Breakdown of revenues

	For the six months ended 30 June 2008 RMB million	2007 (restated) RMB million	Percentage change %
Revenues			
- Coal revenue	**34,112**	26,328	29.6
- Power revenue	**13,587**	11,468	18.5
- Other revenues	**1,583**	1,061	49.2
Total	**49,282**	38,857	26.8

For the six months ended 30 June 2008, revenues of the Group was RMB49.282 billion (the first half of 2007: RMB38.857 billion), representing an increase of 26.8% over the same period of last year. The increase was mainly attributable to the increase in coal production and sales as well as price rise, an increase in power output dispatch and an increase in the transportation volume. During the same period, the proportion of coal revenue to total operating revenues increased from 67.8% to 69.2%, while the proportion of power revenue to total operating revenues decreased from 29.5% to 27.6%.

In the first half of 2008, the total revenues from the top five customers of the Group were RMB10.763 billion, which accounted for 21.8% of total operating revenues of the Group.

(2) Cost of revenues

Breakdown of cost of revenues

	For the six months ended 30 June 2008 RMB million	2007 (restated) RMB million	Percentage change %
Coal purchased from third parties	**6,885**	4,723	45.8
Materials, fuel and power	**3,257**	2,426	34.3
Personnel expenses	**2,213**	1,736	27.5
Depreciation and amortisation	**4,455**	3,830	16.3
Repairs and maintenance	**1,651**	1,322	24.9
Transportation charges	**3,203**	3,359	(4.6)
Others	**3,178**	2,145	48.2
Total	**24,842**	19,541	27.1

For the six months ended 30 June 2008, cost of revenues of the Group was RMB24.842 billion (the first half of 2007: RMB19.541 billion), representing an increase of 27.1% over the same period of last year. The main reasons for the increase were:

(a) Increase in unit cost and purchasing volume of coal purchased from third parties led to substantial increase in the cost of coal purchased from third parties;

(b) Increase in fuel price and coal production led to rise in cost of materials, fuel and power;

(c) Increase in the number of staff and additional performance bonus led to increase in personnel expenses;

(d) Increase in other costs, which was mainly attributable to the factors included: a. coal mine development fund, implementation of transformation fund, environmental restoration fund and sustainable development fund levied by Shanxi Province; b. increase in the rate of land use tax; c. increase in service charges.

In the first half of 2008, the amount of purchases from the top five suppliers of the Group was RMB4.052 billion, which accounted for 14.0% of the total purchases for the first half year. Purchases from the largest supplier amounted to RMB1.324 billion, which accounted for 4.6% of the total purchases for the first half year.

(3) Selling, general and administrative expenses

For the six months ended 30 June 2008, selling, general and administrative expenses of the Group were RMB2.501 billion (the first half of 2007: RMB2.591 billion), representing a decrease of 3.5% over the same period of last year.

(4) Income tax

For the six months ended 30 June 2008, income tax of the Group was RMB3.709 billion (the first half of 2007: RMB3.113 billion), representing an increase of 19.1% over the same period of last year. The increase was mainly attributable to the increase of profit. As a result of the implementation of new tax rate, the effective tax rate of the Company decreased from 20.1% in the same period of last year to 18.1% in the same period of this year.

(5) Profit attributable to equity shareholders of the Company for the period

For the six months ended 30 June 2008, profit attributable to equity shareholders of the Company for the period was RMB14.817 billion (the first half of 2007: RMB10.363 billion), representing an increase of 43.0% over the same period of last year.

2 Notes to consolidated balance sheet

(1) Property, plant and equipment

As at 30 June 2008, the net book value of property, plant and equipment of the Group was RMB135.427 billion, representing an increase of 3.3% as compared with RMB131.059 billion as at 31 December 2007.

As at 30 June 2008, the proportion of property, plant and equipment of the Group to total assets amounted to 53.3%, representing a decrease of 1.5 percentage points as compared with 54.8% as at 31 December 2007.

(2) Construction in progress

As at 30 June 2008, construction in progress of the Group was RMB27.561 billion, representing an increase of 23.3% as compared with RMB22.358 billion as at 31 December 2007.

As at 30 June 2008, construction in progress of the Group to total assets amounted to 10.8%, representing an increase of 1.4 percentage points as compared with 9.4% as at 31 December 2007.

(3) Inventories

As at 30 June 2008, inventories of the Group was RMB7.408 billion, representing an increase of 16.9% as compared with RMB6.337 billion as at 31 December 2007. The increase was mainly attributable to the increase of spare parts as the production expanding and facilities upgrading.

As at 30 June 2008, the proportion of inventories of the Group to total assets amounted to 2.9%, representing an increase of 0.2 percentage point as compared with 2.7% as at 31 December 2007. Compared with 2007, the inventory turnover rate of the Company remained basically unchanged.

(4) Accounts and bills receivable

As at 30 June 2008, accounts and bills receivable of the Group was RMB6.959 billion, representing an increase of 4.8% as compared with RMB6.642 billion as at 31 December 2007. The increase was mainly attributable to the increase of revenues in power segment with longer settlement period.

As at 30 June 2008, the proportion of accounts and bills receivable of the Group to total assets amounted to 2.7%, representing a decrease of 0.1 percentage point as compared with 2.8% as at 31 December 2007.

(5) Borrowings

Borrowings

	As at 30 June 2008 RMB million	As at 31 December 2007 RMB million
Short-term borrowings and current portion of long-term borrowings	**15,107**	10,196
Long-term borrowings, less current portion	**52,578**	49,718
Total borrowings	**67,685**	59,914
Less:		
Cash and cash equivalents	**57,124**	53,404
Time deposits with original maturity over three months	**131**	32
Net borrowings	**10,430**	6,478

As at 30 June 2008, the Group had RMB62.354 billion of borrowings denominated in Renminbi, RMB5.012 billion of borrowings denominated in Japanese Yen and RMB319 million of borrowings denominated in US Dollars.

(6) Capital structure

As at 30 June 2008, the gearing ratio (total liabilities/total assets) of the Group was 37.8%, representing an increase of 0.5 percentage points as compared to 37.3% as at 31 December 2007. The interest cover multiple (profit before interest and tax/interest expense) was 9.81 times (30 June 2007: 9.03 times).

3 Notes to consolidated cash flow statement

As at 30 June 2008, cash and cash equivalents of the Group was RMB57.124 billion, representing an increase of 7.0% as compared with RMB53.404 billion as at 31 December 2007.

Net cash generated from operating activities increased from RMB12.081 billion for the six months ended 30 June 2007 to RMB20.563 billion for the same period in 2008, representing an increase of 70.2%. The increase was mainly attributable to the increase of sales revenue.

Net cash used in investing activities increased from RMB10.565 billion for the six months ended 30 June 2007 to RMB14.547 billion for the same period in 2008, representing an increase of 37.7%. The increase was mainly attributable to the increase in capital expenditure and cash payment for the acquisition of Zhunge'er Coal Gangue Power.

Net cash used in financing activities increased from RMB1.437 billion for the six months ended 30 June 2007 to RMB2.296 billion for the same period in 2008, representing an increase of 59.8%. The increase was mainly attributable to the increased payment of cash dividends and decreased cash from borrowings for the period.

(IV) Operating conditions and results of major subsidiaries and joint ventures

No.	Name of entity	Nature of operation	Major products or services	Registered capital RMB million	Total assets RMB million	Net assets/ (liabilities) RMB million	Net profit/(loss) (attributable to Parent Company) RMB million
1	CLP Guohua Power Co., Ltd	Electricity enterprise	Generation and sale of electricity	1,636.76	13,080.85	5,004.07	203.06
2	Guangdong Guohua Yuedian Taishan Power Co., Ltd	Electricity enterprise	Generation and sale of electricity	2,700.00	12,131.36	3,509.87	424.35
3	Zhejiang Guohua Zheneng Power Co., Ltd	Electricity enterprise	Generation and sale of electricity	1,753.40	13,169.84	2,684.34	239.08
4	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd	Electricity enterprise	Generation and sale of electricity	170.00	2,017.46	(79.83)	(137.74)
5	Shenhua Zhunge'er Energy Co., Ltd.	Electricity enterprise, coal mine operation	Coal mining and development; generation and sale of electricity	7,102.34	13,600.05	11,534.61	1,031.87
6	Shenhua Beidian Shengli Energy Co., Ltd.	Coal mine operation	Coal mining and development	525.00	1,815.39	773.12	110.70
7	Beijing Shenhua Hengyun Energy Technology Co., Ltd.	Coal transportation and sale	Coal purchase and sale	50.00	1,526.61	664.82	516.47
8	Shenhua Group Shenfu Dongsheng Coal Co., Ltd.	Integrated services	Provision of integrated services	215.00	3,509.96	1,484.14	154.05
9	Shuohuang Railway Development Co., Ltd.	Railway operation	Provision of transportation service	5,880.00	19,490.89	11,304.05	2,068.66
10	Shenhua Baoshen Railway Co., Ltd	Railway operation	Provision of transportation service	1,003.87	2,316.17	1,418.12	99.07

Note: The financial data in the above table have been prepared in accordance with China Accounting Standards. The financial information of major subsidiaries and joint ventures disclosed above has not been audited or reviewed.

(V) Capital expenditure

	Actual in the first half of 2008 RMB million	Percentage to total %	**Plan for 2008 RMB million**	**Percentage to total %**
Coal segment	5,981	41.2	**13,840**	**34.8**
Railway segment	332	2.3	**7,680**	**19.3**
Port segment	141	1.0	**1,170**	**2.9**
Power segment	7,482	51.5	**16,860**	**42.4**
Corporate and others	584	4.0	**230**	**0.6**
Total	14,520	100.0	**39,780**	**100.0**

Note: The current plans of the Group in relation to future capital expenditure are subject to the business development and plans of the Company, the progress of the investment projects of the Group, market conditions, the future prospect of the business environment of the Group, and requisite permissions and regulatory approvals. Save as required by laws, the Group does not assume any responsibility to update its disclosures on capital expenditure plans on a continuous basis. The Group intends to meet its demand for capital with cash generated from operation activities, short-term and long-term borrowings, part of the proceeds raised from the A Shares initial public offering and other debt and equity facilities.

In the first half of 2008, projects in the capital expenditure plan 2008 of the Company progressed as scheduled. The main projects which had been accomoplished and had made great progress included: the construction of Bu'ertai project of Wanli Mines had basically been completed and had started trial production; over 90% of the planned project of mining construction and stripping work of Ha'erwusu open-cut mine in Zhunge'er Mines was completed; foundation work for the coal transportation dedicated line (Nanping branch) has entered the final stage. The last 600 MW coal-fired unit of Jinjie Energy phase II project has passed 168 hours full-load test run.

In the second half of 2008, the Company will continue to steadily proceed with project construction in accordance with plan set at the beginning of the year. This includes continuous improvement on the coal mine construction such as Ha'erwusu project and Bu'ertai project etc., trial operation of trains with loading capacity reaching 10,000 tonnes for Shenshuo-Shuohuang Railway and the related construction and purchase of trains, enhancing capacity of the second extentional line of Baoshen Railway (Batuta to Dongsheng section) connecting Wanli Mines and Shendong Mines with Shenshuo Railway, construction of the second extentional line of Dazhun Railway (Dian Daigou to Er Daohe section) connecting Zhunge'er Mines to Daqin railway, promotion of capacity enhancement projects for railways such as the Huangyuchuan railway dedicated lines; broadening project of Huanghua Port sea channel , capacity expantion project for Shenhua Tianjin Coal Dock phase II project (capacity for seaborne coal will reach 35 million tonnes/year after capacity expantion), and the capacity expansion project for Ninghai Power phase II (2 X 1,000 MW), Huanghua Power phase II (2 X 600 MW), Dingzhou Power phase II (2 X 600 MW) and the coal gangue power plant of Shendong Power.

(VI) Business environment analysis[1]

In the first half of 2008, despite the adverse impact brought by natural disasters together with the complicated and ever-changing international economic environment, China's economy maintained relatively rapid growth as the whole, which provided favourable conditions for the Company's development.

China's growing economy has boosted strong demand for coal and other energy-related products. In the first half of the year, the coal industry demonstrated strong demands, continued tight supplies and soaring prices. Domestic sales of commercial coal in the first half year amounted to 1,201.67 million tonnes, representing an increase of 10.7% over the same period of last year. The railway transportation capacity for coal remained tight. Coal price continued to rise due to factors including demand-over-supply, policy-driven cost and substantial rise in price of energy products domestically and internationally.

During the first half year, domestic supply and demand of power was basically balanced as the whole despite tight power supplies in certain districts and during certain periods. Power consumption by the general public in the first half of 2008 recorded a growth of 11.7% over the same period of last year. The total installed capacity of power generation units with capacity of 6,000 KW or above achieved an increase of 14.1% over the same period of last year. However, since the spot price of thermal coal increased significantly, the average utilization hours of power generation facilities decreased and power tariffs remained under government's control, profitability of power generation enterprises decreased significantly.

Looking into the second half year, the Chinese government will implement the macro control policy of curbing further rise of commodity prices in order to maintain the steady and relatively fast development of economy. It is expected that China's economy will maintain an on-going and relatively fast growth in the second half year, which is helpful for the development of the coal and power industry. Economic development will further drive up the demand for energy products such as coal.

It is anticipated that major coal consumption industries will maintain relatively fast growth in the second half of this year, which in turn will lead to continuous strong demand for coal. Restricted by tight railway transportation capacity of the major coal producing regions and China's continued policy on consolidation and closure of small coal mines, it is expected that tight supply of coal will persist in the second half of the year, particularly during the peak seasons for coal consumption when tight supply of thermal coal may intensify. Policy related cost increase, such as potential reform on resource tax, may have an impact on the Company's cost control. Recently, the Country has adopted the temporary price-capping policy, which has curbed further rise of the spot price of coal. In the long run, China will continue its reform on coal marketization. Guided by the national industrial policy of "preferring large enterprises to small enterprises", large coal enterprises will have more space for development.

In the second half of the year, it is expected that domestic supply and demand of power will be basically balanced. The Country will continue to implement policies of encouraging industry consolidation, energy conservation and continuous phase-out of small coal-fired power generation units. Considering the increase of investment in the power industry in recent years, it is expected that installed power capacity in the whole country will further increase, and average utilization hours of power generation facilities will further drop, and power supplies may remain tight in certain districts and certain periods.

1 This section is only for reference and does not constitute investment advice. The Company has made its best endeavours for the accuracy and reliability of the information in this section. However, the Company neither takes responsibility nor provides guarantee in any form for the accuracy, completeness or validity of all or any part of its contents. The Company will not be responsible for any error or omission therein. This section may contain certain forward-looking statements which are based on subjective assumptions or judgments made on political or economic prospects, which may be subject to uncertainty. The Company takes no responsibility for the update of any information or the correction of any subsequent identified errors contained herein. The opinions, estimates or other information contained herein may be revised or withdrawn without further notice.

(VII) Major risk exposures of the Company

1 Risk of macroeconomic cyclical fluctuation

The coal and power industry, in which the Company operates, are the fundamental sectors of for the national economy and are closely correlated to the prosperity of the national economy. Cyclical change of the economy affects the performance of the Company and may cause certain risks to the production of the Company.

2 Risk of competition in the coal and power industry

The Company's coal business faces competition posed by other coal producers both in the domestic and international markets. In the domestic market, certain rivals in the coal industry are located close to the coast and therefore have lower transportation costs when they transport coal to target markets and enjoy competitive advantage. The Company's power business mainly competes with the top five power generation corporations in China and other domestic independent power plants. The Company faces competition in areas such as acquiring more coal resources and securing favourable dispatch and higher on-grid power tariff etc., which may adversely affect the production and operation of the Company.

3 Risk of insufficient transport capacity

Other than the transportation system of self-owned railways and ports, the Company also transports coal through external railways and ports. Currently, the external railways and ports are still unable to meet all transport demands for domestic coal. The Company has experienced delay in the process of coal transportation to customers by using external transportation systems. The Company cannot ensure the absense of similar transportation delay in future.

4 Risk of cost increase

In the first half of the year, Consumer Price Index and Producer Price Index rose by 7.9% and 7.6% respectively over the same period of last year. Price of equipment and raw materials required for the production and operation of the Company continued to increase, together with increasing personnel expenses, drove up the production and operation cost of the Company. Meanwhile, policy-driven cost such as possible implementation of resource tax reform may also influence the cost control of the Company, which may affect its business performance.

5 Risk of borrowing interest rate adjustment

In 2008, the Central Government continues to implement a tight monetary policy. Therefore, there is still room for further rise in interest rate. The changes of borrowing interest rate will increase the interest expenses of the Company.

6 Foreign exchange risks

The business operations of the Company are subject to the impact of foreign exchange fluctuation in Renminbi. In the first half of 2008, exchange loss on foreign currency liabilities of the Company was RMB68 million, while the reduction of export income as a result of foreign exchange fluctuation was RMB184 million; the amount of imported equipment cost saved in the year as a result of foreign exchange fluctuation was RMB11 million. The amount of loss to the Company caused by foreign exchange fluctuation in 2008 was RMB241 million. If the exchange rate of Renminbi increase or decrease further, it will affect the Company's profit or loss for the period.

At present, there is a lack of financial tools for hedging foreign exchange risks in China, and this, to a certain extent, limits the ability of the Company in managing foreign exchange risks.

7 Risks of changes in national macro industrial control policies

The operating activities of the Company are affected by national macro control policies. On 19 June and 23 July 2008, the National Development and Reform Commission issued two notices, implementing provisional interference measures on national prices of thermal coal through the announcement of thermal coal selling price of major coal producing enterprises, setting limits on thermal coal prices in specific major ports and distribution centers, enhancing supervision of the fulfillment rates of key thermal coal contracts and enhancing supervision and inspection of tariffs from 19 June to 31 December 2008. Any such measures may have adverse effects on the Company's operations. The uncertainties arising from the implementation of similar national industrial macro policies may also generate risks to the Company's operations.

8 Risks caused by natural factors such as natural disasters and bad weather

The Company's production operation activities will be affected by factors including natural disasters or bad weather. Since the start of the year, certain serious natural disasters have occurred in China, causing certain negative impacts on the Company's operations. Factors such as unforeseeable natural disasters and bad weather may bring certain risks to the Company's operations.

(VIII) Contingent liabilities

As at 30 June 2008, the Group had no material contingent liabilities.

1 Bank guarantees

As at 30 June 2008, no assets of the Group was pledged.

2 Environmental protection responsibility

The Company has been operating in China for many years. China has implemented comprehensive environmental protection regulations which affect the operations of our coal and power generation business. Despite this, based on current legislation, the management believes that other than those accounted for in the financial statements, there are currently no environmental protection obligations that may have a material adverse effect on the Company's financial condition. It is impossible to anticipate the environmental protection legislation that may be enacted in the future. However, such legislation may materially impact on the Company.

3 Legal contingent liabilities

Please refer to the section "Significant Events" in this report.

4 Group insurance

Consistent with our understanding of customary practice for PRC coal mining entities, the Group maintained fire, liability and other property insurance covering certain properties, equipment and inventories of our coal operations for the six months ended 30 June 2008. The Group maintained business interruption insurance and third party liability insurance for personal injuries or environmental damages arising from accidents on our properties or relating to our operations for certain of our power plants and for our vehicles. In respect of transportation business, the Group has maintained property insurance covering its transportation vehicles and has maintained vehicle insurance for Huanghua Port. In addition, in accordance with the requirements of relevant regulations, the Group maintained insurance for its employees against occupational injury, medical treatment, third party liability and unemployment.

The Group insured all of its operating power plants against property losses, lost profits, damages in plant and equipment, personal injury and third party liability. The Group will continue to review and assess its risk portfolio and make necessary and appropriate adjustments to our insurance coverage based on our needs and industry practice with respect to insurance in China.

B Investments of the Company

Total capital expenditure of the Company for the reporting period amounted to RMB14.520 billion, representing an increase of RMB2.095 billion or 16.9% over the same period of last year.

(I) Use of proceeds raised in A shares public offering

1 General use of proceeds raised in A shares public offering

In September 2007, the Company issued 1.8 billion A shares in its public offering. The issue price was RMB36.99 per share. The net amount of proceeds raised was RMB65.988 billion, all of which was received by the Company on or before 28 September 2007. The amount of proceeds used during the reporting period was RMB3.045 billion, of which RMB3.045 billion was used for investments. Aggregate amount of proceeds used was RMB27.479 billion, of which RMB11.479 billion was used for investments, and the remaining balance of proceeds raised in the A shares public offering was RMB38.509 billion. Application of the remaining balance of proceeds not yet utilized: depositing the remaining balance in the amount of RMB39.150 billion into the Company's designated account for public offering proceeds.

2 Use of A shares proceeds on committed projects

	Name of project committed	Amount committed RMB'0000	Whether any change has been made to the project	Actual Investment RMB'0000	Estimated return	Actual return	Whether progress is on schedule	Whether the estimated return is achieved
Coal	Halagou Mine project	169,300	No	169,300		normal	Yes	
	Buértai mine construction project	344,815	No	324,073			Yes	
	Háerwusu open-cut mine project	538,600	No	361,503				
	Sub-total	1,052,715		854,876				
Railway	Construction of Train Dispatching Command System	2,028	No					
	Construction of extension of the 2nd line of Baoshen Railway from Shigetai to Ciyaowan	4,553	No	4,553			Yes	
	Construction of extension of the 2nd line of Baoshen Railway from Dongsheng to Shigetai	5,311	No					
	Purchase locomotives	16,800	No	16,800			Yes	
	Yijing substation, control of pollution by power station	3,649	No	3,649			Yes	
	Truck management information system	547	No					
	Shenshuo railway infrared detecting encryption works	300	No					
	Purchase coal gondola car C70	160,000	No	159,200				
	Sub-total	193,188		184,202				
Port	Huanghua Port car dumper improvement works	4,426	No					
	Sub-total	4,426						
Power	Hebei Sanhe Power phase II	31,602	No					
	Inner Mongolia Guohua Zhunge'er Power expansion project	35,400	No	33,394			Yes	
	Zhejiang Ninghai Power phase II	105,822	No	28,403			Yes	
	Phase II of Shaanxi Jinjie coal and power integration project	64,050	No	18,774			Yes	

	Name of project committed	Amount committed RMB'0000	Whether any change has been made to the project	Actual Investment RMB'0000	Estimated return	Actual return	Whether progress is on schedule	Whether the estimated return is achieved
	Hebei Huanghua power plant phase II	48,690	No	22,217			Yes	
	Hebei Dingzhou phase II	45,500	No	6,057			Yes	
	Liaoning Suizhong phase II	87,482	No				Yes	
	Sub-total	418,546		108,845				
Total		**1,668,875**		**1,147,923**				
Others	Supplement operating capital of the Company and general business use	1,600,000	No	1,600,000				
	Acquisition of strategic assets	3,329,963	No					
Total		**6,598,838**		**2,747,923**				

C Changes in the Company's accounting policies and accounting estimates or reasons for correction of significant accounting errors and their impacts

During the reporting period, there was no change in the Company's accounting policies, accounting estimates and no major accounting errors identified.

D Explanation for the selection of significant accounting policies and accounting estimates

Please refer to note 2 in the section "Interim Financial Report" of this report.

A Changes in equity

The three-month's lock-up period for the 540,000,000 A Shares placed to off-line book-building targets as part of the A shares initial public offering of China Shenhua in September 2007 expired on 9 January 2008. These A shares are no longer subject to selling restrictions and became tradable on 9 January 2008. For details, please refer to relevant announcements published in China Securities Journal, Shanghai Securities News and on the websites of Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 4 January 2008.

Unit: Number of shares

	Before		Change (+/-)					After	
	Number	Percentage	New shares issued	Bonus issued	Conversion from reserves	Others	Sub-total	Number	Percentage
I. Shares with selling restrictions									
1. State-owned shares	14,691,037,955	73.86%	—	—	—	—	—	14,691,037,955	73.86%
2. Domestic legal person shares	540,000,000	2.72%	—	—	—	-540,000,000	-540,000,000	—	—
Total number of shares with selling restrictions	15,231,037,955	76.58%	—	—	—	-540,000,000	-540,000,000	14,691,037,955	73.86%
II. Shares without selling restrictions									
1. RMB ordinary shares	1,260,000,000	6.33%	—	—	—	+540,000,000	+540,000,000	1,800,000,000	9.05%
2. Shares listed overseas	3,398,582,500	17.09%	—	—	—	—	—	3,398,582,500	17.09%
Total number of shares without selling restrictions	4,658,582,500	23.42%	—	—	—	+540,000,000	+540,000,000	5,198,582,500	26.14%
III. Total number of shares	19,889,620,455	100.00%	—	—	—	—	—	19,889,620,455	100.00%

For the six months ended 30 June 2008, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's securities (as provided in the Listing Rules of the Stock Exchange of Hong Kong Limited).

The minimum public float of the Company satisfies the requirement in Rule 8.08 of the Listing Rules of the Stock Exchange of Hong Kong Limited.

B Shareholders

I. Total number of shareholders

As at the end of the reporting period, there were a total of 492,190 shareholders of the Company, of which 489,724 are holders of A shares (including Shenhua Group) and 2,466 are holders of H shares.

II. Top ten shareholders and top ten shareholders without selling restrictions

Statement on relationship of the shareholders set out below and whether they are parties acting in concert: China Life Insurance Company Limited – bonus – personal bonus – 005 and China Life Insurance Company Limited – traditional – ordinary insurance product are different accounts of the same insurance company; China Life Insurance Company Limited is a subsidiary of China Life Insurance (Group) Company; other than the above, the Company is not aware of whether there exists any connected relationship between the top ten shareholders and the top ten shareholders without selling restriction, and whether they are parties acting in concert pursuant to the Measures for the Administration of Acquisation of Listed Companies.

1 Top ten shareholders

Unit: number of shares

Name of shareholder	Nature of shareholder	Shareholding percentage	Total number of shares held at the end of the reporting period	Increase or decrease during the reporting period	Number of shares with selling restrictions	Number of shares subject to pledge or lock-up
Shenhua Group	State-owned	73.86%	14,691,037,955	—	14,691,037,955	Nil
HKSCC NOMINEES LIMITED(Note)	Overseas legal person	16.80%	3,341,290,630	+35,806,350	—	Unknown
PERFEX OVERSEAS LIMITED	Overseas legal person	0.26%	51,870,500	-36,309,350	—	Unknown
Bank of Communication – E Fund 50 Index Securities Investment Fund	Others	0.22%	43,761,477	+32,882,564	—	Unknown
Industrial & Commercial Bank of China – Shanghai Index 50 trading open-end index securities investment fund	Others	0.19%	38,064,669	+33,958,026	—	Unknown
China Life Insurance Company Limited – bonus – personal bonus – 005	Others	0.15%	29,279,277	-7,337,123	—	Unknown
China Life Insurance Company Limited – traditional – ordinary insurance product	Others	0.13%	26,524,782	-1,103,618	—	Unknown
China Life Insurance (Group) Company – traditional – ordinary insurance product	Others	0.12%	24,000,000	-10,496,400	—	Unknown
Industrial & Commercial Bank of China – Southern Composition Selected Stock Securities Investment Fund	Others	0.11%	22,748,666	Unknown	—	Unknown
Bank of China – Jia Shi Hu Shen 300 index securities investment fund	Others	0.10%	20,406,625	+13,566,343	—	Unknown

Note: H Shares held by HKSCC Nominees Limited are held on behalf of a number of its account participants.

2 Top ten shareholders without selling restrictions

Unit: number of shares

Name of shareholder	Number of shares without selling restrictions	Type of shares
HKSCC NOMINEES LIMITED	3,341,290,630	Foreign shares listed overseas
PERFEX OVERSEAS LIMITED	51,870,500	Foreign shares listed overseas
Bank of Communication – E Fund 50 Index Securities Investment Fund	43,761,477	RMB ordinary shares
Industrial & Commercial Bank of China – Shanghai Index 50 trading open-end index securities investment fund	38,064,669	RMB ordinary shares
China Life Insurance Company Limited – bonus – personal bonus – 005	29,279,277	RMB ordinary shares
China Life Insurance Company Limited – traditional – ordinary insurance product	26,524,782	RMB ordinary shares
China Life Insurance (Group) Company – traditional – ordinary insurance product	24,000,000	RMB ordinary shares
Industrial & Commercial Bank of China – Southern Composition Selected Stock Securities Investment Fund	22,748,666	RMB ordinary shares
Bank of China – Jia Shi Hu Shen 300 index securities investment	20,406,625	RMB ordinary shares
Bank of Communication – Bo shi emerging growth stock investment fund	19,076,534	RMB ordinary shares

III. Number of shares held by top ten shareholders with selling restrictions and their selling restrictions

No.	Name of shareholder subject to selling restrictions	Number of shares subject to selling restrictions	Details on trading and listing of shares that are subject to selling restrictions		Selling restrictions
			Date on which trading is permitted	Increase in the number of tradable shares	
1	Shenhua Group	14,691,037,955	9 October 2010	14,691,037,955	Shenhua Group shall not transfer or entrust others to manage its shares directly or indirectly, nor shall such shares be acquired by the Company, within 36 months from the date on which the shares of the Company were listed on Shanghai Stock Exchange.

IV. Substantial Shareholders' interests and/or short positions in the shares or underlying shares of the Company

As at 30 June 2008, persons set out in the table below had an interest or short position in the shares or underlying shares of the Company which falls to be recorded in the register to be kept pursuant to section 336 of Part XV of the Securities and Futures Ordinance (the "SFO", Chapter 571 of the Laws of Hong Kong):

Name of shareholders	Capacity	H/domestic shares	Nature of interest	Number of H/domestic shares held	Percentage of H/domestic shares over all issued H/domestic shares respectively %	Percentage of total issued shares capital of the Company %
Shenhua Group	Beneficial owner	Domestic Shares	N/A	14,691,037,955	89.08	73.86
JPMorgan Chase & Co.	Beneficial owner	H Shares	Long position	303,180,847	8.92	1.52
	Investment manager		Short position	43,055,624	1.27	0.22
	Custodian		Lending pool	112,883,711	3.32	0.57
UBS AG	Beneficial owner	H Shares	Long position	259,400,627	7.63	1.30
	Interest of corporation controlled by person holding secured interests in the shares		Short position	112,616,330	3.31	0.57

Note: Information disclosed above is based on information available on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)

Save as disclosed above and as at 30 June 2008, in so far as the directors, president and supervisors of the Company are aware, there was no other interest and/or short position held by any person in the shares or underlying shares of the Company (as the case may be) which is required to be recorded in the register and kept by the Company under section 336 of Part XV of the SFO, or was otherwise a substantial shareholder of the Company.

C Changes in controlling shareholders and effective controllers

There has not been any change to the controlling shareholder(s) and effective controller(s) of the Company during the reporting period.

A Changes in shares of the Company held by directors, supervisors and senior management

During the reporting period, none of the directors, supervisors and senior management of the Company held or has engaged in trading of shares in the Company.

B Appointment or removal of directors, supervisors and senior management

I. During the reporting period, no directors, supervisors and senior management was appointed or removed by the Company.

II. The Board of Directors of the Company received a written report on 29 August 2008 from Mr. Yun Gongmin, the Company's non-executive Director, for the resignation of his office as non-executive director and member of the Strategic Committee of the Board of Directors due to job transfer. Pursuant to the Articles of Association of China Shenhua Energy Company Limited, the resignation of Mr. Yun Gongmin shall be effective upon the delivery of his resignation report to the Board of Directors.

C Disclosure of interests by directors, supervisors and senior management

As at 30 June 2008, none of the directors, supervisors or senior management had any interest or short position in the shares or underlying shares of the Company or any of its associated corporations within the meaning of Part XV of the SFO (Chapter 571 of the Laws of Hong Kong), which was required to be entered into the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified by the directors and supervisors to the Company and the Stock Exchange of Hong Kong Limited pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

As at 30 June 2008, the Company had not granted any equity securities or warrants to any of its directors, supervisors or senior management, or their respective spouses or children under the age of 18.

D Employees of the Company

The Company has set up a performance appraisal system which is closely linked with the Company's results and personal capabilities based on the principle of remuneration by posts and by reference to internal and external remuneration levels, and has arranged fixed amount statutory social insurance and other commercial insurance for employees in accordance with national requirements. As at 30 June 2008, the Company had 58,788 employees. Composition of the employees of the Company was as follows:

I. Composition by expertise

Types of expertise	Number of employees
Operation and maintenance	38,481
Management and administration	6,905
Finance and accounting	805
R&D and technical support	5,134
Sales and marketing	1,164
Others	6,299
Total	58,788

II. Composition by educational level

Educational level	Number of employees
Postgraduate or above	492
University graduate	8,191
Junior college graduate	12,180
Secondary specialized school graduate	13,627
Vocational school graduate	6,637
High school graduate	11,449
Middle school graduate or below	6,212
Total	58,788

Investor relations under the pressure of violent market adjustments

A market environment full of challenges and pressure

Since the start of 2008, affected by emergencies such as the US sub-prime mortgage crisis and natural disasters, there was concern in the international and domestic capital markets that the economy of China might slow down and such concern continued to intensify in the first half of 2008. Meanwhile, due to inflation factors such as the sustained high CPI, regulatory authorities have started to exert control over coal prices in the spot market and continue to impose strict control over prices of related energy products such as electricity, which had a negative impact on the confidence of international and domestic investors in the profitability and the room for premium of the Company's businesses such as coal and electricity.

During the first half of 2008, SSE Composite Index has dropped by 48.0% and the stock price of China Shenhua's A shares dropped by 42.7%; Hang Seng Index and Chinese Enterprises Index dropped by 20.5% and 26.1% as compared with the start of the year, and China Shenhua H shares dropped by 34.3%.

The volatile international and domestic capital markets have brought great pressure and challenges to China Shenhua in its investor relations activities.

Table 1: A comparison of the trends of China Shenhua A shares with SSE Index and Shenzhen Composite Index

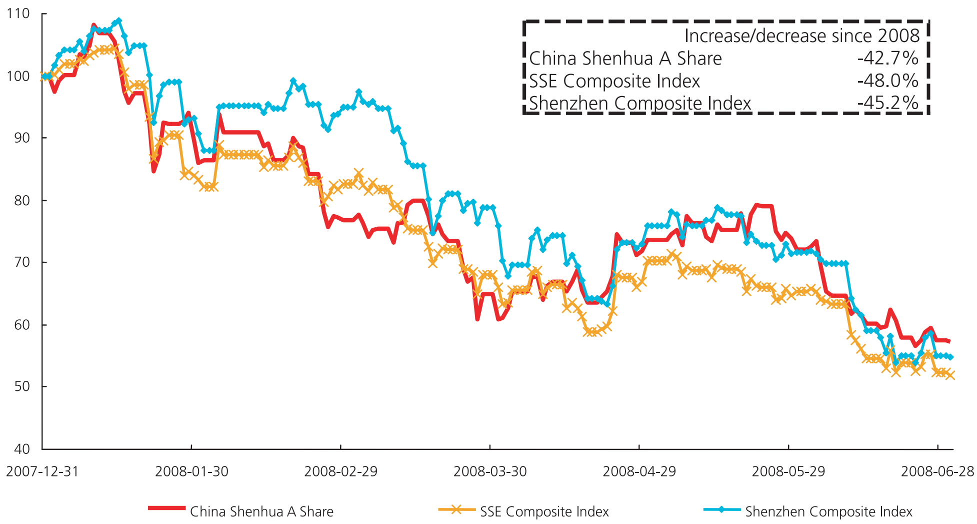


Table 2: A comparison of the trends of China Shenhua H shares with Hang Seng Index, H-Share Index

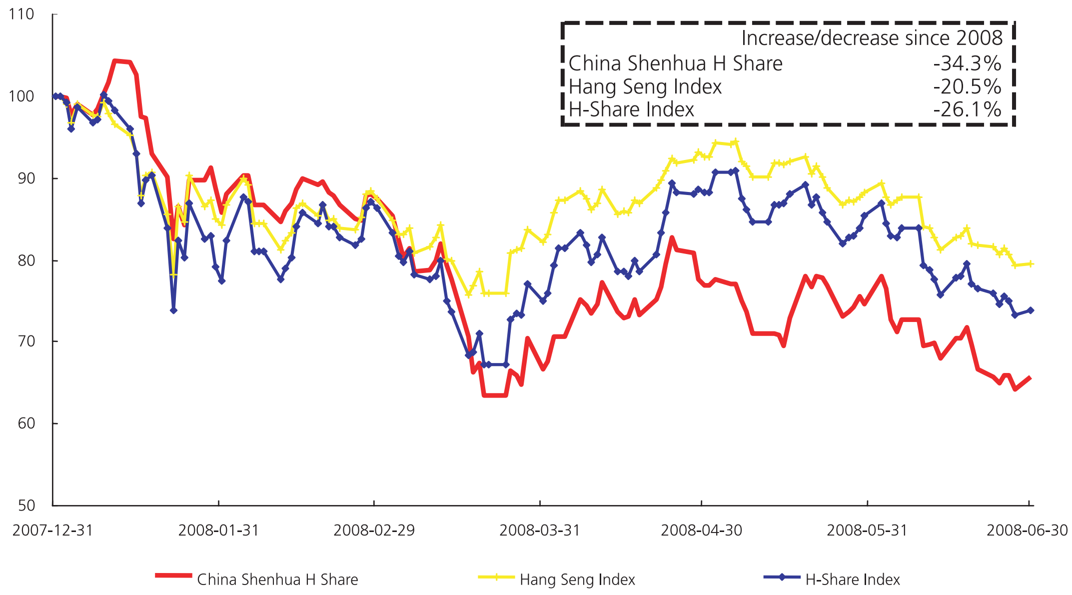


Table 3: The share price trends of China Shenhua A shares and that of the comparable companies

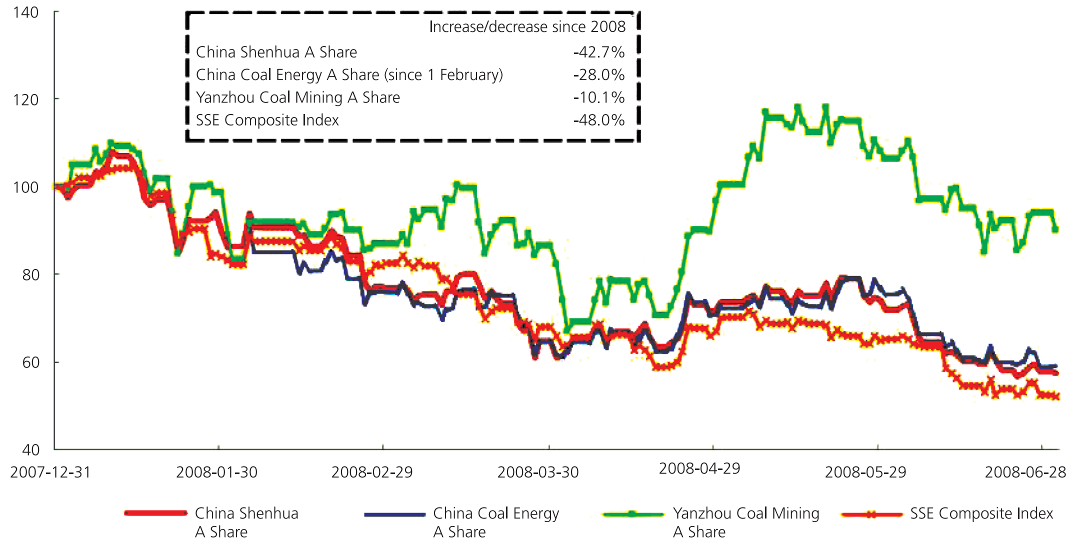
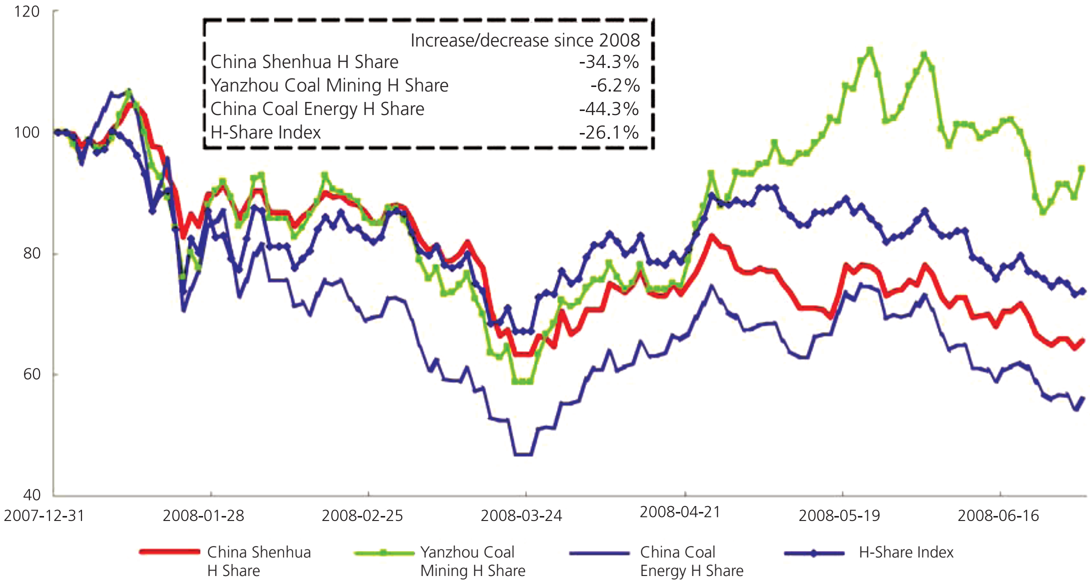


Table 4: The share price trends of China Shenhua H shares and that of the comparable companies



Investor relations efforts against difficulties

Comprehensive and in-depth market interactions

While encountering considerable market adjustments, China Shenhua has further enhanced its investor relations efforts in the first half of 2008 so as to strengthen investors' confidence and to continue its consistent interaction and efficient exchanges with the international and domestic capital markets.

During the first six months of 2008, China Shenhua, through various means such as results announcement meetings, global roadshows, A shares roadshows, reverse roadshows, annual general meeting for 2007, investment forums, company visits and telephone conferences, conducted active and frank communications with investors and analysts. China Shenhua has met with around 1,200 analysts and fund managers, of which:

Through roadshows, China Shenhua met around 500 analysts and fund managers. Through investment forums, China Shenhua has met around 600 analysts and fund managers. Through company visits and telephone conferences, China Shenhua has met around 100 analysts and fund managers.

High level interaction between senior management and the market

All members of China Shenhua's management attended the annual general meeting for 2007. They conducted in-depth and comprehensive exchanges with investors attending the meeting after votes were cast on various proposals put forward at the annual general meeting and answered relevant questions raised by investors, and have achieved positive results.

Paying attention to individual investors

Under turbulent market conditions, individual investors are apt to become vulnerable groups given factors such as their capital size and limited information channel. To ensure effective communication with small and medium individual investors, China Shenhua has set up a dedicated hot line and a special mail box to the secretary of the board so as to provide an expeditious and smooth communication channel for small and medium investors, thereby securing their access to information of the Company in a timely and comprehensive manner.

Implementing work of investor relations at various levels and in a comprehensive manner

Active promotion of corporate social responsibility

China Shenhua first issued the "Social Responsibility Report" in the reporting period of 2007 annual report. During the 2007 results roadshow and exchanges with capital markets through various forms in the first half of 2008, China Shenhua actively introduced its efforts in safety, health, environmental protection, green energy and sustainable development to the international and domestic capital markets, conveying China Shenhua's social responsibility philosophy of "Exploring Resources, Benefiting Mankind".

Participation in the "Carbon Emission" survey

China Shenhua participated in the "Carbon Emission" survey conducted by the London-based Global Carbon Disclosure Project Organization (CDP) on a worldwide basis to introduce the carbon emission policy of China Shenhua and its efforts in controlling carbon emission to institutional investors in international capital market, who are concerned about the survey. The contents of the survey include moves and achievements of China Shenhua in its active development and utilization of new energy sources and renewable energy, the enhancement of energy consumption management, increasing investment in environmental protection, reduction in energy consumption for production and the improvement in the energy utilization efficiency for realizing the objective of "green energy".

An introduction to the diversified operations of the Company

China Shenhua successfully conducted the A+H reverse roadshow for 2008, which displayed its world-leading open-cut mining business and top-ranking environmentally-friendly power generation business to international and domestic investors and analysts on site for the first time.

Facilitation of investor relations efforts through industrial exchanges

The Company organized exchange seminars for H-share and A-share listed energy companies in the first half of 2008 to conduct in-depth exchanges with domestic blue chip listed companies in the energy industry on investor relations efforts. The in-depth and comprehensive industrial exchanges have provided external support for the Company to further improve the quality of the investor relations efforts.

A Corporate governance

During the reporting period, China Shenhua, taking into account its actual situation, has further improved its corporate governance in accordance with the requirements of the international and domestic regulatory requirements. The Company had amended or formulated various internal control systems including "Information Disclosure Policy of China Shenhua Energy Company Limited", "Rules on Use of Proceeds Raised by China Shenhua Energy Company Limited", "Connected Transactions Decision Making Systems of China Shenhua Energy Company Limited", "Systems of Independent Directors of China Shenhua Energy Company Limited", and "Rules on Work of the Audit Committee of the Board of Directors of China Shenhua Energy Company Limited". During the reporting period, the Company has identified major risks of the Company and formulated corresponding strategies and measures to further improve the comprehensive risk information management system. Further, it has also actively facilitated internal risk identification and assessment work as well as the establishment of internal control system of the Company and its branches and subsidiaries, thereby improving the internal control system standard of the Company.

Pursuant to the relevant requirements of the regulatory authorities, China Shenhua conducted a comprehensive self-inspection over its corporate governance. The Board of Directors of the Company discussed and approved the corporate governance self-inspection report and the rectification plan, the details of which are set out in the relevant announcements published on China Securities Journal, Shanghai Securities News and Securities Times and the websites of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 31 July 2008.

Compliance with Code of Corporate Governance Practices

The Company is committed to improving its corporate governance, and has established a system of corporate governance practices in accordance with the Code of Corporate Governance Practices set out in Appendix 14 of the Listing Rules of the Stock Exchange of Hong Kong Limited. The Company has been in full compliance with the provisions of the Code of Corporate Governance Practices and most of the recommended best practices as specified therein throughout the six months period ended 30 June 2008.

Securities transactions of directors

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

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

The Company has made specific enquiries on all directors of the Company, and all directors have confirmed that they had fully complied with the Model Code for the six months period ended 30 June 2008.

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

Other than the directors' own service contracts, none of the directors or supervisors had any actual personal interest, directly or indirectly, in any material contracts made by the Company or any of its subsidiaries in the six months ended 30 June 2008.

The Company has appointed independent non-executive directors and established its Audit Committee in accordance with the requirements under the Listing Rules of the Stock Exchange of Hong Kong Limited. All members of the Audit Committee of the Board are independent non-executive directors of the Company and the current members are Dr. Chen Xiaoyue (Chairman of the Audit Committee and has relevant professional qualifications and experiences in financial management and accounting), Mr. Huang Yicheng and Mr. Anthony Francis Neoh. On 27 August 2008, the Audit Committee reviewed and voted on the Company's interim financial report for the six months ended 30 June 2008 and has agreed with, and resolved to submit the interim financial report to the Board of Directors for approval.

B Profit distribution

The special dividend distribution plan of the Company was approved at the extraordinary general meeting on 24 August 2007. Such special dividends approved had been distributed on or before 10 June 2008.

The final dividend for 2007 of the Company was approved at the annual general meeting for 2007 held on 16 May 2008. Such final dividend had been distributed on 10 June 2008.

For details of the above dividend distribution plans, please refer to the 2007 annual report and the relevant announcements published in the China Securities Journal, Shanghai Securities News and on the websites of the Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited on 29 May 2008.

The Company does not have any plan to declare or distribute dividend for the first half of 2008 to its shareholders.

C Material litigations and arbitrations

As at the end of the reporting period, the Group was not involved in any material litigations or arbitrations and in so far as the Group is aware, there is no material litigations or claims pending or threatened against it. As at 30 June 2008, the Group was the defendant of certain non-material litigations, and also a party to other certain litigations arising from the ordinary course of business. The likely outcome of these contingent liabilities, litigations or other legal proceedings cannot be ascertained at the current stage, but the management of the Group believe that, any possible legal liabilities which may arise from the aforesaid cases will not have any material adverse effect on the financial position of the Group.

D Equity held by the Company in other listed companies and equity investments in financial institutions

Name of the company held	Amount of initial investment RMB million	Number of shares held Share	Percentage of the direct and indirect shareholding in the company %	Book value at the end of the period RMB million
Shenhua Finance	161	—	40	485

E Acquisition and sale of assets, takeovers and mergers during the reporting period

During the reporting period, the Company has not carried out any material acquisition or sale of assets, takeovers or mergers.

F Details on implementation of stock option incentive plan during the reporting period

During the reporting period, the Company did not implement any stock option incentive plan which involves issuance of new shares of the Company, or which may have impact on the shareholding structure of the Company.

G Material related party transactions of the Company during the reporting period

The Company has established a related party transaction team under the direct leadership of the Chief Financial Officer, which is to be responsible for the management of related party transactions; and has established a business process which properly delineates the responsibilities of the Company and its branches and subsidiaries in the management of related party transactions. It has also established routine examination, reporting systems and responsibility ascertaining system in its branches and subsidiaries. During the reporting period, the Company further amended "Related Party Transactions Decision Making Systems of China Shenhua Energy Company Limited" and "Measures for Monitoring Related Party Transactions of China Shenhua Energy Company Limited" to regulate and strengthen the management of related party transactions of the Company.

In accordance with the requirements of relevant securities regulatory authorities of the PRC, related party transactions under the listing rules of Shanghai Stock Exchange are disclosed as follows:

I Related party transaction related to daily operation

During the reporting period, the implementation of related party agreements related to daily operation of the Company (there was no material changes of the terms of such agreements, please refer to the prospectus and 2007 annual report of the Company for details of such agreements) was as follows:

Related Party Transactions	Provision of products and services by the Group to related parties and other inflows		Purchase of products and services from related parties by the Group and other outflows	
	Amount of transactions RMB million	Percentage of amount to similar transactions %	Amount of transactions RMB million	Percentage of amount to similar transactions %
1 "Agreement on mutual coal supply entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	786	1.9	1,727	23.6
2 "Agreement on the mutual supply of products and services entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	178	–	565	–
Including: (1)Products	3	1.1	422	5.5
(2)Services	175	15.6	143	1.3
3 "Agreement on coal agency sales entered into by Shenhua Group Corporation Limited, China Shenhua Energy Company Limited and the Xisanju Company of Inner-Mongolia Shenhua Coal Transportation and Sales Company Corporation"	8	72.7	–	–
4 "Agreement on coal agency export entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	–	–	41	100.0
5 "Agreement on lease of land use right entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	–	–	–	–
6 "Agreement on property leasing entered into between Shenhua Group Corporation Limited and China Shenhua Energy Company Limited"	–	–	5	4.7
7 "Agreement on financial service entered into between Shenhua Finance Co., Ltd. and China Shenhua Energy Company Limited"[Note]	–	–	19	0.5

Note: The transaction amount for the agreement is calculated based on the net changes in deposits as at the end of the reporting period and the end of the previous year; the percentage of net changes in deposits of Shenhua Finance in the transaction amount for similar transactions = net changes in deposits/net changes in bank deposits of the Group during the reporting period.

The above-mentioned related party transactions were carried out in the ordinary course of business of the Company. The related party transactions of the Company were carried out by reference to market price, subject to strict disclosure procedures for internal management, review of independent directors and approval of shareholders in general meeting. Therefore, these transactions will not have negative impact on the independence of the Group.

II Material related party transactions in relation to assets and equity transfer

During the reporting period, the Company did not carry out any material related party transactions in relation to assets and equity transfer.

III Debt assets and liabilities due from/owed to related parties

Related parties	Related Relationship	Funds provided to related parties Amount RMB million	Funds provided to related parties Balance RMB million	Funds provided by related parties to the Company Amount RMB million	Funds provided by related parties to the Company Balance RMB million
Shenhua Group and its subsidiaries	Holding company and its subsidiaries	—	—	(170)	2,486
Other related parties [Note]	—	—	713	—	—
Total	/	—	713	(170)	2,486

Note: Changes in the balance of related debt assets and liabilities for the period were resulted from the change in the scope of consolidation.

Pursuant to China Accounting Standards for Business Enterprises, the amount and balance of the above debt and liabilities due from/owed to related parties only include other receivables, other payables, short-term loans, current portion of long-term loans, long-term loans, other current assets, other long-term assets of a non-operational nature between the Group and related parties.

The above debt and liabilities due from/owed to related parties mainly represented entrusted loans provided by the Group to associated companies of subsidiaries of the Company, together with long term and short term loans borrowed by the Group to Shenhua Group and its subsidiaries. Currently the above-mentioned entrusted loans and loans are under normal repayment plan with repayment on both principal and interests as scheduled.

IV Appropriation of funds

As at the end of the reporting period, there was no appropriation of any of the Company's funds by its controlling shareholders or the controlling shareholder's affiliated enterprise.

H Material contracts and performance thereof

I During the reporting period, the Company has not established any trust arrangement on, acted as contractor for or leased assets of other companies and no other company has established any trust arrangement on, acted as contractor for or leased any of the Company's assets. Further, none of such arrangement subsisted in the reporting period.

II Material guarantee

Unit: RMB million

Guarantee provided by the Company to external parties (excluding guarantee given by the Company for the benefit of its subsidiaries)						
Name of the party whose debt is secured by the Company's guarantee	Date of provision of guarantee (date of the guarantee)	Guaranteed amount	Type of Guarantee	Period	Whether performance has been completed	Whether the guarantee is for the benefit of related parties (yes or no)
—	—	—	—	—	—	—
Total guaranteed amount provided during the reporting period						—
Total guaranteed balance at the end of the reporting period						—

Guarantee given by the Company for the benefit of its subsidiaries	
Total amount provided to the Company's subsidiaries during the reporting period	—
Total guaranteed balance given to the Company's subsidiaries at the end of the reporting period	1,316

Aggregated guaranteed amount given by the Company (including guarantee given by the Company for the benefit of its subsidiaries)	
Total guaranteed amount	1,316
Precentage of total guaranteed amount to net assets of the Company	1.0%
Among which:	
Amount of guarantees provided for the benefit of shareholder, effective controller or their related parties	—
Amount of guarantees directly or indirectly provided for the benefit of parties with over 70% in asset-liability ratio	—
Portion of the total guaranteed amount in excess of 50% of net assets	—
Aggregated amount of the above three gurauranteed amount	—

As at the end of the reporting period, the Company has provided guarantee for and has joint and several liability on the six borrowings of Huanghua Port, a controlled subsidiary of the Company. The subsisting guaranteed amount is RMB1.316 billion. Agreements for the six borrowings were entered into prior to the establishment of the Company and the original guarantor of such borrowings was Shenhua Group. When the Company was established as part of the reorgansition in November 2004, the guarantor for the borrowings was changed to the Company pursuant to relevant reorganization arrangement and at the requests of the relevant banks. Huanghua Port is an important member of the Company responsible for seaborne coal transportation, with satisfactory financial status and profitability. There was no indication that the Company might be required to perform its joint and several liability under the above-mentioned guarantee.

Apart from the above guarantee provided for the benefit of the Company's controlled subsidiaries, the Company has not provided any other guarantee during the reporting period, and there is no other guarantee of which performance is pending.

III Financial management

During the reporting period, there is no occurrence of any financial management of the Company that requires disclosure.

IV Significant investments

During the reporting period, the Group has not made any new significant investments.

V Other material contracts

During the reporting period, save as disclosed above, the Company has not entered into any material contract that requires disclosure.

I Commitments by the Company or shareholders with more than 5% shareholdings

The commitments made by Shenhua Group, the controlling shareholder of the Company, during or subsisting in the reporting period and the performance of such commitments are as follows:

I Commitment: As part of the reorganization and in the course of establishing the Company, the Company and Shenhua Group have entered into a Non-competition Agreement. Pursuant to such agreement, Shenhua Group has committed not to compete with the Company in respect of the Company's principal businesses whether in or outside of the PRC, and granted the Company an option and pre-emptive right to acquire from Shenhua Group any potential business in competition.

Performance: From the date of make the Non-competition undertaking, Shenhua Group has strictly complied with its commitments, and there has not been any violation of such commitments.

II Commitment: Among the properties used by the Company, land use right certificates of two pieces of land leased by Shenhua Group to Shenshuo Railway of the Company under the Agreement on Lease of Land Use Right had not been obtained when the H shares were issued. The total area of the two pieces of land is approximately 3.20 million square meters. Furthermore, the Company had not obtained the building ownership certificates of 175 properties, of which the total area is about 101,043.87 square meters. When the Company's H shares were issued, Shenhua Group undetook to the Company that it will obtain land use right certificates for the two pieces of land in the name of Shenhua Group, to lease the same to the Company and to assist and procure that building ownership certificates of the 175 properties be granted to the Company or its subsidiaries.

Performance: Up to the end of the reporting period, with the exception that the building ownership certificates of three properties (with an area of 1,294.39 square meters) are still being processed, the other commitments have been fully handled and completed.

III Commitment: At the time when the Company's A shares were issued, Shenhua Group has agreed not to transfer or entrust others to manage, within 36 months as of the date when the Company's shares were listed on Shanghai Stock Exchange, the shares in the Company it holds directly and indirectly, nor to allow the Company to repurchase such shares.

Performance: Up to the end of the reporting period, Shenhua Group has strictly complied with its commitments, and there has not been any violation of such commitments.

Shenhua Group confirmed that up to the end of the reporting period, there was no plan to change or make further commitment to its Share Sale Restriction Commitments.

J Appointment and removal of accounting firms

This interim financial report has not been audited. KPMG Huazhen and KPMG were re-appointed as the PRC and international auditors of the Company, respectively, at the Company's 2007 annual general meeting held on 16 May 2008.

K Sanctions and rectifications imposed on the listed company, its directors, supervisors, senior management, controlling shareholders and effective controllers

During the reporting period, none of the Company, its directors, supervisors, senior management, controlling shareholders and effective controllers has been subjected to any investigations conducted by any competent authorities, mandatory measures imposed by any judicial or discipline inspection departments, judicial authority proceedings, or charged for any criminal liabilities, examination conducted by the China Securities Regulatory Commission ("CSRC"), administrative sanctions imposed by CSRC, denial of admission to any stock market, sansaction by (or deemed ineligibility) other administrative authorities, or public criticism by any stock exchange.

L Other material matters

During the reporting period, other than the matters disclosed in the above, there is no other material matter of the Company that requires disclosure.

M Directory of information disclosure

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
1	Continuing Connected Transaction	–	2008-1-2	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
2	Announcement of China Shenhua	China Securities Journal, Shanghai Securities News	2008-1-3	Website of Shanghai Stock Exchange (www.sse.com.cn)
3	Overseas Regulatory Announcement – Indicative Announcement on the Listing and Trading of A Shares (Subject to a Three-Month Lock-Up Period) Placed Off-Line	–	2008-1-3	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
4	Indicative Announcement on the Listing and Trading of A Shares of China Shenhua (Subject to a Three-Month Lock-Up Period) Placed Off-Line	China Securities Journal, Shanghai Securities News	2008-1-4	Website of Shanghai Stock Exchange (www.sse.com.cn)
5	Overseas Regulatory Announcement – Announcement on the Major Operational Data of December and the whole year of 2007	–	2008-1-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk))

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
6	Announcement on China Shenhua's Major Operational Data of December and the whole year of 2007	China Securities Journal, Shanghai Securities News	2008-1-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
7	China Shenhua Independent Directors Rules	–	2008-1-31	Website of Shanghai Stock Exchange (www.sse.com.cn)
8	China Shenhua Audit Committee of the Board of Directors Work Schedule	–	2008-1-31	Website of Shanghai Stock Exchange (www.sse.com.cn)
9	Overseas Regulatory Announcement – Announcement on the Major Operational Data of January 2008	–	2008-2-20	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
10	Announcement on China Shenhua's Major Operational Data of January 2008	China Securities Journal, Shanghai Securities News	2008-2-21	Website of Shanghai Stock Exchange (www.sse.com.cn)
11	Overseas Regulatory Announcement – Announcement on Preliminary Financial Data of 2007	–	2008-2-25	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
12	China Shenhua's Preliminary Announcement of 2007	China Securities Journal, Shanghai Securities News	2008-2-26	Website of Shanghai Stock Exchange (www.sse.com.cn)
13	Notice of Board Meeting	–	2008-3-4	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
14	Announcement on H Shares of China Shenhua	–	2008-3-5	Website of Shanghai Stock Exchange (www.sse.com.cn)

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
15	Overseas Regulatory Announcement – Announcement on the Major Operational Data of February 2008	–	2008-3-11	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
16	Announcement on China Shenhua's Major Operational Data of February 2008	China Securities Journal, Shanghai Securities News	2008-3-12	Website of Shanghai Stock Exchange (www.sse.com.cn)
17	Result Announcement for the year ended 31 December 2007	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
18	Notice of Annual General Meeting	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
19	Form of Proxy for the 2007 Annual General Meeting	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
20	Reply Slip	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
21	Revised Caps of Continuing Connected Transactions in respect of 2008-2010	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
22	Overseas Regulatory Announcement – Announcement on Resolutions for the 19th Meeting of the 1st Session of Board of Directors	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
23	Overseas Regulatory Announcement – Announcement on Resolutions for the 11th Meeting of the 1st Session of Supervisory Committee	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
24	Overseas Regulatory Announcement – Announcement on Appointment of Securities Representative	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
25	Overseas Regulatory Announcement – Announcement	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
26	Overseas Regulatory Announcement – Corporate Social Responsibility Report of 2007	–	2008-3-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
27	Annual Report of China Shenhua	–	2008-3-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
28	Summary Annual Report of China Shenhua	China Securities Journal, Shanghai Securities News	2008-3-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
29	Announcement of China Shenhua on Resolutions approved at the Board Meeting	China Securities Journal, Shanghai Securities News	2008-3-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
30	Announcement of China Shenhua on Resolutions approved at the Meeting of Supervisory Committee	China Securities Journal, Shanghai Securities News	2008-3-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
31	China Shenhua 2007 explanatory notes on the application of non-current funds and inflows and outflows of other related funds	–	2008-3-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
32	China Shenhua Information Disclosure Rules	–	2008-3-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
33	Announcement of China Shenhua on convening 2007 Annual General Meeting	China Securities Journal, Shanghai Securities News	2008-3-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
34	Announcement of China Shenhua on Appointment of Securities Representative	China Securities Journal, Shanghai Securities News	2008-3-17	Website of Shanghai Stock Exchange (www.sse.com.cn)

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
35	Announcement of on H Shares Connected Transaction	–	2008-3-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
36	Unusual Price and Trading Volume Movements	–	2008-3-18	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
37	Clarification Announcement	–	2008-3-18	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
38	Clarification Announcement	–	2008-3-19	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
39	Announcement on Unusual Price and Trading Volume Movements of H Shares of China Shenhua	–	2008-3-19	Website of Shanghai Stock Exchange (www.sse.com.cn)
40	Annual Report of 2007	–	2008-3-26	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
41	Notice of Board Meeting	–	2008-4-14	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
42	H Shares Announcement -Notice of Board Meeting	–	2008-4-15	Website of Shanghai Stock Exchange (www.sse.com.cn)
43	Overseas Regulatory Announcement – Announcement on the Major Operational Data of the First Quarter of 2008	–	2008-4-15	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
44	Announcement of China Shenhua on the Major Operational Data of the First Quarter of 2008	China Securities Journal, Shanghai Securities News	2008-4-16	Website of Shanghai Stock Exchange (www.sse.com.cn)

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
45	Overseas Regulatory Announcement – Announcement	–	2008-4-24	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
46	Overseas Regulatory Announcement— Announcement on Resolutions for the 20th Meeting of the 1st Session of Board of Directors	–	2008-4-24	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
47	The 2008 First Quarterly Report	–	2008-4-24	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
48	Announcement of China Shenhua on Resolutions for the 20th Meeting of the 1st Session of Board of Directors	China Securities Journal, Shanghai Securities News	2008-4-25	Website of Shanghai Stock Exchange (www.sse.com.cn)
49	Full text of the 2008 First Quarterly Report	China Securities Journal, Shanghai Securities News	2008-4-25	
50	The 2008 First Quarterly Report	–	2008-4-25	Website of Shanghai Stock Exchange (www.sse.com.cn)
51	China Shenhua Utilization and Management Rules for Proceeds raised	–	2008-4-25	Website of Shanghai Stock Exchange (www.sse.com.cn)
52	Unusual Price and Trading Volume Movements	–	2008-4-29	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
53	Overseas Regulatory Announcement – Announcement	–	2008-4-30	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
54	Announcement on Unusual Price and Trading Volume Movements of H Shares of China Shenhua	–	2008-4-30	Website of Shanghai Stock Exchange (www.sse.com.cn)

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
55	Amendment to the Decision-making Rules for Related Party Transactions of China Shenhua	–	2008-5-5	Website of Shanghai Stock Exchange (www.sse.com.cn)
56	Overseas Regulatory Announcement – Announcement on the Major Operational Data of April 2008	–	2008-5-13	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
57	Announcement of China Shenhua on the Major Operational Data of April 2008	China Securities Journal, Shanghai Securities News	2008-5-14	Website of Shanghai Stock Exchange (www.sse.com.cn)
58	Announcement on Resolutions Approved at the 2007 Annual General Meeting	–	2008-5-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
59	Announcement of China Shenhua on Resolutions approved at the 2007 Annual General Meeting	China Securities Journal, Shanghai Securities News	2008-5-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
60	Legal Opinion for China Shenhua 2007 Annual General Meeting	–	2008-5-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
61	Decision-making Rules for Related Party Transactions of China Shenhua	–	2008-5-17	Website of Shanghai Stock Exchange (www.sse.com.cn)
62	Overseas Regulatory Announcement – Announcement on Distribution of Final Dividend of 2007	–	2008-5-28	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)

Number	Event	Name of newspaper and column	Date of publication	Website and search directory of publication
63	Announcement of China Shenhua on Distribution of Final Dividend of 2007	China Securities Journal, Shanghai Securities News	2008-5-29	Website of Shanghai Stock Exchange (www.sse.com.cn)
64	Overseas Regulatory Announcement – Announcement on the Major Operational Data of May 2008	–	2008-6-16	Website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk)
65	Announcement of China Shenhua on the Major Operational Data of May 2008	China Securities Journal, Shanghai Securities News	2008-6-17	Website of Shanghai Stock Exchange (www.sse.com.cn)

Notes:

1 "–"refers to disclosure on the specified website only without publication of the full text in the newspapers. The Stock Exchange of Hong Kong Limited has implemented the "Electronic Disclosure Scheme" since 25 June 2007. According to this scheme, the full text of any H Share announcement of the Company is not required to be published in the newspapers from 25 June 2007. According to the Listing Rules of Shanghai Stock Exchange, some A Share announcements can be disclosed on the websites and are not required to be published in the newspapers.

2 The Company's A Shares were listed on Shanghai Stock Exchange on 9 October 2007. In compliance with the disclosure requirements in the listing rules of the place of listing, the Company will disclose, simultaneously in both places of listing, the contents of the announcements issued, both of which are hereby listed.

Major Financial Data and Indicators

The content in this section represents the disclosure in the Company's 2008 A Shares interim report, the data is prepared in accordance with China Accounting Standards and presented for reference only.

A Major financial data for the reporting period (A Shares)

Unit: RMB million

Items	Amount
Operating profit	19,726
Profit before income tax	19,529
Net profit attributable to equity shareholders of the Company	14,146
Net profit attributable to the Company's shareholders net of extraordinary gain and loss	14,306
Net cash flow from operating activities	22,468

B Differences between domestic and international accounting standards

Unit: RMB million

Items	Net profit attributable to equity shareholders of the Company For the six months ended 30 June 2008	2007 (restated)	Equity attributable to equity shareholders of the Company As at 30 June 2008	As at 31 December 2007
Under China Accounting Standards	14,146	9,854	133,143	128,250
Items and totals as adjusted under IFRSs:				
Adjustment for production maintenance and safety production expense	678	595	4,271	3,593
Adjustment for transformation fund and environmental restoration fund	156	–	156	–
Revaluation of land use rights and others	30	30	(2,019)	(2,049)
Tax effects	(193)	(116)	(199)	(6)
Under IFRSs	14,817	10,363	135,352	129,788

Notes on the differences between domestic and international accounting standards:

I Adjustment for production maintenance and safety production expenses

Pursuant to the relevant regulations of the related government authorities in the PRC, provision for production maintenance and safety production is accrued by coal mining companies based on coal production volume, which is recognised as expense in the income statement. On acquisition of production maintenance and safety facilities, fixed assets and accumulated depreciation for the same amounts are recognised upon purchase. Under IFRSs, these expenses are recognised in the income statement as and when incurred. Capital expenditure on production maintenance and safety facilities are recognised as property, plant and equipment, which are depreciated according to the relevant depreciation method.

II Adjustment for transformation fund and environmental restoration fund

Pursuant to the relevant regulations of the related government authorities in the PRC, provision for transformation fund and environmental restoration fund is accrued by coal mining companies in Shanxi Province based on coal production volume, which is recognised as expense in the income statement. Under IFRSs, expenses are recognised in the income statement as and when incurred.

III Revaluation of land use rights and others

Under China Accounting Standards, land use rights are carried at revalued amounts pursuant to the Restructuring. Under IFRSs, land use rights are carried at cost. Accordingly, the unamortised surplus on revaluation of the land use rights was reversed against the equity. After the date of revaluation, amortisation of land use rights is different as a result of the differences in the carrying amounts.

IV Tax effects and others

This adjustment mainly represents the deferred tax adjustments arise from the tax effects of differences in the accounting standards.

C Items and amounts net of extraordinary gain and loss

Unit: RMB million

Items of extraordinary gain and loss	Amounts
Non-operating income	
- Subsidy income	10
- Others	51
Investment income	
- Income from entrusted loans	16
Non-operating expenses	(268)
Tax effect in respect of the above items	32
Total	(159)

Note: Please see Note 55 to the interim financial statements in the 2008 interim report for A Shares of the Company.

D Major financial data and indicators for the last two periods (A Shares)

Major financial data	For the six months ended 30 June 2008	2007 After restatement	2007 Before restatement	Increase/ decrease over the same period (after restatement) of last year
Operating income (RMB million)	**49,282**	38,857	38,331	26.8%
Operating profit (RMB million)	**19,726**	14,887	14,820	32.5%
Profit before income tax (RMB million)	**19,529**	14,795	14,714	32.0%
Net profit attributable to equity shareholders of the Company (RMB million)	**14,146**	9,854	9,806	43.6%
Net profit attributable to equity shareholders of the Company (net of extraordinary gain and loss) (RMB million)	**14,306**	9,856	9,866	45.2%
Basic earnings per share (inclusive of extraordinary gain and loss) (RMB)	**0.711**	0.545	0.542	30.5%
Diluted earnings per share (inclusive of extraordinary gain and loss) (RMB)	**0.711**	0.545	0.542	30.5%
Basic earnings per share (net of extraordinary gain and loss) (RMB)	**0.719**	0.545	0.545	31.9%
Fully diluted return on net assets (inclusive of extraordinary gain and loss) (%)	**10.6**	13.6	14.1	decreased by 3.0 percentage points
Weighted average return on net assets (inclusive of extraordinary gain and loss) (%)	**10.8**	13.9	14.5	decreased by 3.1 percentage points
Fully diluted return on net assets (net of extraordinary gain and loss) (%)	**10.7**	13.6	14.2	decreased by 2.9 percentage points
Weighted average return on net assets (net of extraordinary gain and loss) (%)	**11.0**	13.9	14.6	decreased by 2.9 percentage points
Net cash flow from operating activities (RMB million)	**22,468**	14,154	13,784	58.7%
Net cash flow from operating activities per share (RMB)	**1.13**	0.78	0.76	44.9%

	As at 30 June 2008	As at 31 December 2007	Increase/ decrease over period end of the previous year
Total assets (RMB million)	253,724	238,821	6.2%
Equity attributable to equity shareholders of the Company (RMB million)	133,143	128,250	3.8%
Net assets per share attributable to equity shareholders of the Company (RMB)	6.69	6.45	3.7%

Definitions

Abbreviation	Full name
Shenhua Group	Shenhua Group Corporation Limited
China Shenhua	China Shenhua Energy Company 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 Co., Ltd.
Beidian Shengli Energy	Shenhua Beidian Shengli Energy Co., Ltd.
Shendong Coal	Shenhua Shenfu Dongsheng Coal Co., Ltd.
Shendong Power	Shenhua Shendong Power Co., Ltd.
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
CLP Guohua	CLP Guohua Power Co., Ltd.
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 Co., Ltd.
Ninghai Power	Zhejiang Guohua Zheneng Power Co., Ltd.
Shenmu Power	CLP Guohua Shenmu Power Co., Ltd.
Taishan Power	Guangdong Guohua Yuedian Taishan Power Co., Ltd.
Huanghua Power	Hebei Guohua Candong Power Co., Ltd.
Suizhong Power	Suizhong Power Co., Ltd.
Jinjie Energy	Shaanxi Guohua Jinjie Energy Corporation
Dingzhou Power	Hebei Guohua Dingzhou Power Co., Ltd.
Yuyao Power	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.
Zhunge'er Power	Power assets controlled and operated by Shenhua Zhunge'er Energy Co., Ltd.
Zhunge'er Coal Gangue Power	Inner Mongolia Zhunge'er Coal Gangue Power Co., Ltd.
The Xisanju Companies	Shenhua Group Wuda Mining Co., Ltd., Shenhua Group Haibowan Mining Co., Ltd. and Shenhua Group Baotou Mining Co., Ltd., all of which are subsidiaries of Shenhua Group, and their respective subsidiaries
Shenhua Finance	Shenhua Finance Co., Ltd.
Shenhua Trading	Shenhua Coal Trading Co., Ltd.
Branches and subsidiaries	Represent branches and controlled subsidiaries of the Company, unless otherwise specified
China Accounting Standards	China Accounting Standards for Business Enterprises (2006) and its relevant regulations and interpretations issued by the Ministry of Finance of the People's Republic of China

To the Board of Directors of China Shenhua Energy Company Limited
(Incorporated in The People's Republic of China with limited liability)

Introduction

We have reviewed the interim financial report set out on pages 74 to 116 which comprises the consolidated balance sheet of China Shenhua Energy Company Limited as at 30 June 2008 and the related consolidated income statement, consolidated statement of changes in equity and consolidated statement of cash flows for the six-month period then ended and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report to be in compliance with the relevant provisions thereof and International Accounting Standard 34, "Interim financial reporting" adopted by the International Accounting Standards Board. The directors are responsible for the preparation and presentation of the interim financial report in accordance with International Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Scope of review

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim financial report as at 30 June 2008 is not prepared, in all material respects, in accordance with International Accounting Standard 34, "Interim financial reporting".

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong

29 August 2008

Consolidated income statement

for the six months ended 30 June 2008 – unaudited
(Expressed in Renminbi)

	Note	*Six months ended 30 June* **2008** **RMB million**	2007 RMB million (restated – Note 1)
Revenues			
Coal revenue		**34,112**	26,328
Power revenue		**13,587**	11,468
Other revenues	5	**1,583**	1,061
Total operating revenues	4	**49,282**	38,857
Cost of revenues			
Coal purchased from third parties		**(6,885)**	(4,723)
Materials, fuel and power		**(3,257)**	(2,426)
Personnel expenses		**(2,213)**	(1,736)
Depreciation and amortisation		**(4,455)**	(3,830)
Repairs and maintenance		**(1,651)**	(1,322)
Transportation charges		**(3,203)**	(3,359)
Others	6	**(3,178)**	(2,145)
Total cost of revenues		**(24,842)**	(19,541)
Selling, general and administrative expenses		**(2,501)**	(2,591)
Other operating expenses, net		**(331)**	(205)
Total operating expenses	7	**(27,674)**	(22,337)
Profit from operations		**21,608**	16,520
Finance income	8	**399**	428
Finance expenses	8	**(1,870)**	(1,746)
Net finance costs		**(1,471)**	(1,318)
Investment income		**2**	36
Share of profits less losses of associates		**316**	238
Profit before income tax		**20,455**	15,476
Income tax	9	**(3,709)**	(3,113)
Profit for the period		**16,746**	12,363
Attributable to:			
Equity shareholders of the Company		**14,817**	10,363
Minority interests		**1,929**	2,000
Profit for the period		**16,746**	12,363
Earnings per share (RMB)	11		
- Basic		**0.745**	0.573
- Diluted		**0.745**	0.573

The notes on pages 81 to 116 form part of this interim financial report.

Consolidated balance sheet

at 30 June 2008 - unaudited
(Expressed in Renminbi)

	Note	***At 30 June 2008 RMB million***	*At 31 December 2007 RMB million*
Non-current assets			
Property, plant and equipment, net	12	**135,427**	131,059
Construction in progress		**27,561**	22,358
Intangible assets		**1,168**	1,162
Interest in associates	13	**2,844**	2,754
Other investments		**1,031**	1,031
Other non-current financial assets	14	**3,508**	2,878
Lease prepayments	15	**6,216**	5,931
Deferred tax assets	20(b)	**1,724**	1,679
Total non-current assets		**179,479**	168,852
Current assets			
Inventories	16	**7,408**	6,337
Accounts and bills receivable, net	17	**6,959**	6,642
Prepaid expenses and other current assets	18	**3,008**	3,771
Time deposits with original maturity over three months		**131**	32
Cash and cash equivalents	19	**57,124**	53,404
Total current assets		**74,630**	70,186
Current liabilities			
Short-term borrowings and current portion of long-term borrowings	21	**15,107**	10,196
Short-term bonds	22	**1,000**	1,453
Current portion of long-term payables	25	**772**	873
Accounts and bills payable	23	**8,933**	9,074
Income tax payable	20(a)	**2,460**	2,198
Accrued expenses and other payables	24	**8,888**	9,577
Total current liabilities		**37,160**	33,371
Net current assets		**37,470**	36,815
Total assets less current liabilities		**216,949**	205,667
Non-current liabilities			
Long-term borrowings, less current portion	21	**52,578**	49,718
Long-term payables, less current portion	25	**3,880**	3,962
Accrued reclamation obligations	26	**1,040**	1,018
Deferred tax liabilities	20(b)	**1,423**	1,165
Total non-current liabilities		**58,921**	55,863
Net assets		**158,028**	149,804
Equity			
Share capital	27	**19,890**	19,890
Reserves		**115,462**	109,898
Equity attributable to equity shareholders of the Company		**135,352**	129,788
Minority interests		**22,676**	20,016
Total equity		**158,028**	149,804

Approved and authorised for issue by the Board of Directors on 29 August 2008.

Chen Biting
Chairman

Ling Wen
Director and President

The notes on pages 81 to 116 form part of this interim financial report.

Consolidated statement of changes in equity

for the six months ended 30 June 2008 - unaudited
(Expressed in Renminbi)

	Equity attributable to equity shareholders of the Company										
	Share capital RMB million (Note 27)	*Share premium RMB million (Note i)*	*Capital reserve RMB million (Note ii)*	*Revaluation reserve RMB million (Note iii)*	*Future development fund RMB million (Note iv)*	*Statutory reserves RMB million (Note v)*	*Other reserve RMB million (Note vi)*	*Retained earnings RMB million (Note v)*	*Total RMB million*	*Minority interests RMB million*	*Total equity 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
Profit for the period	–	–	–	–	–	–	–	10,363	10,363	2,000	12,363
Appropriations	–	–	–	–	–	910	–	(910)	–	–	–
Realisation/ reassessment of deferred tax	–	–	–	–	–	–	(117)	6	(111)	(67)	(178)
Dividend declared during the period (Note 10(b))	–	–	–	–	–	–	–	(6,150)	(6,150)	–	(6,150)
Restatements of profit appropriations for prior years (Note v)	–	–	–	–	–	(485)	–	485	–	–	–
Write back of future development fund	–	–	–	–	(1,578)	–	–	1,578	–	–	–
Capital contributions from minority shareholders	–	–	–	–	–	–	–	–	–	337	337
Capital contributions from shareholders of Shendong Power	–	–	–	–	–	–	199	–	199	–	199
Acquisition of minority interests	–	–	–	–	–	–	(117)	–	(117)	(845)	(962)
Distributions to minority shareholders	–	–	–	–	–	–	–	–	–	(1,650)	(1,650)
At 30 June 2007 (restated)	18,090	20,813	(6,591)	7,180	–	5,167	3,360	25,949	73,968	19,222	93,190
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 period	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**14,817**	**14,817**	**1,929**	**16,746**
Realisation of deferred tax	**-**	**-**	**-**	**-**	**-**	**-**	**(4)**	**4**	**-**	**-**	**-**
Dividend declared during the period (Note 10(b))	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(9,325)**	**(9,325)**	**-**	**(9,325)**
Capital contributions from minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,113**	**1,113**
Acquisition of subsidiary (Note vii)	**-**	**-**	**-**	**-**	**-**	**-**	**72**	**-**	**72**	**54**	**126**
Distributions to minority shareholders	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(436)**	**(436)**
At 30 June 2008	**19,890**	**85,001**	**(6,591)**	**7,180**	**-**	**6,263**	**(162)**	**23,771**	**135,352**	**22,676**	**158,028**

The notes on pages 81 to 116 form part of this interim financial report.

Consolidated statement of changes in equity (continued)

for the six months ended 30 June 2008 - unaudited
(Expressed in Renminbi)

Notes:

(i) The share premium represents the difference between the total amount of the par value of shares issued and the amount of the net proceeds received upon the global initial public offering in 2005 and the issue of A shares in 2007.

(ii) The capital reserve represents the difference between the total amount of the par value of shares issued and the amount of the net assets, net of revaluation and other reserves, transferred from Shenhua Group Corporation Limited in connection with the Restructuring (as defined in Note 1).

(iii) As required by the relevant PRC rules and regulations with respect to the Restructuring (as defined in Note 1), the property, plant and equipment of the Group as at 31 December 2003 were revalued by China Enterprise Appraisal Co., Ltd., independent valuers registered in the PRC, on a depreciated replacement cost basis.

(iv) Pursuant to the relevant PRC regulations, the Group was required to make a transfer to future development fund based on RMB7.00 to RMB8.00 per tonne of raw coal mined (net of usage) before 1 January 2007. The fund could only be used for the future development of the coal mining business and was not available for distribution to shareholders. Due to the change in the relevant PRC regulations effective from 1 January 2007, the Group is not required to maintain the future development fund and an adjustment was made to transfer the future development fund as at 1 January 2007 of RMB1,578 million to retained earnings pursuant to the PRC Accounting Rules and Regulations.

(v) Statutory reserves

Statutory surplus reserve

According to the Company's Articles of Association, the Company is required to transfer 10% of its net profit as determined in accordance with the PRC Accounting Rules and Regulations to its statutory surplus reserve until the reserve balance reaches 50% of the registered capital. The transfer to this reserve must be made before distribution of a dividend to shareholders.

Statutory surplus reserve can be used to make good previous years' losses, if any, or to expand the Company's business, and may be converted into share capital by the issue of new shares to shareholders in proportion to their existing shareholdings or by increasing the par value of the shares currently held by them, provided that the balance after such issue is not less than 25% of the registered capital.

The Group adopted the Accounting Standards for Business Enterprise (2006) ("new PRC Accounting Standards") and other regulations promulgated by the Ministry of Finance on 15 February 2006 with effect from 1 January 2007. Appropriations to statutory surplus reserves for prior years were restated due to the change in net profit arising from the prior year adjustments made under the new PRC Accounting Standards.

Discretionary surplus reserve

The appropriation to the discretionary surplus reserve is subject to the shareholders' approval. The utilisation of the reserve is similar to that of the statutory surplus reserve.

The directors have not proposed any appropriation to the statutory surplus reserve or discretionary surplus reserve for the six months ended 30 June 2008 (30 June 2007: an appropriation to the statutory surplus reserve of RMB910 million).

(vi) In connection with the Restructuring (as defined in Note 1), the land use rights of the Group were revalued as required by the relevant PRC rules and regulations as at 31 December 2003. The revalued amount has been served as the tax base for future years. The land use rights were not revalued for financial reporting purpose and accordingly, a deferred tax asset was created with an increase in other reserve.

(vii) On 29 February 2008, the Group acquired an additional 60% equity interest in Inner Mongolia Zhunge'er Coal Gangue Power Plant ("Coal Gangue Power Plant") from a third party. Prior to the acquisition, Coal Gangue Power Plant was an associate of the Group in which the Group held 40% equity interest. Pursuant to the acquisition, the previous 40% equity interest in Coal Gangue Power Plant was revalued and the change in fair value of the previously acquired interest is recognised in equity.

The notes on pages 81 to 116 form part of this interim financial report.

Consolidated cash flow statement

for the six months ended 30 June 2008 - unaudited
(Expressed in Renminbi)

	Note	Six months ended 30 June 2008 RMB million	2007 RMB million (restated – Note 1)
Net cash generated from operating activities	(a)	**20,563**	12,081
Investing activities			
Capital expenditure		**(14,174)**	(11,132)
Lease prepayments		**(68)**	(839)
Acquisition of subsidiary	(b)	**(367)**	–
Purchase of associates		**(84)**	(33)
Purchase of other investments		**–**	(878)
Proceeds from disposal of other investments		**–**	2,036
Proceeds from disposal of property, plant and equipment		**36**	52
Dividend received from associates		**207**	308
Dividend received from other investments		**2**	11
Increase in time deposits with original maturity over three months		**(101)**	(90)
Maturity of time deposits with original maturity over three months		**2**	–
Net cash used in investing activities		**(14,547)**	(10,565)
Financing activities			
Proceeds from bank and other borrowings		**19,331**	21,510
Repayments of bank and other borrowings		**(11,723)**	(17,050)
Proceeds from bonds issued		**–**	445
Repayments of bonds		**(453)**	–
Contributions from minority shareholders		**1,113**	337
Distributions to minority shareholders		**(1,239)**	(728)
Contributions from shareholders of Shendong Power		**–**	199
Dividend paid to equity shareholders of the Company		**(9,325)**	(6,150)
Net cash used in financing activities		**(2,296)**	(1,437)
Net increase in cash and cash equivalents		**3,720**	79
Cash and cash equivalents, at the beginning of the period		**53,404**	15,758
Cash and cash equivalents, at the end of the period		**57,124**	15,837

The notes on pages 81 to 116 form part of this interim financial report.

Consolidated cash flow statement (continued)

for the six months ended 30 June 2008 - unaudited
(Expressed in Renminbi)

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

	Six months ended 30 June	
	2008	*2007*
	RMB million	*RMB million*
		(restated – Note 1)
Profit before income tax	**20,455**	15,476
Adjustments for:		
Depreciation and amortisation	**4,699**	4,002
Impairment losses on property, plant and equipment	**150**	113
Net loss on disposal of property, plant and equipment	**57**	94
Investment income	**(2)**	(36)
Interest income	**(349)**	(136)
Share of profits less losses of associates	**(316)**	(238)
Net interest expense	**1,802**	1,637
(Gain)/loss on remeasurement of derivative financial instruments at fair value	**(50)**	109
Unrealised foreign exchange loss/(gain)	**14**	(327)
	26,460	20,694
Increase in accounts and bills receivable	**(284)**	(923)
Increase in inventories	**(1,055)**	(1,268)
Decrease/(increase) in prepaid expenses and other assets	**528**	(602)
Increase/(decrease) in accounts and bills payable	**81**	(599)
(Decrease)/increase in accrued expenses and other payables, long-term payables and accrued reclamation obligations	**(172)**	248
	25,558	17,550
Interest received	**349**	136
Interest paid	**(2,110)**	(1,713)
Income tax paid	**(3,234)**	(3,892)
Net cash generated from operating activities	**20,563**	12,081

The notes on pages 81 to 116 form part of this interim financial report.

Consolidated cash flow statement (continued)

for the six months ended 30 June 2008 - unaudited
(Expressed in Renminbi)

(b) Acquisition of subsidiary

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

Details of net assets of Coal Gangue Power Plant 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 subsidiary:

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

The notes on pages 81 to 116 form part of this interim financial report.

Notes to the unaudited interim financial report

for the six months ended 30 June 2008
(Expressed in Renminbi)

1 Principal activities and organisation

Principal activities

China Shenhua Energy Company Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") are principally engaged in: (i) the production and sale of coal; and (ii) the generation and sale of power in the People's Republic of China (the "PRC"). The Group operates coal mines as well as an integrated railway network and seaports that are primarily used to transport the Group's coal sales. The primary customers of the Group's coal sales include power plants and metallurgical producers in the PRC. The Group also operates power plants in the PRC, which are engaged in the generation and sale of coal-based power to provincial/regional electric grid companies.

Organisation

The Company was established in the PRC on 8 November 2004 as a joint stock limited company as part of the Restructuring (as defined below) of Shenhua Group Corporation Limited ("Shenhua Group"), a state-owned enterprise under the direct supervision of the State Council of the PRC. Prior to the establishment of the Company, the coal production and power generation operations were carried on by various mining companies and power plant entities wholly owned or controlled by Shenhua Group.

In connection with the Restructuring (as defined below), Shenhua Group's principal coal production and power generation operations together with the related assets and liabilities that were transferred to the Company were segregated and separately managed effective on 31 December 2003 (the "Restructuring"). Pursuant to the Restructuring, property, plant and equipment related to the operations and businesses that were transferred to the Company were revalued as at 31 December 2003 as required by the PRC rules and regulations.

On 8 November 2004, in consideration for Shenhua Group transferring the coal mining and power generating assets and liabilities to the Company, the Company issued 15 billion domestic state-owned ordinary shares with a par value of RMB1.00 each to Shenhua Group. The shares issued to Shenhua Group represented the entire registered and paid-up share capital of the Company at that date.

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 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.

1 Principal activities and organisation (continued)

Restatement

Pursuant to a resolution passed at the extraordinary general meeting on 24 August 2007, the Company acquired 100% equity interests in Shenhua Shenfu Dongsheng Coal Company Limited ("Shendong Coal") and Shenhua Shendong Power Company Limited ("Shendong Power") from Shenhua Group, at a cash consideration of RMB3,587 million. The acquisition was completed on 31 August 2007.

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

Reconciliation of the results of operations for the six months ended 30 June 2007 previously reported by the Group and the restated amounts presented in the consolidated interim financial report are set out below:

	The Group (as previously reported) RMB million	*Shendong Coal RMB million*	*Shendong Power RMB million*	*Elimination RMB million*	*The Group (as restated) RMB million*
Results of operations for the six months ended 30 June 2007:					
Revenues	38,331	492	314	(280)	38,857
Profit from operations	16,452	43	25	–	16,520
Profit for the period	12,284	71	8	–	12,363
Basic earnings per share (RMB)	0.570	0.002	0.001	–	0.573

2 Significant accounting policies

(a) Statement of compliance

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange, including compliance with International Accounting Standard 34 "Interim financial reporting" ("IAS 34") adopted by International Accounting Standards Board ("IASB"). It was authorised for issuance on 29 August 2008.

The interim financial report has been prepared in accordance with substantially the same accounting policies adopted in the 2007 annual financial statements. Please refer to Note 3 for the discussion of new and revised International Financial Reporting Standards ("IFRSs") issued by the Group in 2008. IFRSs include International Accounting Standards ("IAS") and interpretations.

(b) Basis of preparation

The interim financial report contains consolidated interim financial statements and a summary of significant accounting policies and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2007 annual financial statements. The consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with IFRSs.

The interim financial report for the six months ended 30 June 2008 comprises the Company and its subsidiaries and the Group's interest in associates.

2 Significant accounting policies (continued)

(b) Basis of preparation (continued)

The interim financial report is prepared on the historical cost basis as modified by the revaluation of certain property, plant and equipment (see Note 2(i)) and derivative financial instruments (see Note 2(g)) that are stated at fair value.

The preparation of an interim financial report in conformity with IAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing this interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those applied to the 2007 annual financial statements.

The interim financial report is unaudited, but has been reviewed by KPMG in accordance with Hong Kong Standard on Review Engagements 2410, "Review of interim financial information performed by the independent auditor of the entity" issued by the Hong Kong Institute of Certified Public Accountants. KPMG's independent review report to the Board of Directors is included on page 73.

The financial information relating to the financial year ended 31 December 2007 that is included in the interim financial report as being previously reported information does not constitute the Group's annual financial statements prepared under IFRSs for that financial year but is derived from those financial statements. The Group's annual financial statements for the year ended 31 December 2007 are available at the Company's registered office. The independent auditor has expressed an unqualified opinion on those financial statements in the independent auditor's report dated 15 March 2008.

(c) Subsidiaries and minority interests

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity, so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account.

An investment in a subsidiary is consolidated into the consolidated financial statements from the date that control commences until the date that control ceases. Intra-group balances and transactions and any unrealised profits arising from intra-group transactions are eliminated in full in preparing the consolidated financial statements. Unrealised losses resulting from intra-group transactions are eliminated in the same way as unrealised gains but only to the extent that there is no evidence of impairment.

Minority interests represent the portion of the net assets of subsidiaries attributable to interests that are not owned by the Company, whether directly or indirectly through subsidiaries, and in respect of which the Group has not agreed any additional terms with the holders of those interests which would result in the Group as a whole having a contractual obligation in respect of those interests that meets the definition of a financial liability. Minority interests are presented in the consolidated balance sheet within equity, separately from equity attributable to the equity shareholders of the Company. Minority interests in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the period between minority interests and the equity shareholders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

Loans from holders of minority interests and other contractual obligations towards these holders are presented as financial liabilities in the consolidated balance sheet in accordance with Notes 2(o) or 2(p) depending on the nature of the liability.

2 Significant accounting policies (continued)

(d) Associates

An associate is an entity in which the Group has significant influence, but not control or joint control, over its management, including participation in the financial and operating policy decisions.

An investment in an associate is accounted for in the consolidated financial statements under the equity method and is initially recorded at cost and adjusted thereafter for the post acquisition change in the Group's share of the associate's net assets. The consolidated income statement includes the Group's share of the post-acquisition, post-tax results of the associates for the period, including any impairment loss on goodwill relating to the investment in associates recognised for the period (see Notes 2(e) and 2(m)).

When the Group's share of losses exceeds its interest in the associate, the Group's interest is reduced to nil and recognition of further losses is discontinued except to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate. For this purpose, the Group's interest in the associate is the carrying amount of the investment under the equity method together with the Group's long-term interests that in substance form part of the Group's net investment in the associate.

Unrealised profits and losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate, except where unrealised losses provide evidence of an impairment of the asset transferred, in which case they are recognised immediately in profit or loss.

(e) Goodwill

Goodwill represents the excess of the cost of a business combination or an investment in an associate over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities.

Goodwill is stated at cost less accumulated impairment losses. Goodwill is allocated to cash-generating units and is tested annually for impairment (see Note 2(m)). In respect of associates, the carrying amount of goodwill is included in the carrying amount of the interest in the associate.

Any excess of the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of a business combination or an investment in an associate is recognised immediately in profit or loss.

On disposal of a cash-generating unit of an associate during the period, any attributable amount of purchased goodwill is included in the calculation of the profit or loss on disposal.

(f) Other investments in debt and equity securities

The Group's policies for investments in debt and equity securities, other than investments in subsidiaries and associates, are as follows:

Investments in debt and equity securities are initially stated at cost, which is their transaction price unless fair value can be more reliably estimated using valuation techniques whose variables include only data from observable markets. Cost includes attributable transaction costs, except where indicated otherwise below. These investments are subsequently accounted for as follows, depending on their classification:

Investments in securities held for trading are classified as current assets. Any attributable transaction costs are recognised in profit or loss as incurred. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised in profit or loss. The net gain or loss recognised in profit or loss does not include any dividends or interest earned on these investments as these are recognised in accordance with the policies set out in Notes 2(s)(iv) and 2(s)(v).

2 Significant accounting policies (continued)

(f) Other investments in debt and equity securities (continued)

Dated debt securities that the Group have the positive ability and intention to hold to maturity are classified as held-to-maturity securities. Held-to-maturity securities are stated in the balance sheet at amortised cost less impairment losses (see Note 2(m)).

Investments in equity securities that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are recognised in the balance sheet at cost less impairment losses (see Note 2(m)).

Investments in securities which do not fall into any of the above categories are classified as available-for-sale securities. At each balance sheet date the fair value is remeasured, with any resultant gain or loss being recognised directly in equity, except foreign exchange gains and losses resulting from changes in the amortised cost of monetary items such as debt securities which are recognised directly in profit or loss. Dividend income from these investments is recognised in accordance with the policy set out in Note 2(s)(iv) and, where these investments are interest-bearing, interest calculated using the effective interest method is recognised in profit or loss in accordance with the policy set out in Note 2(s)(v). When these investments are derecognised or impaired (see Note 2(m)), the cumulative gain or loss previously recognised directly in equity is recognised in profit or loss.

Investments are recognised/derecognised on the date the Group commits to purchase/sell the investments or they expire.

(g) Derivative financial instruments

Derivative financial instruments are recognised initially at fair value. At each balance sheet date the fair value is remeasured. The gain or loss on remeasurement at fair value is charged immediately to profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedge the net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged.

(h) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity at acquisition. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are also included as a component of cash and cash equivalents for the purpose of the consolidated cash flow statement.

(i) Property, plant and equipment

Property, plant and equipment, which consist of buildings, mining structures and mining rights, mining related machinery and equipment, generators and related machinery and equipment, railway and port transportation structures and furniture, fixtures, motor vehicles and other equipment, are initially stated at cost less accumulated depreciation and impairment losses (see Note 2(m)). The cost of an asset comprises its purchase price, any directly attributable costs of bringing the asset to its present working condition and location for its intended use, the cost of borrowed funds used during the period of construction and, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located, and changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other cost is recognised as an expense in the income statement in the period in which it is incurred.

2 Significant accounting policies (continued)

(i) Property, plant and equipment (continued)

When proved and probable coal reserves have been determined, costs incurred to develop coal mines are capitalised as part of the cost of the mining structures. All other expenditures, including the cost of repairs and maintenance and major overhaul, are expensed as they are incurred. Mining exploration costs, such as expenditures related to locating coal deposits and determining the economic feasibility, and the costs of removing waste materials or "stripping costs" are expensed as incurred.

Subsequent to the revaluation which was required by the PRC rules and regulations in connection with the Restructuring and which was based on depreciated replacement costs, property, plant and equipment are carried at revalued amount, being the fair value at the date of the revaluation, less subsequent accumulated depreciation and impairment losses (see Note 2(m)).

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount. When an item of property, plant and equipment is revalued, the entire class of property, plant and equipment to which that asset belongs is revalued simultaneously. When an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to shareholder's equity as a component of revaluation reserve. However, a revaluation increase is recognised as income to the extent that it reverses a revaluation decrease of the same asset previously recognised as an expense. When an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised as an expense in the income statement. However, a revaluation decrease is charged directly against any related revaluation surplus to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset. Revaluations are to be performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair value at the balance sheet date.

Gains or losses arising from the retirement or disposal of property, plant and equipment are determined as the difference between the net disposal proceeds and the carrying amount of the item and are recognised in profit or loss on the date of retirement or disposal. Any related revaluation surplus is transferred from revaluation reserve to retained earnings.

Depreciation is provided to write off the cost/revalued amount of item of property, plant and equipment, other than mining structures and mining rights, over its estimated useful life on a straight-line basis, after taking into account its estimated residual value. The estimated useful lives of property, plant and equipment are as follows:

	Depreciable life
Buildings	20-50 years
Mining related machinery and equipment	5-18 years
Generators and related machinery and equipment	20-30 years
Railway and port structures	30-45 years
Furniture, fixtures, motor vehicles and other equipment	5-10 years

Mining structures and mining rights are depreciated on the units-of-production method utilising only proved and probable coal reserves in the depletion base.

The Group's mining rights are of sufficient duration (or convey a legal right to renew for sufficient duration) to enable all reserves to be mined in accordance with current production schedules.

(j) Lease prepayments

Lease prepayments represent land use rights paid to the PRC's governmental authorities. Land use rights are carried at cost less impairment losses (see Note 2(m)) and are charged to the income statement on a straight-line basis over the respective periods of the rights which range from 30 to 50 years.

2 Significant accounting policies (continued)

(k) Construction in progress

Construction in progress is stated at cost less impairment losses (see Note 2(m)). Cost comprises direct costs of construction, borrowing costs and foreign exchange differences on related borrowed funds to the extent that they are regarded as an adjustment to interest charges, during the period of construction.

Capitalisation of these costs ceases and the construction in progress is transferred to property, plant and equipment when substantially all the activities necessary to prepare the asset for its intended use are completed. No depreciation is provided in respect of construction in progress until it is completed and ready for its intended use.

(l) Intangible assets (other than goodwill)

Intangible assets that are acquired by the Group are stated at cost less accumulated amortisation and impairment losses (see Note 2(m)) and are charged to the income statement on a straight-line basis over the estimated useful life.

(m) Impairment losses

(i) Impairment of investments in debt and equity securities and other receivables

Investments in debt and equity securities (other than investments in subsidiaries and associates: see Note 2(m)(ii)) and other current and non-current receivables that are stated at cost or amortised cost or are classified as available-for-sale securities are reviewed at each balance sheet date to determine whether there is objective evidence of impairment. Objective evidence of impairment includes observable data that comes to the attention of the Group about one or more of the following loss events:

— significant financial difficulty of the debtor;

— a breach of contract, such as a default or delinquency in interest or principal payments;

— it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

— significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

— a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

If any such evidence exists, any impairment loss is determined and recognised as follows:

— For unquoted equity securities carried at cost, the impairment loss is measured as the difference between the carrying amount of the financial asset and the estimated future cash flows, discounted at the current market rate of return for a similar financial asset where the effect of discounting is material. Impairment losses for equity securities are not reversed.

2 Significant accounting policies (continued)

(m) Impairment losses (continued)

(i) Impairment of investments in debt and equity securities and other receivables (continued)

— For trade and other current receivables and other financial assets carried at amortised cost, the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition of these assets), where the effect of discounting is material. This assessment is made collectively where financial assets carried at amortised cost share similar risk characteristics, such as similar past due status, and have not been individually assessed as impaired. Future cash flows for financial assets which are assessed for impairment collectively are based on historical loss experience for assets with credit risk characteristics similar to the collective group.

If in a subsequent period the amount of an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised, the impairment loss is reversed through profit or loss. A reversal of an impairment loss shall not result in the asset's carrying amount exceeding that which would have been determined had no impairment loss been recognised in prior years.

— For available-for-sale securities, the cumulative loss that has been recognised directly in equity is removed from equity and is recognised in profit or loss. The amount of the cumulative loss that is recognised in profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and current fair value, less any impairment loss on that asset previously recognised in profit or loss.

Impairment losses recognised in profit or loss in respect of available-for-sale equity securities are not reversed through profit or loss. Any subsequent increase in the fair value of such assets is recognised directly in equity.

Impairment losses in respect of available-for-sale debt securities are reversed if the subsequent increase in fair value can be objectively related to an event occurring after the impairment loss was recognised. Reversals of impairment losses in such circumstances are recognised in profit or loss.

Impairment losses are written off against the corresponding assets directly, except for impairment losses recognised in respect of trade debtors and bills receivable, whose recovery is considered doubtful but not remote. In this case, the allowance for doubtful debts is recorded using an allowance account. When the Group is satisfied that recovery is remote, the amount considered irrecoverable is written off against trade debtors and bills receivable directly and any amounts held in the allowance account relating to that debt are reversed. Subsequent recoveries of amounts previously charged to the allowance account are reversed against the allowance account. Other changes in the allowance account and subsequent recoveries of amounts previously written off directly are recognised in profit or loss.

2 Significant accounting policies (continued)

(m) Impairment losses (continued)

(ii) Impairment of other assets

Internal and external sources of information are reviewed at each balance sheet date to identify indications that the following assets may be impaired or, except in the case of goodwill, an impairment loss previously recognised no longer exists or may have decreased:

— property, plant and equipment;

— construction in progress;

— intangible assets;

— investments in subsidiaries and associates;

— other investments; and

— lease prepayments.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for goodwill, intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment.

— Calculation of recoverable amount

The recoverable amount of an asset is the greater of its net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of time value of money and the risks specific to the asset. Where an asset does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the smallest group of assets that generates cash inflows independently (i.e. a cash-generating unit).

— Recognition of impairment losses

An impairment loss is recognised in profit or loss whenever the carrying amount of an asset, or the cash-generating unit to which it belongs, exceeds its recoverable amount. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (or group of units) and then, to reduce the carrying amount of the other assets in the unit (or group of units) on a pro-rata basis, except that the carrying value of an asset will not be reduced below its individual fair value less costs to sell, or value in use, if determinable.

— Reversals of impairment losses

In respect of assets other than goodwill, an impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount. An impairment loss in respect of goodwill is not reversed.

A reversal of an impairment loss is limited to the asset's carrying amount that would have been determined had no impairment loss been recognised in prior years. Reversals of impairment losses are credited to profit or loss in the period in which the reversals are recognised.

2 Significant accounting policies (continued)

(n) Inventories

Coal inventories are stated at the lower of weighted average cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

When coal inventories are sold, the carrying amount of those inventories is recognised as an expense in the period in which the related revenue is recognised. The amount of any write-down of inventories to net realisable value and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

Inventories of ancillary materials, spare parts and small tools used in production are stated at cost less impairment losses for obsolescence.

(o) Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost with any difference between the amount initially recognised and redemption value being recognised in profit or loss over the period of the borrowings, together with any interest and fees payable, using the effective interest method.

(p) Trade and other payables

Trade and other payables are initially recognised at fair value. Except for financial guarantee liabilities measured in accordance with Note 2(r)(i), trade and other payables are subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at cost.

(q) Trade and other receivables

Trade and other receivables are initially recognised at fair value and thereafter stated at amortised cost less allowance for doubtful debts (see Note 2(m)), except where the receivables are interest-free loans made to related parties without any fixed repayment terms or the effect of discounting would be immaterial. In such cases, the receivables are stated at cost less allowance for doubtful debts.

(r) Financial guarantees issued, provisions and contingent liabilities

(i) Financial guarantees issued

Financial guarantees are contracts that require the issuer (i.e. the guarantor) to make specified payments to reimburse the beneficiary of the guarantee (the "holder") for a loss the holder incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Where the Group issues a financial guarantee, the fair value of the guarantee (being the transaction price, unless the fair value can otherwise be reliably estimated) is initially recognised as deferred income within trade and other payables. Where consideration is received or receivable for the issuance of the guarantee, the consideration is recognised in accordance with the Group's policies applicable to that category of asset. Where no such consideration is received or receivable, an immediate expense is recognised in profit or loss on initial recognition of any deferred income.

2 Significant accounting policies (continued)

(r) Financial guarantees issued, provisions and contingent liabilities (continued)

(i) Financial guarantees issued (continued)

The amount of the guarantee initially recognised as deferred income is amortised in profit or loss over the term of the guarantee as income from financial guarantees issued. In addition, provisions are recognised in accordance with Note 2(r)(ii) if and when (i) it becomes probable that the holder of the guarantee will call upon the Group under the guarantee, and (ii) the amount of that claim on the Group is expected to exceed the amount currently carried in trade and other payables in respect of that guarantee i.e. the amount initially recognised, less accumulated amortisation.

(ii) Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

(s) Revenue recognition

Provided it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably, revenue is recognised in profit or loss as follows:

(i) Revenues associated with the sale of coal and other goods are recognised when the title to the goods has been passed to the customer which is at the date that the customer receives and accepts the goods. Acceptance occurs when the customer agrees to the amount and quality of the delivered goods. Export coal sales are recognised as revenues when the customers receive and accept the goods at the port and pay for freight costs.

(ii) Revenue from sale of power is recognised upon the transmission of electric power to the power grid companies, as determined based on the volume of electric power transmitted and the applicable fixed tariff rates agreed with the respective electric power grid companies annually.

(iii) Revenue from the rendering of transportation and other services is recognised upon the delivery or performance of the services.

(iv) Dividend income from unlisted investments is recognised when the shareholder's right to receive payment is established.

(v) Interest income is recognised as it accrues using the effective interest method.

2 Significant accounting policies (continued)

(t) Borrowing costs

Borrowing costs are expensed in profit or loss in the period in which they are incurred, except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to get ready for its intended use or sale.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or complete.

(u) Translation of foreign currencies

The Group's functional and presentation currency is Renminbi ("RMB"). Foreign currency transactions during the period are translated into RMB at the applicable rates of exchange quoted by the People's Bank of China ("PBOC") prevailing on the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated into RMB at the applicable PBOC rates ruling at the balance sheet date. Foreign exchange differences, other than those capitalised as construction in progress, are recognised as income or expense in the income statement.

(v) Obligations for land reclamation

The Group's obligations for land reclamation consist of spending estimates at both surface and underground mines in accordance with the PRC rules and regulations. The Group estimates its liabilities for final reclamation and mine closure based upon detailed calculations of the amount and timing of the future cash spending for a third party to perform the required work. Spending estimates are escalated for inflation, then discounted at a discount rate that reflects current market assessments of the time value of money and the risks specific to the liability such that the amount of provision reflects the present value of the expenditures expected to be required to settle the obligation. The Group records a corresponding asset associated with the liability for final reclamation and mine closure. The obligation and corresponding asset are recognised in the period in which the liability is incurred. The asset is depreciated on the units-of-production method over its expected life and the liability is accreted to the projected spending date. As changes in estimates occur (such as mine plan revisions, changes in estimated costs, or changes in timing of the performance of reclamation activities), the revisions to the obligation and asset are recognised at the appropriate discount rate.

(w) Operating leases

Operating lease payments are charged to the income statement on a straight-line basis over the period of the respective leases, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made.

(x) Employee benefits

(i) Short-term employee benefits

Salaries, annual bonuses, paid annual leave and the cost of non-monetary benefits are accrued in the years in which the associated services are rendered by employees. Where payment or settlement is deferred and the effect would be material, these accounts are stated at their present value.

2 Significant accounting policies (continued)

(x) Employee benefits (continued)

(ii) Defined contribution retirement plans

Obligations for contributions to defined contribution retirement plans are recognised as an expense in profit or loss when they are due.

The Group's contributions to defined contribution retirement plans administered by the PRC government are recognised as an expense when incurred according to the contribution determined by the plans.

(iii) Share appreciation rights

Share appreciation rights ("SARs") are granted to employees of the Company. The fair value of the amount payable to the employee is recognised as an expense with a corresponding increase in liabilities. The fair value initially is measured at grant date and spread over the period during which the employees become unconditionally entitled to payment. The fair value of the SARs is measured by using the Black-Scholes formula, taking into account the terms and conditions upon which the instruments were granted. The liability is remeasured at each balance sheet date and at settlement date. Any changes in the fair value of the liability are recognised in the income statement.

(iv) Termination benefits

Termination benefits are recognised when, and only when, the Group demonstrably commits itself to terminate employment or to provide benefits as a result of voluntary redundancy by having a detailed formal plan which is without realistic possibility of withdrawal.

(y) Income tax

Income tax for the period comprises current tax and movements in deferred tax assets and liabilities. Current tax and movements in deferred tax assets and liabilities are recognised in profit or loss except to the extent that they relate to items recognised directly in equity, in which case they are recognised in equity.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax assets and liabilities arise from deductible and taxable temporary differences respectively, being the differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax bases. Deferred tax assets also arise from unused tax losses and unused tax credits.

Apart from certain limited exceptions, all deferred tax liabilities, and all deferred tax assets to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, are recognised. Future taxable profits that may support the recognition of deferred tax assets arising from deductible temporary differences include those that will arise from the reversal of existing taxable temporary differences, provided those differences relate to the same taxation authority and the same taxable entity, and are expected to reverse either in the same period as the expected reversal of the deductible temporary difference or in periods into which a tax loss arising from the deferred tax asset can be carried back or forward. The same criteria are adopted when determining whether existing taxable temporary differences support the recognition of deferred tax assets arising from unused tax losses and credits, that is, those differences are taken into account if they relate to the same taxation authority and the same taxable entity, and are expected to reverse in a period, or periods, in which the tax loss or credit can be utilised.

2 Significant accounting policies (continued)

(y) Income tax (continued)

The limited exceptions to recognition of deferred tax assets and liabilities are those temporary differences arising from goodwill not deductible for tax purposes and the initial recognition of assets or liabilities that affect neither accounting nor taxable profit (provided they are not part of a business combination). For temporary differences relating to investments in subsidiaries, they are recognised except to the extent that, in the case of taxable differences, the Group controls the timing of the reversal and it is probable that the differences will not reverse in the foreseeable future, or in the case of deductible differences, they are recognised only to the extent that it is probable that they will reverse in the future.

The amount of deferred tax recognised is measured based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date. Deferred tax assets and liabilities are not discounted.

The carrying amount of a deferred tax asset is reviewed at each balance sheet date and is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the related tax benefit to be utilised. Any such reduction is reversed to the extent that it becomes probable that sufficient taxable profits will be available.

Additional income taxes that arise from the distribution of dividends are recognised when the liability to pay the related dividends is recognised.

Current tax balances and deferred tax balances, and movements therein, are presented separately from each other and are not offset. Current tax assets are offset against current tax liabilities, and deferred tax assets against deferred tax liabilities, if the Group has the legally enforceable right to set off current tax assets against current tax liabilities and the following additional conditions are met:

— in the case of current tax assets and liabilities, the Group intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously; or

— in the case of deferred tax assets and liabilities, if they relate to income taxes levied by the same taxation authority on either:

  — the same taxable entity; or

  — different taxable entities, which, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered, intend to realise the current tax assets and settle the current tax liabilities on a net basis or realise and settle simultaneously.

(z) Research and development costs

Expenditure on research activities is recognised as an expense in the period in which it is incurred. Expenditure on development activities is capitalised if the product or process is technically and commercially feasible and the Group has sufficient resources and the intention to complete development. The expenditure capitalised includes the costs of materials, direct labour and an appropriate proportion of overheads. Capitalised development costs are stated at cost less accumulated amortisation and impairment losses (see Note 2(m)). Other development expenditure is recognised as an expense in the period in which it is incurred.

2 Significant accounting policies (continued)

(aa) Related parties

For the purposes of these financial statements, a party is considered to be related to the Group if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control the Group or exercise significant influence over the Group in making financial and operating policy decisions, or has joint control over the Group;

(ii) the Group and the party are subject to common control;

(iii) the party is an associate of the Group or a joint venture in which the Group is a venturer;

(iv) the party is a member of key management personnel of the Group or the Group's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of the Group or of any entity that is a related party of the Group.

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the Group.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

(ab) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting system, the Group has chosen business segment information as the primary reporting format and geographical segment information as the secondary reporting format for the purposes of these financial statements. The Group has four reportable business segments which are (i) coal operations; (ii) railway operations; (iii) port operations; and (iv) power operations, and three reportable geographical segments which are (i) the PRC domestic markets; (ii) Asia Pacific markets-export sales; and (iii) other markets-export sales.

Segment revenue, expenses, results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to that segment. For example, segment assets may include inventories, trade receivables and property, plant and equipment. Segment revenue, expenses, assets, and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group entities within a single segment. Inter-segment pricing is based on similar terms as those available to other external parties.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets (both tangible and intangible) that are expected to be used for more than one period.

Unallocated items mainly comprise financial and corporate assets, interest-bearing loans, borrowings, tax balances, corporate and financing expenses.

3 New and revised IFRSs

The IASB has issued a number of new and revised IFRSs and interpretations that are first effective or available for early adoption for the current accounting period of the Group. The Board of Directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements prepared under IFRSs for the year ending 31 December 2008, on the basis of IFRSs currently in issue.

The IFRSs that will be effective or are available for voluntary early adoption in the annual financial statements prepared under IFRSs for the year ending 31 December 2008 may be affected by the issue of additional interpretation(s) or other changes announced by the IASB subsequent to the date of issuance of this interim financial report. Therefore the policies that will be applied in the Group's financial statements for that period cannot be determined with certainty at the date of issuance of this interim financial report.

The adoption of these new and revised IFRSs did not result in significant changes to the Group's accounting policies applied in this interim financial report for the periods presented.

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period (see Note 33).

4 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.

5 Other revenues

	Six months ended 30 June	
	2008	*2007*
	RMB million	*RMB million*
		(restated – Note 1)
Rendering of transportation and other services	**1,121**	836
Sale of ancillary materials and other goods	**272**	162
Others	**190**	63
	1,583	1,061

6 Cost of revenues – others

	Six months ended 30 June	
	2008	*2007*
	RMB million	*RMB million*
		(restated – Note 1)
Coal selection and minery fees	**878**	484
Coal extraction service costs	**122**	109
Sales taxes and surcharges	**389**	256
Dredging expenses	**154**	168
Relocation compensation expenses	**165**	177
Resources compensation fees	**137**	77
Pollutants discharge expenses	**132**	87
Cost of sale of ancillary materials and other goods	**242**	105
Public utilities expenses	**35**	52
Others	**924**	630
	3,178	2,145

7 Total operating expenses

	Six months ended 30 June 2008 RMB million	2007 RMB million (restated – Note 1)
Personnel expenses, including	**3,192**	2,745
- contributions to retirement plans	**401**	287
- fair value (gain)/loss on revaluation of share appreciation rights	**(35)**	31
Depreciation and amortisation	**4,699**	4,002
Net loss on disposal of property, plant and equipment	**57**	94
Operating lease charges on properties	**106**	121
Allowance for accounts receivable and other receivables and write down of inventories	**49**	275
Impairment losses on property, plant and equipment	**150**	113

8 Finance income/(expenses)

	Six months ended 30 June 2008 RMB million	2007 RMB million (restated – Note 1)
Interest income	**349**	136
Foreign exchange gain, net	**–**	292
Gain on remeasurement of derivative financial instruments at fair value	**50**	–
Finance income	**399**	428
Interest on loans from banks and other financial institutions, and other borrowings wholly repayable within five years	**(2,234)**	(1,860)
Less: Interest expense capitalised	**432**	223
Net interest expense	**(1,802)**	(1,637)
Loss on remeasurement of derivative financial instruments at fair value	**–**	(109)
Foreign exchange loss, net	**(68)**	–
Finance expenses	**(1,870)**	(1,746)
Net finance costs	**(1,471)**	(1,318)

9 Income tax

Income tax in the consolidated income statement represents:

	Six months ended 30 June 2008 RMB million	2007 RMB million (restated – Note 1)
Provision for PRC income tax (Note 20(a))	**3,496**	3,166
Deferred taxation (Note 20(b))	**213**	(53)
	3,709	3,113

A reconciliation of the expected tax expense with the actual tax expense is as follows:

	Six months ended 30 June 2008 RMB million	2007 RMB million (restated – Note 1)
Profit before income tax	**20,455**	15,476
Expected PRC income tax expense at statutory tax rate of 25% (30 June 2007: 33%) (Note i)	**5,114**	5,107
Effect of change in tax rate (Note ii)	**–**	(140)
Tax effect of differential tax rate on branches and subsidiaries' income (Note i)	**(1,476)**	(1,838)
Tax effect of non-deductible expenses (Note iii)	**69**	88
Tax effect of non-taxable income	**(1)**	(2)
Tax effect in respect of share of profits less losses of associates	**(79)**	(78)
Tax effect of tax losses not recognised	**67**	76
Others	**15**	(100)
Actual tax expense	**3,709**	3,113

Notes:

(i) The provision for PRC current income tax is based on a statutory rate of 25% (30 June 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 have been remeasured for the change in applicable tax rates as a result of the new tax law during the six months ended 30 June 2007.

(iii) Non-deductible expenses mainly represent personnel and other miscellaneous expenses in excess of statutory deductible limits for tax purposes.

10 Dividends

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

The directors do not propose the payment of an interim dividend for the six months ended 30 June 2008 (30 June 2007: Nil).

(b) Dividends declared and paid during the period

	Six months ended 30 June	
	2008	*2007*
	RMB million	*RMB million*
Special dividend to the Company's domestic stated-owned share and H share shareholders, resolved and paid during the period	**5,745**	–
Final dividend in respect of the previous financial year, declared and paid during the period	**3,580**	6,150
	9,325	6,150

(i) Special dividend

Pursuant to the approval by the shareholders at the extraordinary general meeting of the Company held on 24 August 2007, as part of the arrangement of the issue of A shares, it was resolved that the Company's domestic state-owned share and H share shareholders would be entitled to receive a distribution from the entire distributable reserves of the Group as at 30 June 2007 amounting to RMB22,544 million. The amount of such distributable reserves is the lower of the amount determined in accordance with the PRC Accounting Rules and Regulations and the amount determined in accordance with IFRSs after the appropriation of reserves. On 25 October 2007, the directors duly authorised by the shareholders declared a special dividend of RMB16,799 million to the Company's domestic state-owned share and H share shareholders, which was paid on 14 November 2007. On 15 March 2008, the directors duly authorised by the shareholders resolved to declare a special dividend for the remaining balance of RMB5,745 million to the Company's domestic state-owned share and H share shareholders, and which was paid on 10 June 2008.

(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.

11 Earnings per share

The calculation of basic earnings per share for the six months ended 30 June 2008 was based on the profit attributable to equity shareholders of the Company for the period of RMB14,817 million (30 June 2007: RMB10,363 million as restated) and the weighted average number of shares in issue during the six months ended 30 June 2008 of 19,890 million (30 June 2007: 18,090 million).

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

12 Property, plant and equipment, net

During the six months ended 30 June 2008, the additions of property, plant and equipment (including transferred from construction in progress) of the Group amounted to RMB9,249 million (30 June 2007: RMB7,044 million as restated). Items of property, plant and equipment with net book value totalling RMB93 million were disposed of during the six months ended 30 June 2008 (30 June 2007: RMB198 million as restated).

Up to the date of this report, the Group was in the process of applying for or changing registration of the title certificates of certain of its properties with an aggregate carrying value of approximately RMB1,689 million as at 30 June 2008 (31 December 2007: RMB3,368 million), of which RMB116 million relating to newly acquired properties for the six months ended 30 June 2008. The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned properties.

Certain power plants and a mine of the Group are in the process of obtaining requisite permits from the relevant government authorities at 30 June 2008. The directors of the Company are of the opinion that the Group will be able to obtain the requisite permits in due course.

13 Interest in associates

Details of the Group's principal associates as at 30 June 2008 are as follows:

			Proportion of ownership interest			
Name of the Company	*Type of legal entity*	*Particulars of registered capital*	*Group's effective interest*	*% held by the Company*	*% held by the Company's subsidiaries*	*Principal activities*
Zhejiang Jiahua Power Co., Ltd.	Limited company	RMB2,055 million	20%	20%	–	Power generation
Inner-Mongolia Menghua Haibowan Power Co., Ltd.	Limited company	RMB280 million	40%	40%	–	Power generation
Inner-Mongolia Jingda Power Co., Ltd.	Limited company	RMB455 million	30%	30%	–	Power generation
Shenhua Finance Co., Ltd. ("Shenhua Finance")	Limited company	RMB700 million	33%	21%	19%	Provision of financial services
Tianjin Yuanhua Shipping Co., Ltd.	Limited company	RMB360 million	44%	44%	–	Provision of transportation services
Zhuhai New Century Shipping Ltd.	Limited company	RMB682 million	50%	50%	–	Provision of transportation services

14 Other non-current financial assets

At 30 June 2008, the Group had a long-term entrusted loan to an associate of RMB627 million (31 December 2007: RMB937 million) through a PRC state-owned bank. The loan bears interest at 7.74% per annum and is receivable within five years.

15 Lease prepayments

Lease prepayments represent land use rights paid to the PRC's governmental authorities. Up to the date of this report, the Group was in the process of applying for or changing registration of the title certificates of certain land use rights with a carrying amount of RMB1,351 million as at 30 June 2008 (31 December 2007: RMB1,057 million), of which RMB296 million were newly acquired during the six months ended 30 June 2008. The directors are of the opinion that the Group is entitled to lawfully and validly occupy or use the above mentioned lands.

16 Inventories

	At 30 June 2008 RMB million	*At 31 December 2007 RMB million*
Coal	**1,883**	1,416
Materials and supplies	**5,525**	4,921
	7,408	6,337

17 Accounts and bills receivable, net

	At 30 June 2008 RMB million	*At 31 December 2007 RMB million*
Accounts receivable		
Shenhua Group and its affiliates	**266**	35
Associates	**7**	45
Third parties	**6,216**	5,910
	6,489	5,990
Allowance for doubtful debts	**(25)**	(104)
	6,464	5,886
Bills receivable	**495**	756
	6,959	6,642

Credit 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:

	At 30 June 2008 RMB million	*At 31 December 2007 RMB million*
Current	**6,858**	6,516
Within one year	**98**	125
Between one and two years	**3**	1
	6,959	6,642

18 Prepaid expenses and other current assets

	At 30 June 2008 RMB million	*At 31 December 2007 RMB million*
Fair value of derivative financial instruments	**87**	37
Prepaid expenses and deposits	**1,282**	2,002
Amounts due from Shenhua Group and its affiliates	**258**	153
Amounts due from associates	**82**	228
Other receivables	**1,084**	1,091
Entrusted loan to a third party	**200**	200
Advances to staff	**15**	60
	3,008	3,771

19 Cash and cash equivalents

At 30 June 2008, the Group had placed deposits with an associate amounting to RMB519 million (31 December 2007: RMB500 million).

20 Income tax in the balance sheet

(a) Current taxation in the balance sheet

	At 30 June 2008 RMB million	*At 31 December 2007 RMB million*
Provision for PRC income tax for the period/year (Note 9)	**3,496**	6,737
Through addition of a subsidiary	**–**	47
Provisional income tax paid	**(1,036)**	(4,586)
	2,460	2,198

(b) Deferred tax assets and liabilities

Deferred tax assets and deferred tax liabilities are attributable to the items set out below:

	Assets		**Liabilities**		**Net balance**	
	At 30 June 2008 RMB million	*At 31 December 2007 RMB million*	**At 30 June 2008 RMB million**	*At 31 December 2007 RMB million*	**At 30 June 2008 RMB million**	*At 31 December 2007 RMB million*
Allowances, primarily for receivables and inventories	**57**	69	**–**	–	**57**	69
Property, plant and equipment	**441**	494	**(716)**	(657)	**(275)**	(163)
Lease prepayments	**651**	655	**–**	–	**651**	655
Tax losses carried forward, net of valuation allowance	**82**	29	**–**	–	**82**	29
Tax allowable expenses not yet incurred	**–**	–	**(693)**	(508)	**(693)**	(508)
Unrealised profits from sales within the Group	**177**	113	**–**	–	**177**	113
Accrued salaries not yet paid	**186**	194	**–**	–	**186**	194
Pre-operating expenses written off	**55**	47	**–**	–	**55**	47
Others	**75**	78	**(14)**	–	**61**	78
Deferred tax assets/(liabilities)	**1,724**	1,679	**(1,423)**	(1,165)	**301**	514

Movements in temporary differences are as follows:

	At 1 January 2008 RMB million	**Recognised in consolidated income statement RMB million**	**At 30 June 2008 RMB million**
Allowances, primarily for receivables and inventories	**69**	**(12)**	**57**
Property, plant and equipment	**(163)**	**(112)**	**(275)**
Lease prepayments	**655**	**(4)**	**651**
Tax losses carried forward, net of valuation allowances	**29**	**53**	**82**
Tax allowable expenses not yet incurred	**(508)**	**(185)**	**(693)**
Unrealised profits from sales within the Group	**113**	**64**	**177**
Accrued salaries not yet paid	**194**	**(8)**	**186**
Pre-operating expenses written off	**47**	**8**	**55**
Others	**78**	**(17)**	**61**
Net deferred tax assets	**514**	**(213)**	**301**

20 Income tax in the balance sheet (continued)

(b) Deferred tax assets and liabilities (continued)

	At 1 January 2007 RMB million	Recognised in consolidated income statement RMB million	Recognised in equity RMB million	Through addition of a subsidiary RMB million	At 31 December 2007 RMB million
Allowances, primarily for receivables and inventories	69	–	–	–	69
Property, plant and equipment	(481)	196	–	122	(163)
Lease prepayments	857	(24)	(178)	–	655
Tax losses carried forward, net of valuation allowances	11	18	–	–	29
Tax allowable expenses not yet incurred	(272)	(236)	–	–	(508)
Unrealised profits from sales within the Group	90	23	–	–	113
Accrued salaries not yet paid	90	103	–	1	194
Pre-operating expenses written off	58	(22)	–	11	47
Others	141	(63)	–	–	78
Net deferred tax assets	563	(5)	(178)	134	514

21 Borrowings

Short-term borrowings and long-term borrowings are analysed as follows:

	At 30 June 2008 RMB million	At 31 December 2007 RMB million
Short-term borrowings		
Borrowings from banks and other financial institutions	**10,155**	4,903
Current portion of long-term borrowings	**4,952**	5,293
	15,107	10,196
Long-term borrowings, less current portion	**52,578**	49,718
	67,685	59,914

The short-term and long-term borrowings are interest-bearing and unsecured.

At 30 June 2008, the Group had entrusted loans from Shenhua Group and Shenhua Finance amounting to RMB1,000 million and RMB1,447 million (31 December 2007: RMB1,000 million and RMB1,447 million), respectively.

The long-term borrowings were repayable as follows:

	At 30 June 2008 RMB million	At 31 December 2007 RMB million
Within one year	**4,952**	5,293
After one year but within two years	**5,514**	5,114
After two years but within five years	**21,738**	22,518
After five years	**25,326**	22,086
	57,530	55,011

22 Short-term bonds

The bond bears interest at 4.40% per annum and is repayable within one year.

23 Accounts and bills payable

	At 30 June 2008 RMB million	At 31 December 2007 RMB million
Accounts payable		
Shenhua Group and its affiliates	**423**	326
Associates	**128**	203
Third parties	**8,381**	8,376
	8,932	8,905
Bills payable	**1**	169
	8,933	9,074

The accounts and bills payable are due to be settled within one year except for RMB119 million (31 December 2007: RMB145 million) which will be due after one year.

24 Accrued expenses and other payables

	At 30 June 2008 RMB million	At 31 December 2007 RMB million
Accrued staff wages and welfare benefits	**1,906**	1,537
Accrued interest payable	**170**	151
Accrued taxes other than income tax	**1,786**	2,046
Other accrued expenses and payables	**2,712**	3,984
Customer deposits and receipts in advances	**2,314**	1,859
	8,888	9,577

At 30 June 2008, the Group had amounts payable to Shenhua Group and its affiliates amounting to RMB79 million (31 December 2007: RMB565 million) and amounts payable to associates amounting to RMB20 million (31 December 2007: RMB18 million).

Accrued expenses and other payables with an amount of RMB165 million (31 December 2007: RMB236 million) are expected to be settled after more than one year.

25 Long-term payables

Long-term payables mainly represent payables for acquisition of mining rights which are to be settled over the period of production or under fixed payment schedules set out in the contracts on an annual basis. The annual payment is determined by fixed rates on a per tonne basis with reference to the annual production volume of the acquired mines or annual fixed amounts stipulated in the acquisition agreements.

26 Accrued reclamation obligations

The accrual for reclamation costs has been determined based on management's best estimates. However, so far as the effect on the land from current mining activities becomes apparent in future periods, the estimate of the associated costs may be subject to change in the near term. The Group believes that the accrued reclamation obligations at 30 June 2008 are adequate. The accrual is necessarily based on estimates and therefore, the ultimate liability may exceed or be less than such estimates.

27 Share capital

	At 30 June 2008 RMB million	*At 31 December 2007 RMB million*
Registered, issued and fully paid:		
16,491,037,955 domestic listed A shares of RMB1.00 each	**16,491**	16,491
3,398,582,500 H shares of RMB1.00 each	**3,399**	3,399
	19,890	19,890

The Company was incorporated on 8 November 2004 with a registered share capital of 15,000,000,000 domestic state-owned ordinary shares with a par value of RMB1.00 each. Such shares were issued to Shenhua Group in consideration for the assets and liabilities transferred from Shenhua Group.

In 2005, the Company issued 3,089,620,455 H shares with a par value of RMB1.00 each, at a price of HKD7.50 per H share by way of a global initial public offering to Hong Kong and overseas investors. In addition, 308,962,045 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.

In September 2007, the Company issued 1,800,000,000 A shares with a par value of RMB1.00 each at a price of RMB36.99 per A share to natural persons and institutional investors in the PRC ("A Shares Issue").

Following the A Shares Issue and pursuant to the requirements of the relevant authorities, all the 14,691,037,955 domestic stated-owned ordinary shares existing before the A Shares Issue (i.e. ordinary shares of the Company held by Shenhua Group) have become circulative. Shenhua Group has undertaken that for a period of 36 months commencing on the date on which the A shares are listed on the Shanghai Stock Exchange, it will not transfer, put on trust or allow any A shares to be repurchased by the Company.

All A shares and H shares rank pari passu in all material aspects.

28 Commitments and contingent liabilities

(a) Capital commitments

As at 30 June 2008, the Group had capital commitments for land and buildings, equipment and investments as follows:

	At 30 June 2008 RMB million	At 31 December 2007 RMB million
Authorised and contracted for		
- Land and buildings	**9,077**	5,228
- Machinery and other equipment	**23,599**	18,139
- Investment in an associate	**–**	84
	32,676	23,451
Authorised but not contracted for		
- Land and buildings	**19,551**	19,099
- Machinery and other equipment	**18,068**	23,512
	37,619	42,611

(b) Operating lease commitments

Operating lease commitments mainly represent business premises leased through non-cancellable operating leases. These operating leases do not contain provisions for contingent lease rentals. None of the rental agreements contain escalation provisions that may require higher future rental payments nor impose restrictions on dividends, additional debt and/or further leasing. As at 30 June 2008, future minimum lease payments under non-cancellable operating leases on business premises having initial or remaining lease terms of more than one year are payable as follows:

	At 30 June 2008 RMB million	At 31 December 2007 RMB million
Within one year	**96**	71
After one year but within five years	**158**	161
After five years	**68**	86
	322	318

(c) Legal contingencies

The Group is a defendant in certain lawsuits as well as the plaintiff in other proceedings arising in the ordinary course of business. While the outcomes of such contingencies, lawsuits or other proceedings cannot be determined at present, management believes that any resulting liabilities will not have a material adverse effect on the financial position or operating results of the Group.

28 Commitments and contingent liabilities (continued)

(d) Environmental contingencies

To date, the Group has not incurred any significant expenditures for environmental remediation, is currently not involved in any environmental remediation, and apart from the provision for land reclamation costs, has not accrued any further amounts for environmental remediation relating to its operations. Under the existing legislation, management believes that there are no probable liabilities that will have a material adverse effect on the financial position or operating results of the Group. The PRC government, however, has moved, and may move further towards the adoption of more stringent environmental standards. Environmental liabilities are subject to considerable uncertainties which affect the Group's ability to estimate the ultimate cost of remediation efforts. These uncertainties include (i) the exact nature and extent of the contamination at various sites including, but not limited to coal mines and land development areas, whether operating, closed or sold; (ii) the extent of required cleanup efforts; (iii) varying costs of alternative remediation strategies; (iv) changes in environmental remediation requirements; and (v) the identification of new remediation sites. The amount of such future cost is indeterminable due to such factors as the unknown magnitude of possible contamination and the unknown timing and extent of the corrective actions that may be required. Accordingly, the outcome of environmental liabilities under future environmental legislation cannot reasonably be estimated at present, and could be material.

29 Related party transactions

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group

The Group is controlled by Shenhua Group and has significant transactions and relationships with Shenhua Group and its affiliates. Related parties refer to enterprises over which Shenhua Group is able to exercise significant influence or control. The Group also has entered into transactions with its associates, over which the Group can exercise significant influence. Because of the above relationships, it is possible that the terms of these transactions are not the same as those that would result from transactions among wholly unrelated parties.

Pursuant to a resolution passed at the extraordinary general meeting on 24 August 2007, the Company acquired the entire equity interests in Shendong Coal and Shendong Power from Shenhua Group (see Note 1). Following the acquisitions of Shendong Coal and Shendong Power, certain transactions between Shendong Coal, Shendong Power, Shenhua Group and the associates of the Group in the six months ended 30 June 2007 were considered as related party transactions in this interim financial report and the disclosures of the related party transactions in this regard for the period ended 30 June 2007 were restated accordingly.

29 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group (continued)

The Group had the following transactions with Shenhua Group and its affiliates, and the associates of the Group that were carried out in the normal course of business:

		Six months ended 30 June	
		2008	*2007*
		RMB million	*RMB million*
			(restated – Note 1)
Interest income	(i)	**3**	10
Purchases of ancillary materials and spare parts	(ii)	**553**	408
Ancillary and social services	(iii)	**85**	152
Transportation services income	(iv)	**138**	19
Interest expense	(v)	**37**	54
Purchase of coal	(vi)	**2,169**	1,257
Sale of coal	(vii)	**810**	783
Property leasing	(viii)	**7**	21
Transportation services expense	(ix)	**144**	141
Repairs and maintenance services expense	(x)	**11**	1
Coal export agency expense	(xi)	**41**	34
Income from equipment installation and construction work	(xii)	**31**	5
Purchase of equipment and construction work	(xiii)	**334**	344
Other income	(xiv)	**89**	34

(i) Interest income represents interest earned from deposits placed with and entrusted loans to associates. The applicable interest rate is determined in accordance with the prevailing bank interest rates published by PBOC.

Net deposits placed with the associate amounted to RMB19 million and net deposits withdrawn from the associate amounted to RMB904 million (as restated) for the six months ended 30 June 2008 and 2007 respectively.

Entrusted loans repaid by the associates amounted to RMB534 million and entrusted loans issued to the associates amounted to RMB410 million (as restated) for the six months ended 30 June 2008 and 2007 respectively.

(ii) Purchases of ancillary materials and spare parts represent purchase of materials and utility supplies from the affiliates of Shenhua Group related to the Group's operations.

(iii) Ancillary and social services represent expenditures for social welfare and support services such as property management, water and electricity supply, and canteen expense paid to the affiliates of Shenhua Group and certain associates.

(iv) Transportation services income represents income earned from the Group's associate and affiliates of Shenhua Group in respect of coal transportation services.

(v) Interest expense represents interest incurred in respect of borrowings from Shenhua Group and its affiliates. The applicable interest rate is determined in accordance with the prevailing borrowing rates published by PBOC.

Net short-term borrowings repaid to Shenhua Group during the six months ended 30 June 2007 amounted to RMB550 million (as restated). Net short-term borrowings from Shenhua Group amounted to RMB1,147 million during the six months ended 30 June 2008.

Net long-term borrowings from an associate during the six months ended 30 June 2007 amounted to RMB772 million (as restated). Net long-term borrowings repaid to an associate amounted to RMB1,147 million during the six months ended 30 June 2008.

29 Related party transactions (continued)

(a) Transactions with Shenhua Group and its affiliates, and the associates of the Group (continued)

(vi) Purchase of coal represents coal purchased from the affiliates of Shenhua Group and certain associates.

(vii) Sale of coal represents income from sale of coal to the affiliates of Shenhua Group and certain associates.

(viii) Property leasing represents rental charge in respect of properties leased from the affiliates of Shenhua Group.

(ix) Transportation services expense represents expense related to coal transportation services provided by the affiliates of Shenhua Group and certain associates.

(x) Repairs and maintenance services expense represents expense related to machinery repairs and maintenance services provided by the affiliates of Shenhua Group and certain associates.

(xi) Coal export agency expense represents expense related to coal export agency services provided by the affiliates of Shenhua Group.

(xii) Income from equipment installation and construction work represents equipment installation and construction service provided to the affiliates of Shenhua Group and certain associates.

(xiii) Purchase of equipment and construction work represents expense related to equipment and construction service provided by the affiliates of Shenhua Group and certain associates.

(xiv) Other income includes agency income, repairs and maintenance service income, sales of ancillary materials and spare parts, management fee income, sales of water and electricity, etc.

The directors of the Company are of the opinion that the above transactions with related parties were conducted in the ordinary course of business, on normal commercial terms and in accordance with the agreements governing such transactions.

Amounts due from/to Shenhua Group and its affiliates, and the associates of the Group:

	Note	***At 30 June 2008 RMB million***	*At 31 December 2007 RMB million*
Cash and cash equivalents	19	**519**	500
Accounts receivable	17	**273**	80
Prepaid expenses and other current assets	18	**340**	381
Other non-current financial assets	14	**627**	937
Total amounts due from Shenhua Group and its affiliates, and the associates of the Group		**1,759**	1,898
Borrowings	21	**2,447**	2,447
Accounts payable	23	**551**	529
Accrued expenses and other payables	24	**99**	583
Total amounts due to Shenhua Group and its affiliates, and the associates of the Group		**3,097**	3,559

Other than the interest rates disclosed in Notes (i) and (v) above, amounts due from/to Shenhua Group and its affiliates, and the associates of the Group bear no interest, are unsecured and are repayable in accordance with normal commercial terms.

29 Related party transactions (continued)

(b) Key management personnel emoluments

Key management personnel receive compensation in the form of fees, basic salaries, housing and other allowances, benefits in kind, discretionary bonuses, share appreciation rights and retirement scheme contributions.

Key management personnel compensation of the Group is summarised as follows:

	Six months ended 30 June	
	2008	2007
	RMB million	RMB million (restated – Note 1)
Short-term employee benefits	**3**	2
Post-employment benefits	**1**	1
Fair value (gain)/loss on revaluation of share appreciation rights	**(24)**	20
	(20)	23

Total remuneration is included in "personnel expenses" as disclosed in Note 7.

(c) Contributions to post-employment benefit plans

The Group participates in various defined contribution post-employment benefit plans organised by municipal and provincial governments for its employees. Further details of the Group's post-employment benefit plans are disclosed in Note 30.

(d) Transactions with other state-controlled entities in the PRC

The Company is a state-controlled entity and operates in an economic regime currently dominated by entities directly or indirectly controlled by the PRC government ("state-controlled entities") through its government authorities, agencies, affiliations and other organisations.

Other than those transactions with Shenhua Group and its affiliates, and the associates of the Group as disclosed above, the Group conducts certain business activities with other state-controlled entities which include but are not limited to the following:

— Power sales;
— Sales and purchases of coal;
— Transportation services;
— Construction work;
— Purchases of ancillary materials and spare parts;
— Ancillary and social services; and
— Financial services arrangements.

These transactions are conducted in the ordinary course of the Group's business on terms comparable to those with other entities that are not state-controlled. The Group has established its buying, pricing strategy and approval process for purchases and sales of products and services. Such buying, pricing strategy and approval processes do not depend on whether the counterparties are state-controlled entities or not.

Having considered the potential for transactions to be impacted by related party relationships, the Group's buying, pricing strategy and approval processes, and what information would be necessary for an understanding of the potential effect of the relationship on the financial statements, the directors are of the opinion that the following transactions with other state-controlled entities require disclosure:

29 Related party transactions (continued)

(d) Transactions with other state-controlled entities in the PRC (continued)

(i) Transactions with other state-controlled entities, including state-controlled banks in the PRC

	Six months ended 30 June	
	2008	*2007*
	RMB million	*RMB million*
		(restated – Note 1)
Coal revenue	**16,344**	14,009
Power revenue	**13,455**	11,332
Transportation costs	**1,842**	1,852
Interest income	**346**	126
Interest expenses	**2,091**	1,677

(ii) Balances with other state-controlled entities, including state-controlled banks in the PRC

	At 30 June	*At 31 December*
	2008	*2007*
	RMB million	*RMB million*
Accounts receivable	**4,106**	4,167
Cash and time deposits at banks	**56,734**	52,931
Borrowings	**65,238**	57,467

30 Employee benefits plan

As stipulated by the regulations of the PRC, the Group participates in various defined contribution retirement plans organised by municipal and provincial governments for its employees. The Group is required to make contributions to the retirement plans at rates ranging from 17% to 20% of the salaries, bonuses and certain allowances of the employees. A member of the plan is entitled to a pension equal to a fixed proportion of the salary prevailing at the member's retirement date. The Group has no other material obligation for the payment of pension benefits associated with these plans beyond the annual contributions described above. The Group's contributions for the six months ended 30 June 2008 were RMB401 million (30 June 2007: RMB287 million as restated).

On 19 November 2005, the Company's Board of Directors approved a scheme of share appreciation rights for the senior management of the Group with a term of 10 years with effect from 15 June 2005. No shares will be issued under this scheme. The rights were granted in units with each unit representing one H share of the Company.

The rights to the units will have an exercise period of six years from the date of grant and can be exercised after the second, third and fourth anniversary of the date of grant and the total number of the rights exercised by an individual may not in aggregate exceed one-third, two-thirds and 100% respectively, of the total rights granted to the individual.

Upon exercise of the said rights, the exercising participant will, subject to the restrictions under the scheme, receive a payment in RMB, after deducting any applicable withholding tax, equal to the product of the number of rights exercised and the difference between the exercise price and market price of the H shares of the Company at the time of exercise.

No share appreciation rights was granted during the six months ended 30 June 2008 (30 June 2007: Nil). The Company recognised a compensation expense over the applicable vesting period. The fair value of the compensation payable was remeasured as at 30 June 2008 of RMB81 million (31 December 2007: RMB116 million) and an income was recognised for the six months ended 30 June 2008 amounted to RMB35 million (30 June 2007: an expense amounted to RMB31 million). The exercise price of granted share appreciation rights as approved by the Board of Directors is HKD7.90, HKD11.80 or HKD33.80 depending on the grant date. As at 30 June 2008, 8.4 million (31 December 2007: 8.4 million) share appreciation rights were outstanding.

31 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:

The Group has four reportable segments as follows:

(1) Coal operations – which produces coal from surface and underground mines, and the sale of coal to external customers and the power segment. The Group primarily sells its coal under long-term coal supply contracts which typically allow the parties to make annual price adjustments.

(2) Railway operations – which provides railway transportation services to the coal mining segment and external customers. The rates of freight charges billed to the coal mining segment and external customers are consistent and do not exceed the maximum amounts approved by the relevant government authorities.

(3) Port operations – which provides loading, transportation and storage services to the coal mining segment and external customers. The Group charges service fees and other expenses, which are reviewed and approved by the relevant government authorities.

(4) Power operations – which uses coal, sourced from the coal mining segment and purchased from external suppliers, to generate electric power for sale to external power grid companies and to the coal segment. The sales of power are not subject to long-term minimum power supply obligations. Electric power is sold to the power grid companies in accordance with planned power output at the tariff rates as approved by the relevant government authorities. Electric power produced in excess of the planned power output is sold at the tariff rate as agreed upon with the respective power grid companies which are generally lower than the tariff rates for planned power output.

The segments were determined primarily because the Group manages its coal, railway, port and power generation businesses separately. The reportable segments are each managed separately due to differences in their operating, distribution and production processes and gross margin characteristics.

The Group evaluates the performance and allocates resources to its reportable segments on an income from operations basis, without considering the effects of finance costs or investment income. The accounting policies of the Group's reportable segments are the same as those described in the significant accounting policies (see Note 2). Corporate administrative costs and assets are not allocated to the operating segments; instead, operating segments are charged for direct corporate services. Inter-segment transfer pricing is based on market prices or prices pre-determined by the relevant governmental authority.

31 Segment information (continued)

(a) Income statement

The following table presents segmental information:

	Coal 2008 RMB million	Coal 2007 RMB million (restated – Note 1)	Railway 2008 RMB million	Railway 2007 RMB million (restated – Note 1)	Port 2008 RMB million	Port 2007 RMB million (restated – Note 1)	Power 2008 RMB million	Power 2007 RMB million (restated – Note 1)	Corporate and others (Note) 2008 RMB million	Corporate and others (Note) 2007 RMB million (restated – Note 1)	Eliminations 2008 RMB million	Eliminations 2007 RMB million (restated – Note 1)	Total 2008 RMB million	Total 2007 RMB million (restated – Note 1)
	Six months ended 30 June													
Revenues														
External sales	**34,457**	26,477	**920**	719	**27**	34	**13,878**	11,627	**–**	–	**–**	–	**49,282**	38,857
Inter-segment sales	**6,601**	4,549	**7,850**	7,208	**966**	915	**32**	40	**–**	–	**(15,449)**	(12,712)	**–**	–
Total operating revenues	**41,058**	31,026	**8,770**	7,927	**993**	949	**13,910**	11,667	**–**	–	**(15,449)**	(12,712)	**49,282**	38,857
Cost of revenues														
Coal purchased from third parties	**(6,885)**	(4,723)	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**(6,885)**	(4,723)
Cost of coal production	**(6,612)**	(5,124)	**–**	–	**–**	–	**–**	–	**–**	–	**2,355**	1,478	**(4,257)**	(3,646)
Cost of coal transportation	**(11,351)**	(10,803)	**(3,118)**	(2,641)	**(652)**	(658)	**–**	–	**–**	–	**10,457**	8,991	**(4,664)**	(5,111)
Power cost	**–**	–	**–**	–	**–**	–	**(10,417)**	(7,531)	**–**	–	**2,422**	2,113	**(7,995)**	(5,418)
Others	**(275)**	(134)	**(512)**	(420)	**(21)**	(19)	**(233)**	(70)	**–**	–	**–**	–	**(1,041)**	(643)
Total cost of revenues	**(25,123)**	(20,784)	**(3,630)**	(3,061)	**(673)**	(677)	**(10,650)**	(7,601)	**–**	–	**15,234**	12,582	**(24,842)**	(19,541)
Selling, general and administrative expenses	**(1,401)**	(1,389)	**(248)**	(191)	**(95)**	(85)	**(648)**	(698)	**(109)**	(228)	**–**	–	**(2,501)**	(2,591)
Other operating expenses, net	**(187)**	(130)	**(24)**	(47)	**(3)**	–	**(116)**	(23)	**(1)**	(5)	**–**	–	**(331)**	(205)
Profit/(loss) from operations	**14,347**	8,723	**4,868**	4,628	**222**	187	**2,496**	3,345	**(110)**	(233)	**(215)**	(130)	**21,608**	16,520
Reconciliation of profit from operations to profit for the period:														
Profit from operations													**21,608**	16,520
Net finance costs													**(1,471)**	(1,318)
Investment income													**2**	36
Share of profits less losses of associates													**316**	238
Income tax													**(3,709)**	(3,113)
Profit for the period													**16,746**	12,363

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

31 Segment information (continued)

(b) Balance sheet

Assets and liabilities dedicated to a particular segment's operations are included in that segment's total assets and liabilities. Assets which benefit more than one segment are considered to be corporate assets and are not allocated. "Unallocated assets" consists primarily of cash and cash equivalents, time deposits, investments and deferred tax assets. "Unallocated liabilities" consists primarily of short-term and long-term borrowings, interest payable, short-term bonds, income tax payable and deferred tax liabilities.

Interests in and earnings from associates are included in the segments in which the associates operate. Information on interest in associates is included in Note 13.

	At 30 June 2008 RMB million	*At 31 December 2007 RMB million*
Assets		
Segment assets		
Coal	**58,948**	57,528
Railway	**35,683**	35,888
Port	**10,194**	10,275
Power	**82,477**	74,063
Combined segment assets	**187,302**	177,754
Interest in associates		
Coal	**1,440**	1,195
Railway	**133**	117
Port	**4**	6
Power	**1,267**	1,436
Total interest in associates	**2,844**	2,754
Unallocated assets	**63,963**	58,530
Total assets	**254,109**	239,038
Liabilities		
Segment liabilities		
Coal	**(13,998)**	(12,944)
Railway	**(3,021)**	(3,242)
Port	**(209)**	(759)
Power	**(4,767)**	(5,512)
Combined segment liabilities	**(21,995)**	(22,457)
Unallocated liabilities	**(74,086)**	(66,777)
Total liabilities	**(96,081)**	(89,234)

31 Segment information (continued)

(c) Other segment information

	Six months ended 30 June											
	Coal		Railway		Port		Power		Corporate and others (Note)		Total	
	2008 RMB million	2007 RMB million (restated – Note 1)	**2008 RMB million**	2007 RMB million (restated – Note 1)	**2008 RMB million**	2007 RMB million (restated – Note 1)	**2008 RMB million**	2007 RMB million (restated – Note 1)	**2008 RMB million**	2007 RMB million (restated – Note 1)	**2008 RMB million**	2007 RMB million (restated – Note 1)
Capital expenditure	**5,981**	6,433	**332**	1,565	**141**	225	**7,482**	4,171	**584**	31	**14,520**	12,425
Depreciation and amortisation	**1,720**	1,303	**802**	850	**308**	313	**1,867**	1,535	**2**	1	**4,699**	4,002
Share of profits less losses of associates	**267**	115	**16**	12	**–**	2	**33**	109	**–**	–	**316**	238
Impairment losses on property, plant and equipment	**50**	–	**–**	13	**–**	–	**100**	100	**–**	–	**150**	113

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one year.

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

Geographical segments:

The Group has three geographical segments by location of customers as follows:

(1) Domestic markets – external customers which are located in the PRC.

(2) Asia Pacific markets – export sales to customers which are located outside the PRC and primarily to customers in Korea and Japan.

(3) Other markets – export sales to customers which are located outside the PRC and the Asia Pacific region.

(i) Revenues

	Six months ended 30 June	
	2008 RMB million	2007 RMB million (restated – Note 1)
Domestic markets	**44,063**	34,296
Export sales – Asia Pacific markets	**5,082**	4,397
Export sales – other markets	**137**	164
Total operating revenues	**49,282**	38,857

(ii) Segment assets

The location of all the Group's production or service facilities and other assets is in the PRC.

32 Immediate and ultimate controlling party

At 30 June 2008, the directors consider the immediate parent and ultimate controlling party of the Group to be Shenhua Group Corporation Limited, a state-owned enterprise established in the PRC.

33 Possible impact of amendments, new standards and interpretations issued but not yet effective for annual accounting period ending 31 December 2008

Up to the date of issue of these financial statements, the IASB has issued a number of amendments, new standards and interpretations which are not yet effective for the accounting period ending 31 December 2008 and which have not been adopted in these financial statements.

The Group is in the process of making an assessment of what the impact of these amendments, new standards and new interpretations is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the Company's results of operations and financial position, while IFRS 8, *Operating segments*, which is effective for annual periods beginning on or after 1 January 2009, may result in new or amended disclosures in the financial statements.

34 Comparative figures

Certain comparative figures have been adjusted or re-classified as a result of the application of pooling-of-interests method on the acquisitions of Shendong Coal and Shendong Power (Note 1) and to conform with the current year's presentation.

煤礦
Coal Mine

1. 神東礦區
   Shendong Mines
2. 萬利礦區
   Wanli Mines
3. 准格爾礦區
   Zhunge'er Mines
4. 勝利礦區
   Shengli Mines

鐵路
Railway

5. 包神鐵路
   Baoshen Railway
6. 神朔鐵路
   Shenshuo Railway
7. 朔黃鐵路
   Shuohuang Railway
8. 大准鐵路
   Dazhun Railway
9. 黃萬鐵路
   Huangwan Railway

港口
Port

10. 黃驊港
    Huanghua Port
11. 神華天津煤碼頭
    Shenhua Tianjin
    Coal Dock

燃煤電廠
Coal-fired Power

12. 黃驊電力
    Huanghua Power
13. 盤山電力
    Panshan Power
14. 三河電力
    Sanhe Power
15. 國華准格爾
    Guohua Zhunge'er
16. 北京熱電
    Beijing Thermal
17. 准能電力
    Zhunge'er Power
18. 定洲電力
    Dingzhou Power
19. 綏中電力
    Suizhong Power
20. 寧海電力
    Ninghai Power
21. 錦界能源
    Jinjie Energy
22. 神木電力
    Shenmu Power
23. 台山電力
    Taishan Power
24. 神東電力
    Shendong Power
25. 神東煤炭
    Shendong Coal

國有鐵路
State-owned Railway

自有鐵路
Self-owned Railway

地名
Place

註：於2008年6月30日之分佈圖，僅做示意為用。
Note: This map as at 30 June 2008 is for illustrative purpose only.


4
內蒙古自治區
INNER MONGOLIA AUTONOMOUS REGION
遼寧省
LIAONING
19
秦皇島港
Qinhuangdao Port
北京市
BEIJING
13
16
大同東
Datong East
8
大秦鐵路
Daqin Railway
大同
Datong
14
天津市
TIANJIN
11
河北省
HEBEI
朔州西
Shuozhou West
萬家碼頭
Wanjia Berth
9
池南
hi South
18
肅寧北
Su'ning North
黃驊
Huanghua
10
12
7
西省
IANXI
山東省
SHANDONG

China Shenhua Energy Company Limited

4th Floor, Zhouji Tower,
16 Ande Road,
Dongcheng District,
Beijing, China
Post code: 100011
Tel : +8610 5813 3399
+8610 5813 3355
Fax : +8610 8488 2107

www.csec.com

The Report is printed on environmentally friendly and elemental chlorine free paper