



中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED



Corporate Social Responsibility Report 2007

Language of the text and mode of publication

This Report is published in Chinese and English, in case of any discrepancy between the two versions, the Chinese version shall prevail. This Report is distributed to shareholders and investors in published form, and issued to stakeholders and the general public as an electronic document in PDF form. The PDF electronic document can be downloaded from the CSEC website (www.csec.com). In case of any query about the contents of this Report, please contact us by telephone or letter at:

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About this Report

This is the first time that China Shenhua Energy Company (hereinafter referred to as “中國神華” in Chinese and “CSEC” in English) issues its Corporate Social Responsibility Report by way of a separate report.

CSEC had disclosed its ideology and efforts in fulfilling the Company's corporate social responsibility in the relevant sections of the 2005 and 2006 annual reports. In order to elaborate more fully on CSEC's production, operation and social responsibilities and enable our stakeholders to gain a better understanding of the Company, the 2007 Corporate Social Responsibility Report of CSEC is issued in the form of a separate report so as to fully reflect the various aspects of scientific development, operation in good faith, corporate governance, production safety, employees' interests, environmental protection, energy conservation, emission reduction of pollutants, self-innovation and social commonweal.

We have taken into consideration the interests and requirements of different stakeholders as much as possible in the compilation of this Report, and strive to make it plain, clear and easy to read. You are welcome to express your opinions and suggestions by various means.



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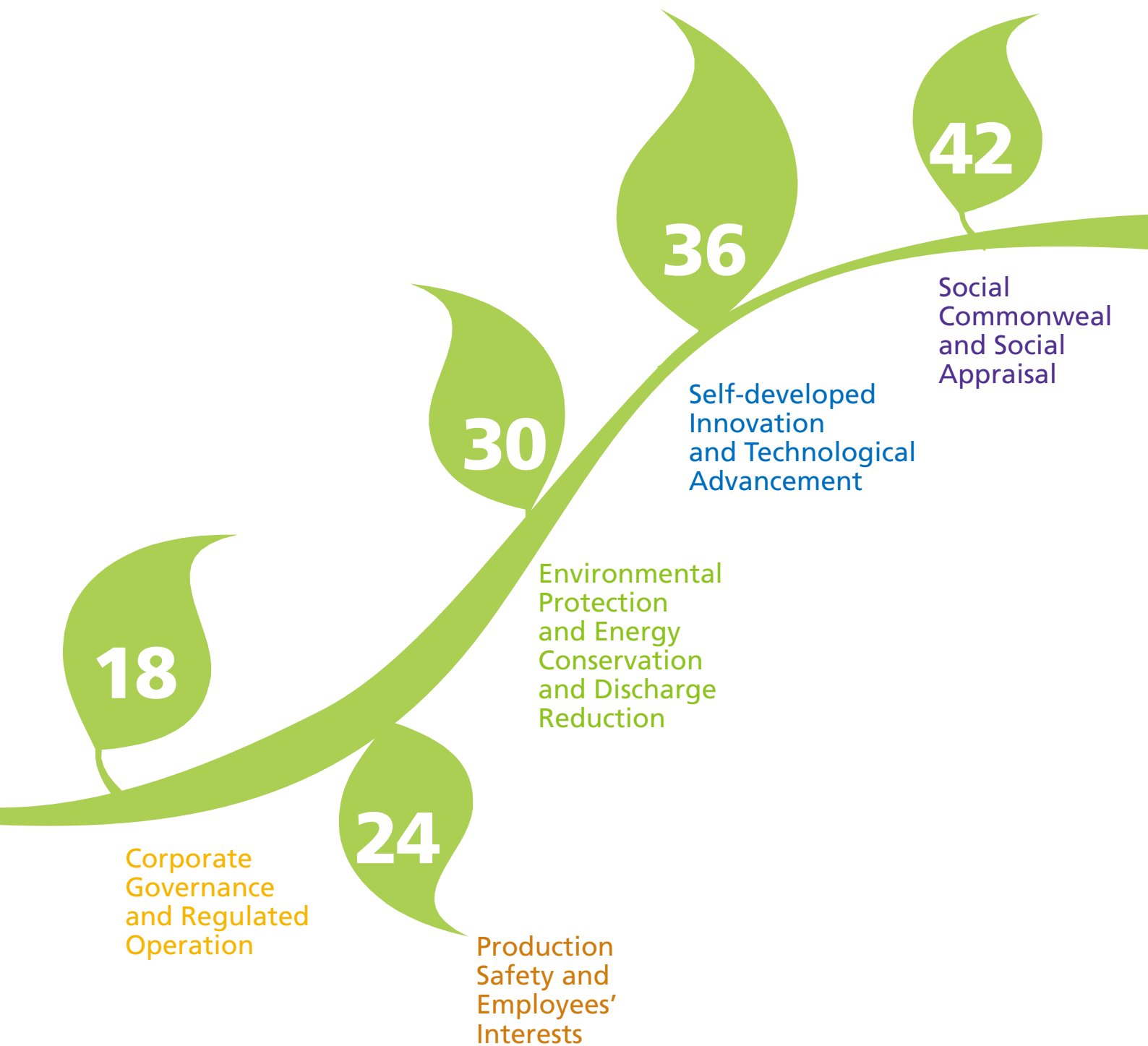
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Content, timespan and notes of the Report

Except as otherwise specifically stated, this Report mainly describes the economic, environmental and social work activities in the coal mining, railway, port and power generation businesses of CSEC for the period from 1 January 2007 to 31 December 2007, while at the same time providing a brief review of the relevant activities in the past. Unless otherwise indicated, the financial data contained in this Report are denominated in Renminbi (RMB).

This Report was compiled mainly by reference to such documents as "The Guideline on Fulfilling Social Responsibility by Central Enterprises" issued by State-owned Assets Supervision and Administration Commission of the P. R. China," Shenzhen Stock Exchange Social Responsibility Instructions to Listed Companies" of Shenzhen Stock Exchange and the "G3 Sustainable development Reporting Guidelines" of Global Reporting Initiative etc., in an endeavor to reflect the critical influences which the Company has on the economy, environment, society, and the social responsibilities borne by the Company comprehensively. However, due to the restrictions imposed by various objective conditions, this Report may not be satisfactory. The Company will continue to improve and perfect the disclosure content and the form of this Report, and will update the Corporate Social Responsibility Report once a year.

Corporate Values

Corporate Mission	To provide green energy for the development of the whole society
Development Vision	To build CSEC into a world-class large energy company
Core Values	Scientific harmony, virtuous cordiality, pursuing innovation and changes
Corporate Spirit	Plain living and hard struggle, pragmatic expansion and excellence seeking

Company Profile

With Shenhua Group Corporation Limited ("Shenhua Group") as its sole promoter, China Shenhua Energy Company Limited ("CSEC" or the "Company") is a large-scale integrated energy company registered and incorporated in Beijing on 8 November 2004. The businesses of CSEC mainly cover production and sale of coal, railway and port transportation of coal and other related material supplies as well as the generation and sale of power.

The Company's coal business has become a model of large-scale, high efficiency and safe production in the China coal industry. In 2007, the coal business of CSEC continued to grow with sales volume reaching 209.1 million tonnes, representing a year-on-year increase of 22.2%. The Company is the largest coal producer and seller in China, with an annual commercial coal production amounting to 158 million tonnes, representing a year-on-year increase by 15.7%. During the same period, the mortality rate per million tonnes of crude coal was 0.006, continuously maintaining leading position in production safety and high efficiency of the international coal mining industry. As at 31 December 2007, CSEC's coal reserve available for exploitation amounted to 11,482 million tonnes in accordance with the Chinese mining standard and CSEC's marketable coal reserve amounted to 7,320 million tonnes in accordance with the international JORC Mining Standard.

The Company owns a railway system with a total length of 1,367 km specifically for coal transportation, which includes Shenshuo — Shuohuang Railway, the second largest route for coal transportation from western China to eastern China. The Company owns Huanghua Port and Tianjin Coal Dock, which have a coal loading capacity of 100 million tonnes in aggregation. In 2007, the coal turnover of self-owned railway amounted to 116.7 billion tonnes km and the volume of seaborne coal sales reached 130.3 million tonnes.

CSEC owns large-scale, highly efficient and rapidly expanding clean coal-fired power operations. The Company's power plants are mainly located in the mining areas, along the rail network and in the developed areas of China where demand

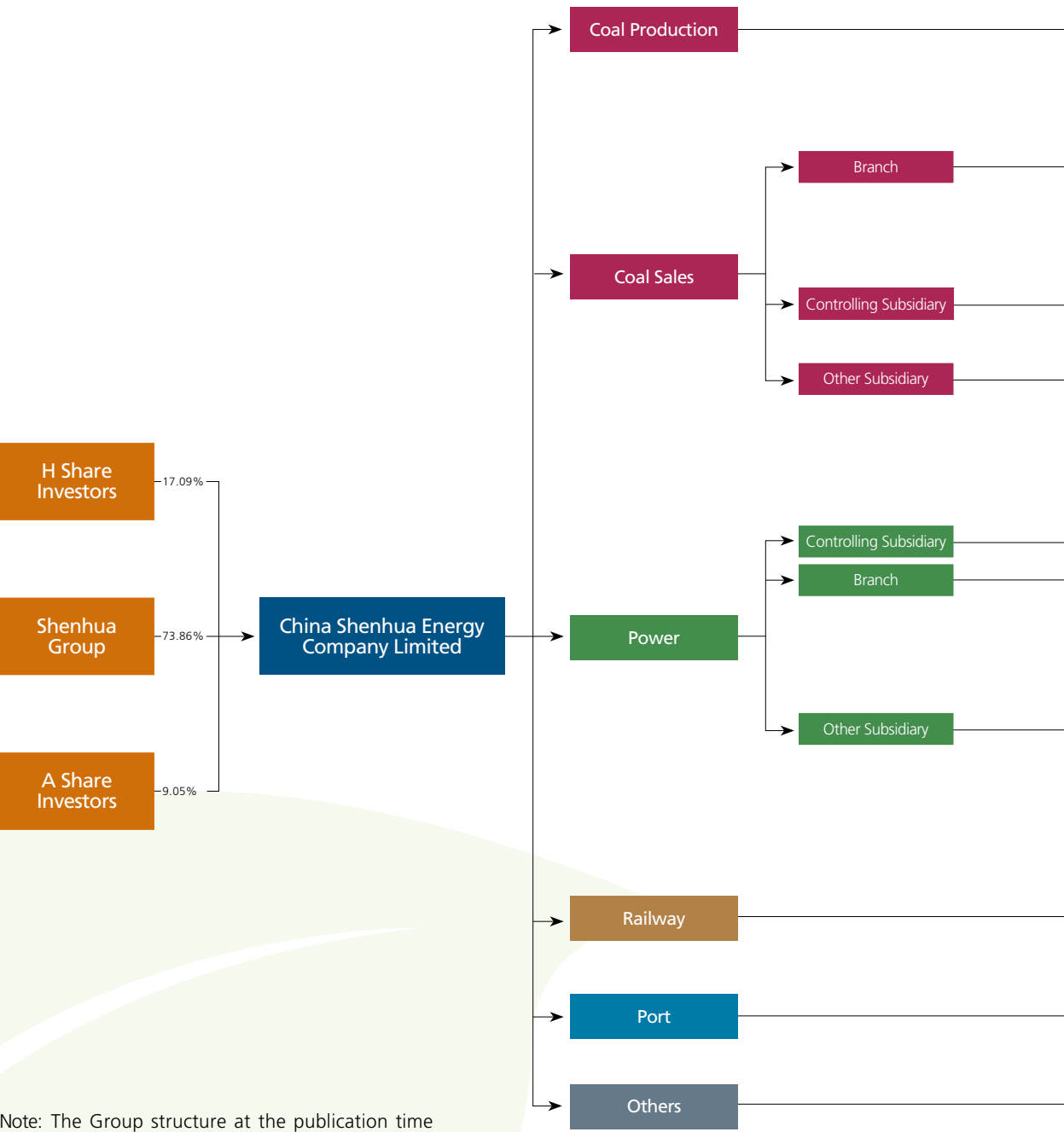
is strong. As at 31 December 2007, CSEC controlled and operated 13 coal fired power plants with a total installed capacity of 15,091MW, a year-on-year increase of 26.2%. In 2007, the volume of power generation reached 79.74 billion kwh, a year-on-year increase of 37.8%, the average utilization hours per unit reached 5995 hours, which was 679 hours higher than the average level of coal-fired power plants of 5316 hours, thus maintaining leading position among peers in China.

The H shares and A shares of CSEC were successfully listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange in June of 2005 and October of 2007 respectively. As at 31 December 2007, the total share capital of the Company was 19,889,620,455 shares, of which Shenhua Group held 14,691,037,955 shares, representing 73.86% of the total share capital and shareholders of A shares held 1,800,000,000 shares, representing 9.05% of the total share capital; shareholders of H shares held 3,398,582,500 shares, representing 17.09% of the total share capital.

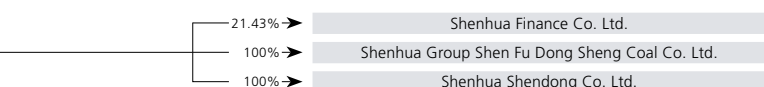
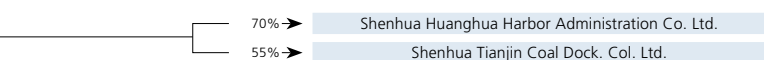
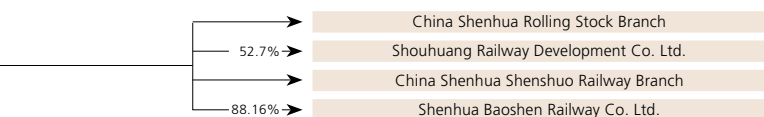
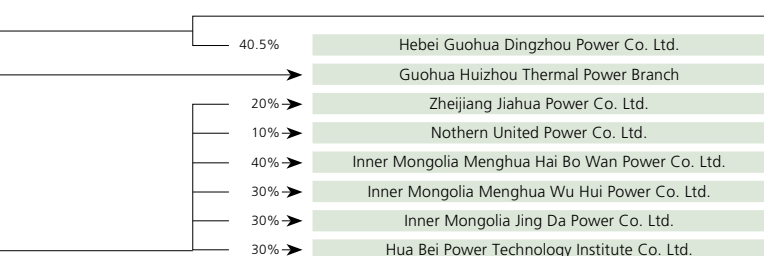
As at 31 December 2007, the total market capitalization was RMB 168.4 billion US dollars with operating revenue reaching RMB 82,107 million for 2007. In accordance with the China Accounting Standards for Business Enterprises ("ASBE"), the Company's total assets amounted to RMB 238,821 million, net profit achieving RMB 23,148 million; In accordance with the International Financial Reporting Standards ("IFRS"), the Company's total assets amounted to RMB 239,038 million, net profit achieving RMB 24,037 million.

Since the Company's establishment, CSEC has persisted in the positive performance of social responsibility while developing the Company and creating value for shareholders. The Company has achieved outstanding performance in various aspects covering safe production, employee health, operation in good faith, regulated operation, scientific innovation, environmental protection and social commonweal, as a result of which, the Company earned recognition and appreciation from stakeholders and attained harmonious corporate development.

Group Structure



Note: The Group structure at the publication time of the 2007 Annual Report is for illustrative purposes only and the English names are for identification purposes only.



Assets Distribution Chart



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



電廠 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. 綏中電力
Suizhong Power
19. 寧海電力
Ninghai Power
20. 錦界能源
Jinjie Energy
21. 神木電力
Shenmu Power
22. 台山電力
Taishan Power
23. 神東電力
Shendong Power
24. 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2007年12月31日之分佈圖，僅做示意為用。
Note: This map as at 31 December 2007 is for illustrative purpose only.



中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED



Chairman's Statement

Coal will be in a dominant position in the composition of primary energy of China over a long period. CSEC is a large integrated energy company with the integration of mining, railway transportation, port and power businesses. We are fully aware that CSEC's production and operation are closely connected with stakeholders such as shareholders, and have direct or indirect influence on the operations of a number of enterprises, the daily life of people, environmental changes and social development.

CSEC has always lived up to the principle of "scientific development, mutual success in harmony". While we devote ourselves to the achievement of corporate development and value creation for shareholders, we perform our social responsibilities positively, pay close attention to stakeholders' interests all the time and continuously promote the harmonious development of the enterprise and society.

In 2007, with the attention and support of various stakeholders, CSEC had achieved sustained, healthy and rapid development.

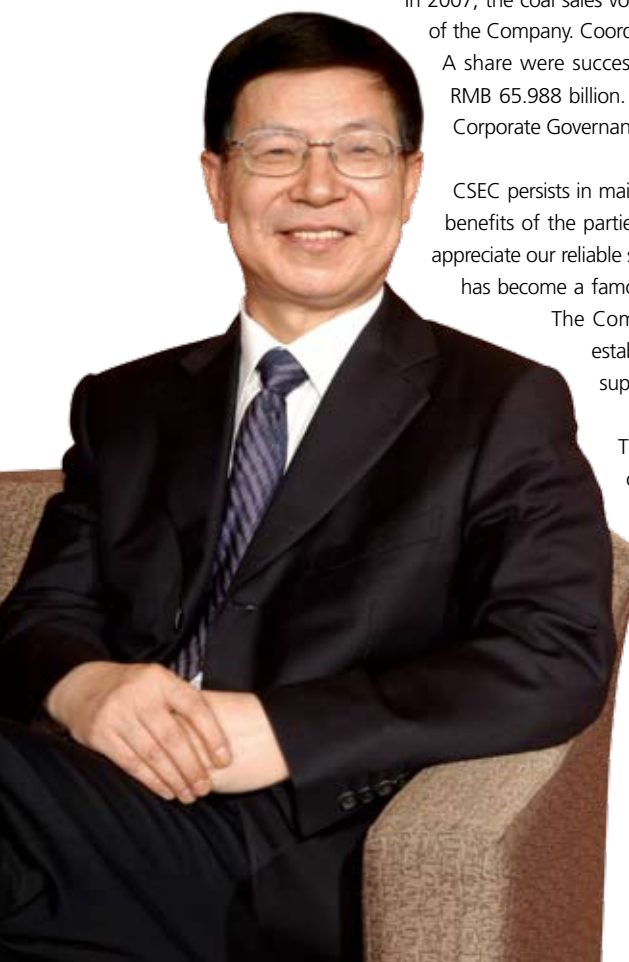
In 2007, the coal sales volume grew by 22.2%, which makes the largest increase in sales since the establishment of the Company. Coordinated development was achieved in power, railway and port businesses. The Company's A share were successfully listed on the Shanghai Stock Exchange on 9 October, raising net proceeds of RMB 65.988 billion. The A share of CSEC was incorporated in Shanghai Stock Exchange 50 Index and SSE Corporate Governance Index and the H share was incorporated into MSCI and the Hang Seng Index, etc.

CSEC persists in maintaining long-term cooperative relationship with suppliers and customers for the mutual benefits of the parties concerned. The Company's long-term coal customers from home and abroad highly appreciate our reliable supply, our dedication in honoring contracts and delivery of after-sale services. "Shenhua" has become a famous trademark in the coal markets along the southeastern coastal regions within China.

The Company selects eligible supplier through measurable tests and appraisals for eligibility, establishes fair competitive environment and builds up long-term cooperative relationship with suppliers who have both strong capability for supply and sound commercial reputation.

The Company considers the maintenance of safety and health as the top priority in operation and insists in realizing high efficiency on the basis of safety and in promoting safety with high efficiency. Based on 100% mechanization in our excavation operations, coal business of CSEC will further promote the intensive development and information technology. The level of safety management is effectively raised by the implementation of safety management systems in an all-around way in the coal transportation and power generation businesses with risk control as the core.

The Company is committed to building an environmental- friendly enterprise as well as protecting and improving the environment in the course of our operations and providing clean energy to the development of society. In 2007, the Company focused



on environmental protection projects such as treatment of waste water from the mines, desulfurization and denitrification for power plants, dedust and desulfurization for boilers, ash prevention and treatment of railway noise. At the same time, the Company actively promoted the establishment of a supervisory system, the popularization of techniques and the tackling of key issues in science and technology in respect of energy conservation and discharge reduction.

The Company adheres to the policy of making innovations with its own efforts and contributes to corporate development and the performance of social responsibilities by achieving advancement in science and technology. The Company has placed the emphasis on the localization of technologies and equipments as well as raising efficiency, improving the environment, and conserving energy by making use of scientific and technological innovations.

In 2007, CSEC has repaid the society by participation in various activities for social commonweal ,during which donations to fight poverty reaching more than RMB 95 million.

In 2007, the central government has promulgated various plans and policies covering the energy sector, environmental protection under the Eleventh Five Year Plan and the policy for the coal industry. The government proposed that the coal industry should walk along the road of sustainable development on the basis of reliance on scientific advancement, high utilization of resources, ensuring safety, high economic efficiency and reduction of environmental pollution; the policy of preferring large power generation units to small units and improving facilities of environmental protection has been implemented, thus clarifying the requirements on the operation and development of the Company in the near future.

As the largest coal-based integrated energy company in China and a leading energy company in the world, CSEC will persist in placing equal emphasis on the simultaneous realization of corporate development and the fulfillment of social responsibilities to attain the harmonious development of the enterprise, taking the building of an enterprise incorporating the five features of “quality effectiveness, intrinsic safety, technological innovation, resource conservation and harmonious development” as the strategic target. The Company will persistently strengthen management, increase input, fully apply scientific advancement and technological innovation to raise the safety level of various businesses of the Company and improve occupational health conditions of employees. CSEC will keep promises with partners such as customers and suppliers to achieve a win-win result. The Company will increase the utilization efficiency of resources, reduce the discharge of pollutants, take the initiative to improve the ecological environment of the places where businesses of the Company are located so as to achieve beneficial interaction and co-development of the enterprise, the local governments and the whole society.

As a large energy enterprise of the State, CSEC will actively fulfill its social responsibilities, realize harmonious development and provide green and economic energy to the society, while creating higher economic returns for our shareholders.

Chen Biting

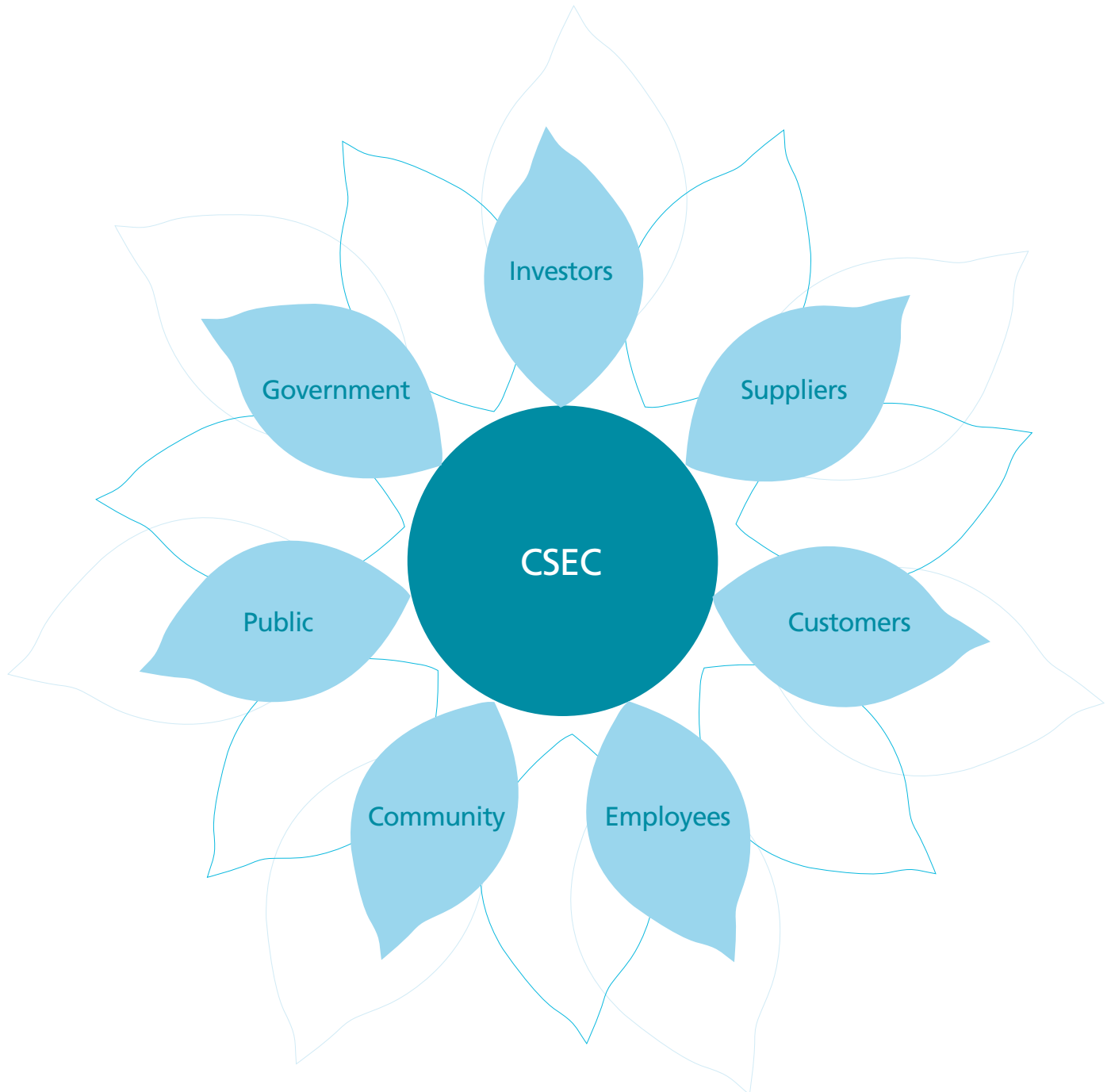
Chairman

15 March, 2008

Operation in Good Faith and
Mutual Success
in Harmony







Overview

Since its establishment in November 2004, CSEC has achieved eye-catching growth, and maintained the continued and rapid development in the coal, railway, port and power generation businesses.

	2006 (Restated)	2007
Production of commercial coal (million tonnes)	136.6	158.0
Sale of commercial coal (million tonnes)	171.1	209.1
Turnover of coal transported by self-owned railways (billion tonnes km)	99.0	116.7
Seaborne coal sales (million tonnes)	117.6	130.4
Power generation (100 million kwh)	553.6	797.4
Power output dispatch (100 million kwh)	517.1	743.5

While maintaining steady and rapid development, CSEC has always been insisting on the concept of scientific development, honesty and faithfulness and the pursuit of harmonious mutual benefit in its operations, and has firmly established the corporate image of being honest, reliable and contract abiding in the market. The Company honors its promises, strictly adheres to legal regulations on operations, performs its social responsibility and focuses on the interests of parties concerned such as shareholders, customers, employees, suppliers and the society so as to realize co-development.

The trust and support of stakeholders form the basis on which CSEC survives and develops. We are not only committed to the enhancement of quality and efficiency in our development and maximizing the long-term value of the Company, but also make efforts to repay stakeholders with the results of our development, and pursue maximization of mutual benefits of the enterprise and all the stakeholders so as to realize mutual success and harmonious development.

Investor Relations

Unified, Open, Timely and Compliant Information Disclosure

The Company has set up a proper system and procedures for the information disclosure and actively performs its duties in information disclosure required by regulatory authorities and the listing rules of the bourses on which the Company is listed. In November 2007, the Hong Kong Institute of Certified Public Accountants awarded CSEC with the 2006 Best Corporate Governance Disclosure Award for H share Companies.

In 2007, the Company has actively carried out voluntary disclosure of key monthly operating data on the basis of regulated disclosure to enable investors to gain a timely understanding of the Company's operating conditions.

Active, Interactive, Professional and Regulated Investor Relationships

Through more than two years of investor relationship building, the Company has gradually developed and improved a multi-channel and diversified investor reception model and established an investor reception system and relevant workflows. The Company set up a dedicated investor enquiry telephone and mailbox and held regular results roadshow and reverse roadshow.

In 2007, CSEC carried out a wide range of activities to promote investor relationship and received roughly 2,310 investors via participation of investor conferences, telephone reception, results roadshow and reverse roadshow etc.

Stable Dividend Distribution Policy

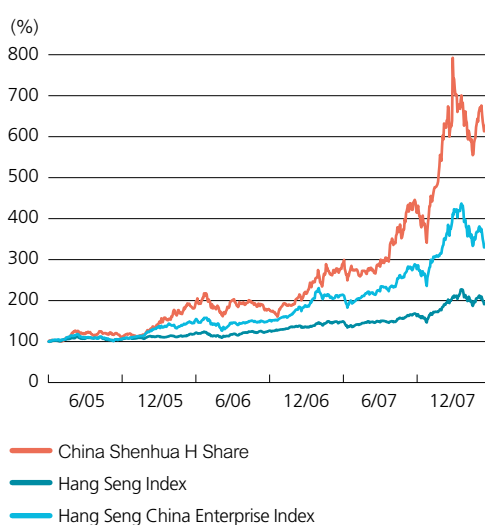
Since the Company was listed in 2005, CSEC maintained its annual dividend pay out ratio between 35% - 40%.

Performance of Share Prices

A Share Performance



H Share Performance



Customer Relations

Coal Operations

In 2007, as a result of adhering to developing long-term relationship with customers, promoting alternative coal and arranging outsourcing of coal, the Company was able to provide satisfactory after sale services, increase market share and supply capability of Shenhua coal. In the meanwhile, we enhanced market credibility and customer satisfaction and won the honour as advanced unit of "Satisfactory Project by National Users" in 2007.

Products

The Company mainly produces and sells high quality thermal coal featuring middle and high calories, low ash content, super-low sulphur and phosphor. After washing and dressing, part of the species can be used in the metallurgical and chemical industries. The coal products of the Company are mainly sold to domestic and overseas power generation plants, metallurgical and chemical enterprises.

Sale Network

In 2007, CSEC achieved commercial coal sales of 209.1 million tonnes, a year-on-year increase of 22.2%. In terms of transportation, the coal were sold to domestic and overseas markets through railway and marine transportation, and some of the coal were being sold at the minemouth. Domestic sales were mainly sold to the eastern and southern coastal regions of China, while exports were mainly sold to South Korea, Japan and Taiwan of China. The sales network covered the Company's major transportation operations and major domestic markets. Through the sales network, a smooth transportation channel was maintained and stable relationship with customers was developed.

Quality Control

To ensure high quality of the Company's coal products, we have set up and implemented a quality control system in accordance with the relevant national and industrial standards and ISO9001 Quality Management system. The quality control measures include:

- to carry out systematic control on coal quality at the working face of coal mines;
- to monitor coal quality in the whole process of production, washing and transportation of coal, building additional "Super iron-separators" to control the degree of cleanliness of coal;
- to carry out coal blending prior to sales, provide customized services to users and respond quickly to any user's feedback on coal quality.

Transportation Operation

The Company transports coal produced by the Company's mines and purchased from the third party for power plants and other customers along the lines and coastal regions through self-owned railway and national railway, as well as provides certain amount of freight and passengers transportation service to other customers. The Company may undertake part of the transportation in case of emergency.

The Company's Huanghua Port and Tianjin Coal Dock load coal sold by the Company to domestic customers along the coastal regions and to overseas users. Huanghua Port actively develops bulk cargo business so as to provide more convenience to customers within the radius of the port.

Power Generation Operation

In most circumstances, power generated by the Company's power plants is sold to power grid companies and the power grid companies in turn sell power to end users. In 2007, Taishan Power, a subsidiary of the Company, participated the project of direct power procurement by major customers in Taishan, Guangdong Province. The project enjoyed preferential power tariff in an attempt for the marketization of supply and demand of power, which is in line with the energy conservation and consumption reduction policy of China.

Supplier Relations

The Company adheres to the principle of equal negotiation and mutual benefit to build long-term strategic partnership with suppliers that have excellent qualification, credibility and products, and high quality service.

After setting up Guidelines of Management for Suppliers of China Shenhua Energy Company Limited, the Company established unified suppliers management system in accordance with the rules of centralised management, dynamic appraisals and survival of the fittest.

The Company carries out measurable eligibility tests and appraisal, incorporates the eligible suppliers into the List of Eligible Suppliers and issues certificates to the registered suppliers so as to regulate the competitive relationship among suppliers of the Company. The Company has established long-term cooperative relations by way of agreements.

In 2007, the Company collaborated with suppliers to commence the scientific research for the localized production of key equipment jointly with a number of scientific research institutes and suppliers in the country, which mainly included high-end hydraulic supporters, electro-hydraulic control systems and compartments for coal transportation. As a result, the equipments purchase costs were reduced and mutual success was attained.

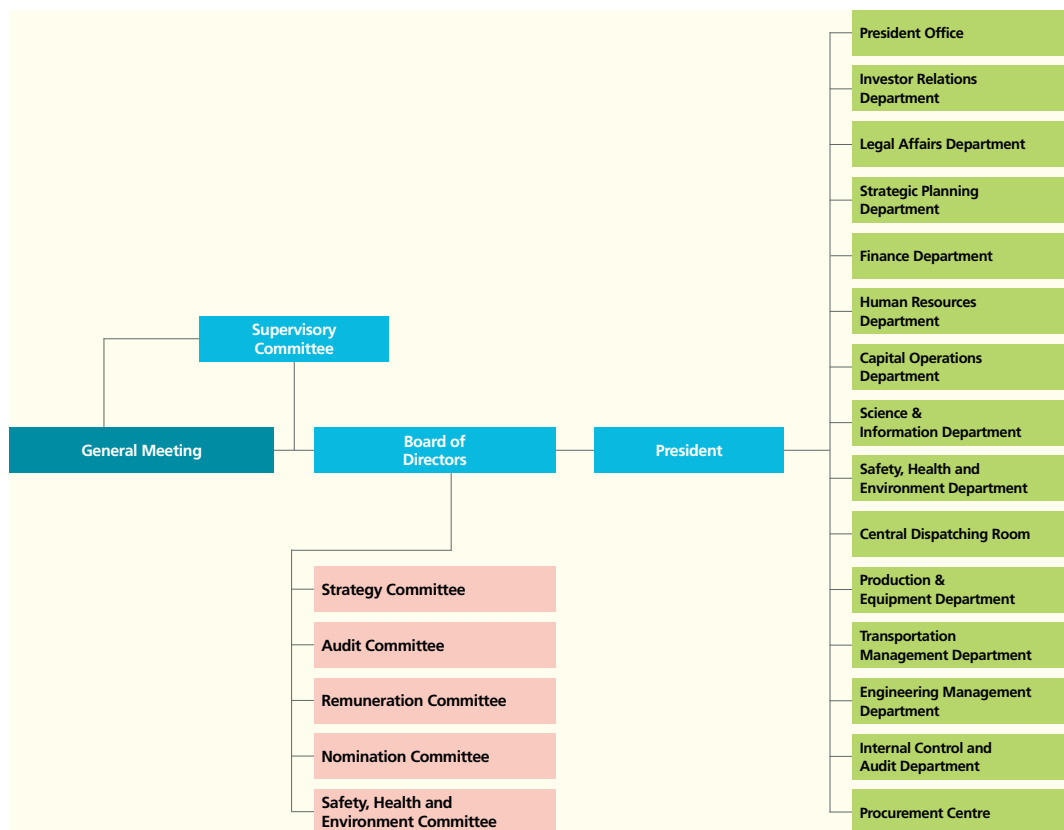
Corporate Governance and
Regulated
Operation







Corporate Governance Structure



CSEC has firmly established the concept of strict compliance with laws and regulations, carrying on regulated operations according to law, and adhered strictly to the relevant requirements of the regulatory authorities of the places where it is listed to constantly regulate corporate governance.

The Company has set up an relatively perfect modern corporate governance structure. The Shareholders' general meeting, board of directors, supervisory committee and management undertake their own responsibilities in accordance with regulations. The Company has formulated proper rules for shareholders' general meetings, board meetings, supervisory committees and specialized committees. The board of directors set up relative specialized committees so as to promote the regularized operations of corporate governance through strict systems and procedures.

The Company was elected "the Best Corporate Governance Company in Asia for 2006 by "Asia Money" magazine, and was incorporated into the SSE Corporate Governance Index by Shanghai Stock Exchange in 2007.

The Board of Directors

As at 31st December 2007 the board of directors consisted of 9 members, including 2 executive directors, 4 non-executive directors and 3 independent non-executive directors. Five specialized committees were set up under the board of directors, namely Strategy Committee, Audit Committee, Remuneration Committee, Nomination Committee and Safety, Health and Environmental protection Committee.

Specialized Committee	Committee Member	Main Duties
Strategy Committee	Mr. Chen Biting (Chairman)	<p>To study and make suggestions on long-term development strategy and major investment decisions of the company;</p> <p>To study and make suggestions on major investment financing proposals subject to approval of the board of directors;</p> <p>To study and make suggestions on major capital operation and asset operation projects subject to approval of the board of directors;</p> <p>To study and make suggestions on other matters that have important impacts on the Company's development;</p> <p>To examine the implementation of the above issues; and</p> <p>To execute other matters as authorized by the board of directors.</p>
	Mr. Yun Gongmin	
	Dr. Zhang Xiwu	
	Dr. Ling Wen	
Audit Committee	Dr. Chen Xiaoyue (Chairman)	<p>To examine and discuss internal audit plans for the year;</p> <p>To supervise the quality of internal audits and disclosure of financial information, review interim and annual financial statements before they are submitted to the board of directors;</p> <p>To supervise the appointment and dismissal of the person in charge of the internal audit unit, and provide relevant opinions;</p> <p>To examine the effectiveness of internal audit procedures, and accept complaints from relevant parties;</p> <p>To review and supervise to determine whether the external auditor is independent and objective, and whether audit procedures are effective by relevant and appropriate standards;</p> <p>To formulate policy on the engagement of the external auditor to provide non-audit services, and implement the same;</p> <p>To be responsible for providing suggestions on the appointment, re-appointment and dismissal of the external auditor, approve the remuneration and terms of engagement, and handle any matters related to the retirement or dismissal of the auditor; and</p> <p>To supervise the completeness of financial statements, annual reports, interim reports, review financial statements and relevant major opinions about financial reporting contained in the reports.</p>
	Mr. Huang Yicheng	
	Mr. Anthony Francis Neoh	

Remuneration Committee	Mr. Anthony Francis Neoh (Chairman) Dr. Chen Xiaoyue Dr. Ling Wen	<p>To make suggestions to the board of directors about the formulation of plans or proposals on remunerations for directors, supervisors and senior management, including but not limited to key proposals and systems on standards, procedures and key performance appraisal system;</p> <p>To examine the performance of duties by directors, supervisors and senior management and carry out yearly performance appraisals;</p> <p>To be responsible for supervising the implementation of the Company's remuneration system;</p> <p>Delegated by the board to undertake duties of setting specific remuneration for directors, supervisors and senior management, including non pecuniary benefits, pensions and compensation (including compensation for loss or termination of office or appointment);</p> <p>To ensure that directors or any of their connected parties are not allowed to set their own remunerations; and</p> <p>Execute any other matters as authorized by the board of directors.</p>
Nomination Committee	Mr. Chen Biting (Chairman) Mr. Huang Yicheng Mr. Anthony Francis Neoh Dr. Chen Xiaoyue	To regulate procedures for the nomination of the Company's directors and senior management so as to improve corporate governance, select qualified persons to serve as the Company's directors and senior management in order to raise competitiveness.
Safety, Health and Environmental Committee	Mr. Huang Yicheng (Chairman) Dr. Zhang Yuzhuo Dr. Ling Wen Mr. Han Jianguo	<p>To supervise the implementation of the Company's health, safety and environmental protection plans;</p> <p>To make suggestions to the board of directors or the president on major issues which affect the health, safety and environmental protection aspects of the Company;</p> <p>To raise questions on major incidents occurring in respect of the Company's production, operation, properties, assets, employee or other facilities and corresponding responsibilities, and to examine and supervise the handling of those incidents; and</p> <p>To handle other matters as authorized by the board of directors.</p>

In 2007, CSEC held one annual general meeting, one extraordinary general meeting, five board meetings and 15 meetings of related specialized committees.

Performance Assessment and Incentive Mechanism for Directors, Supervisors and Senior Management

Remuneration plan for directors, supervisors and senior management is submitted to the board of directors after discussion by the Remuneration Committee, of which the remuneration plan for directors and supervisors is subject to the approval by the shareholders' general meeting only after auditing by the board of directors, while remunerations for senior management are determined by the board of directors.

Remunerations for directors (other than the President and Independent Non-executive directors) and the chairman of the Supervisory Committee is to be paid by Shenhua Group and remunerations for supervisors is to be paid by the Company which is subject to the remunerations plan approved by the general meeting. The Remunerations for independent non-executive directors is pursuant to the Proposal on the Remuneration of Independent Non-executive Directors of the Company passed in the Company's shareholders' general meeting in 2004. The remuneration of the senior management is pursuant to the Tentative Measures relating to the Annual Remunerations of the Senior Management Personnel of China Shenhua Energy Company as voted and adopted at the 2004 Annual Shareholders' Meeting. In accordance with the Share Appreciation Rights Scheme of China Shenhua Energy Company, the Company granted share appreciation rights to directors (other than independent directors), supervisors and senior management in line with such scheme in 2005, 2006 and 2007 in succession.

Internal Control

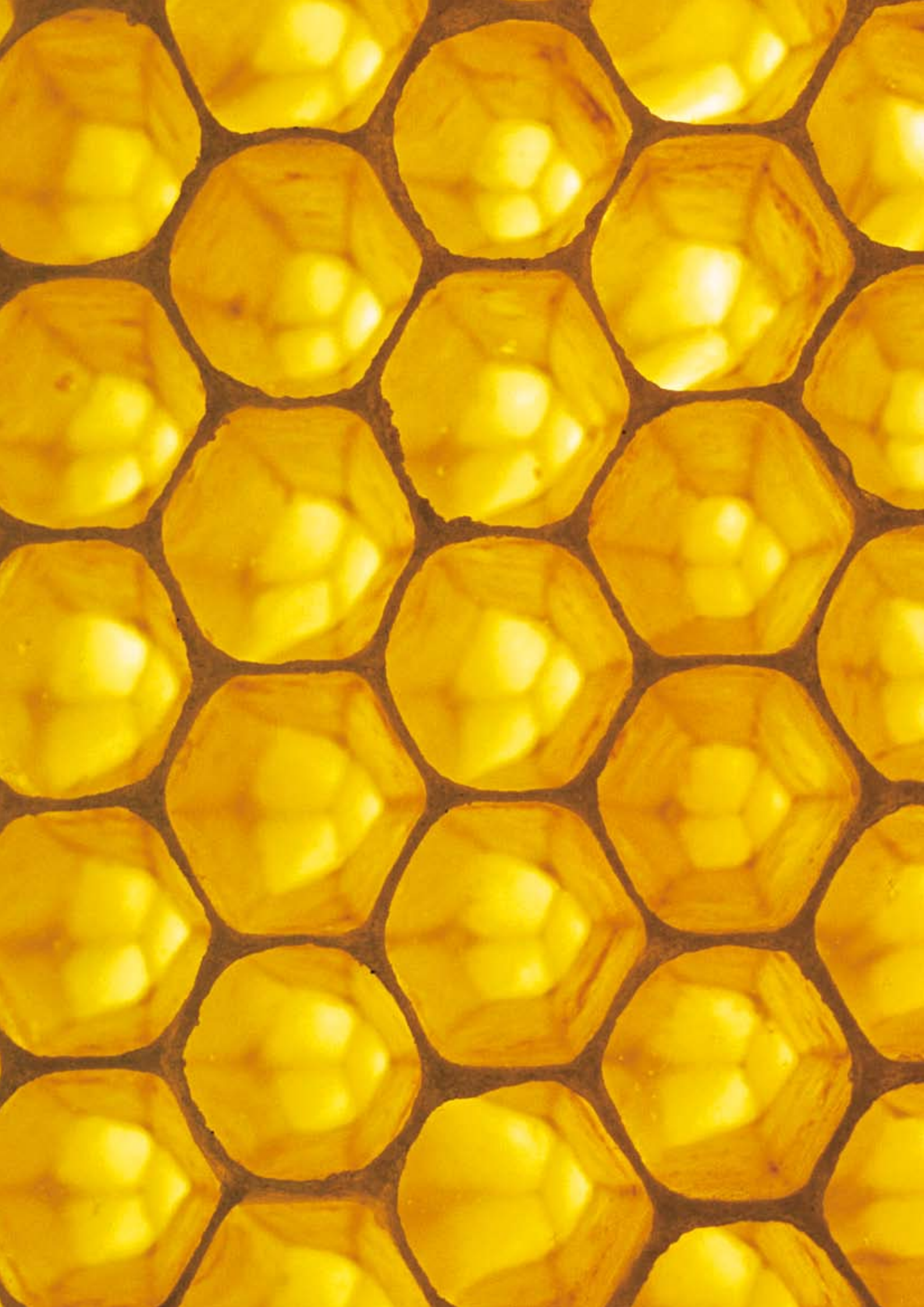
Since its establishment, the Company has been dedicated in the establishment and improvement of an internal control system and continued improvement of its control procedures with an aim to increase operation efficiency and reduce operation risks. The Company has established a series of internal control systems and control mechanisms on various aspects covering assets supervision and management, capital management, investment management and personnel management, ensuring that the Company's business activities are systematically conducted in accordance with appropriate authorization, achieving the target of protecting the Company starting from basic staff, and a closed-end monitoring system to promote establishment of internal control culture starting from the management.

Anti-Corruption

The Company attaches great importance to anti-corruption and has established a punishment and prevention system as well as a protection system through various systems. In 2007, through the establishment of education and supervision system which combined both punishment and anti-corruption, the Company further strengthened the overall anti-corruption and promotion of integrity, and promoted the healthy, steady and harmonious development of the enterprise.

Production Safety and Employees' Interests





Production Safety

Overview

The Company considers that ensuring production safety is CSEC's top social responsibility. Since the establishment, the Company's coal operations, transportation operations and power generation operations have all maintained relatively good safety records.

The Safety, Health and Environmental Committee under the board of directors, the vice president in charge of safety and the special safety department are responsible for the management of the Company's safety in its operations. Safety supervisory organizations are set up at each level within various subsidiaries, branches and production units. At the same time, production safety responsibilities are being fulfilled at each level to strengthen the management of work groups at the basic level and safety training for employees. The Company has set up various systems involving safety responsibilities, reward and penalty, contingency and emergency aid, work group management and elimination of potential hazards, including the "China Safety Responsibility System of China Shenhua Energy Company Limited", "The Administrative Measures of Rewards and Penalties for Occupational Safety (trial) of China Shenhua Energy Company Limited".

Mortality rate in the production of a million tonnes of raw coal

	2004	2005	2006	2007
CSEC	0.0096	0.023	0.027	0.006
Key state-owned coal mines	0.95	0.931	0.626	0.383
National average of all coal mines	3.080	2.811	2.041	1.485

The Company's work in respect of coal mine safety ranks leading position in domestic coal industry and even international level of the coal mining industry. In 2007 the mortality rate of CSEC per million tonnes of raw coal was 0.006, much lower than the national average level of 1.485 for coal mines and the average level of 0.38 for key State-owned coal mines. 16 of our 17 coal mines have achieved zero casualty. 10 coal mines have carried out safe production for over 1,000 days continuously. In 2007, 10 coal mines were assessed as safe and highly efficient mines of China, of which 6 were regarded as specially safe and highly efficient mines.

In 2007, no serious incident occurred in the railway ports and power plants of CSEC. Non-scheduled interruption incident of power generation units dropped by 23% as compared with last year and general accidents in respect of facilities decreased by 80% as compared with the same period of last year.

Concept of Safety

Safety principle: "Eliminating fatality rates in coal mines", "Keeping gas emission levels within restricted level to avoid accident".

Safety is being enforced in the workplaces of the sites: "The coal miners' workplaces are under the mines, the railway workers' workplaces are on the lines, the port workers' workplace are on the routes and the power plant workers' workplace are in the workshops".

Requirements for safety: "Emphasizing on safety is never over-repeated, never over-stressed and never ultra vires".

In 2007, the Company made active progress in the establishment of an intrinsic safety management system. The ideology of safety is deeply ingrained in our employees. The production safety has reached the highest historic level.



Establishment of Proper Management Systems

The Company has set up an intrinsic safety management system with the identification of sources of hazards as the foundation, the prevention and control of risks as the core and emphasis on the management of risky behavior of employees as a means to stop the chain of cause and result of accidents for the four aspects of employees, machinery, environment and management. This management system is fully implemented in the 17 coal mines with excellent results.

Guohua Power Branch and Huanghua Port have fully implemented NOSA safety, health and environmental management systems, which is scientific, regularized and people-oriented. Of the 10 power plants of Guohua Power Branch, 7 have achieved the five-star level of NOSA, 3 have achieved NOSA four-star level; Huanghua Port Administration has passed the assessment of NOSA three-star level as a whole.

Large Increase of Investment in Safety

In 2007 the Company has invested an all time high amount of RMB 3.1 billion in safety.

In 2007 the Company attained 100% mechanization in all coal mines. All 14 coal mines have established comprehensive mine safety monitoring and control systems and ventilation machines in certain parts with “automatic conversion system featuring dual ventilation machines, dual power sources”, and realized continuous online monitoring of toxic gases under the mines. Mobile communication systems have been installed in 8 coal mines, underground workers positioning system has been set up in 4 mines and the level of safety information system was greatly increased. All coal mines are able to provide special vehicle for miners to access the underground mines so as to reduce burdens on employees, which is a significant improvement in the working environment.

Implementation of Safety Production Responsibility System

Safety production responsibility systems were enforced to closely connect the income of employees with safety management and work efficiency. Standardization of quality is incorporated into safety responsibility systems for the formulation of a comprehensive safety responsibility system which covers the whole operation process and all the positions in every aspect. According to responsibility requirements on everyone involved, standards set at every place, procedures established for the handling of all matters, integrated with the establishment of an intrinsic safety management system to perfect various rules for safety in operations and technical standards for various positions, starting with details in respect of environment, positions, equipment and quality of projects. In 2007, general managers of 5 coal mine subsidiaries and branches of CSEC averagely paid 8 visits every month to underground mines, the head of the mine averagely paid 18 visits every month to underground mines, while the deputy head in charge of safety of the mines averagely paid 21 visits every month to underground mines, all exceeding the number of the country.

Strengthening Safety Awareness and Technical Training

CSEC carried out a program named “Four Once’s”, which promotes safety question at basic work units held once every day, inspection carried out once every ten days, examination carried out once every month and assessment carried out once every quarter. The Company implemented the identification of risks before taking up the positions and established work group assessment standards with safe production as the core. The Company organized 3 training courses for work group leaders of coal professionals, training courses for work group leaders of railways and port professionals and provided training to more than 300 work group leaders. A total of 1,161 various courses were organized by all subsidiaries and branches in 2007 and the total number of employees receiving training was 66,427, which greatly raised employees’ awareness about safety and their operational skills.

Undertake the Creation and Safety Culture

The Company strives to guide projects by safety concept, infiltrate projects with the safety culture and radiate projects with affinity culture, so as to create an atmosphere of emphasis on safety by everybody from top to bottom of the enterprise, with everyone being concerned about and paying attention to safety.



Future Plans

The government attaches more importance on safety production in coal mining and other industries. The commencement of coal industrial policies has also created stronger conditions in stabilizing safety production units and enhancing investments in safety. However, as the development of the Company's operations, the increase in management process has brought challenges to the Company's safety work.

In order to improve safety management, enhance level of safety and realize the intrinsic corporate safety construction, the Company will focus on the following:

- To build and improve a monitoring and control system on significant danger source and establish a multi-layer safety risk prevention management situation;
- To strengthen construction of standardized safety quality in various positions and emphasize on the live safety management of working units;
- To upgrade emergency systems for major accidents and continue to enhance the level of information in the mines;
- To increase the specificity and reality in safety education training and continue to enhance the safety awareness of the staff members.

Employees' Interests

Overview

As at 31st December 2007, the Company has a total number of employees of 58,827, of whom:

	2004	2005	2006	2007
I. Operation and Repair staff	29,729	27,707	28,644	38,227
1. Staff for coal business	8,879	7,645	9,354	10,234
2. Staff for railway business	13,189	12,885	12,805	14,636
3. Staff for port business	379	458	486	634
4. Staff for power generation	7,282	6,719	5,999	12,723
II. Management and administration staff	4,409	4,026	5,852	6,833
III. Financial staff	409	488	529	748
IV. Technical staff	2,366	4,414	3,913	4,948
V. Sales and marketing staff	869	945	902	1,072
VI. Other staff	4,879	4,207	5,176	6,999
Total	42,661	41,787	45,016	58,827

Employees of the Company are mainly located in Beijing, Inner Mongolia, Shaanxi, Hebei and certain coastal provinces (cities).

Employment of Staff

The Company and employees signed labor contracts in accordance with relevant regulations and law. Labor contracts contain comprehensive and legal terms on contract duration, job duties, labor protection, conditions of employment, remuneration, labor discipline, conditions for the termination of and liability for the breach of labor contracts.

Remuneration and Performance

In order to attract and retain talents who meet the requirements of the Company's strategic development and corporate culture, the Company provides employees with competitive salaries and welfare that fit into the human nature and actively promotes democratic management of employees and harmonious labor relations.

The remuneration system of the Company is in line with the requirements of the market. According to the principles of remuneration commensurate with the position and balancing internal and external remunerations, the Company set up

a performance system which is closely linked with performance and ability. Employees who has better performance will receive more chance of promotion and higher remunerations.

The Company has monetarized the allocation of housing benefits and has opened housing reserve account for employees.

Social Insurance

To facilitate employees work with peace of mind, to provide relief for retirement or labor accidents, the Company has taken out social insurance policies offering full coverage for employees in accordance with the requirements of the state, including pension insurance, medical insurance, unemployment insurance, labor injury insurance and maternity insurance. In addition, the Company has taken out commercial insurance for employees including supplementary pension insurance, supplementary medical insurance and accident insurance.

Holiday and Leave

The Company strictly adheres to the regulations of the state and ensures that employees' interests in normal work, holidays and leave are protected. For employees who work under the system of unscheduled work and aggregate number of working hours, the Company adopts the form of appropriate work and rest arrangement on the basis of ensuring the health of employees and having taken the opinion of the labor unions fully into account, to ensure the employees' rights in holidays and leave while at the same time ensure the accomplishment of production.

Employees' Health

The Company insists in human-orientation and dedicates to improving the working environment of staffs, reducing staff labor intensity, enhancing prevention of occupational diseases to reduce newly-added occupational patients.

The Company adopts the health protection strategy of "prevention is the principal measure", provides employees with sport facilities and organizes many sport associations and tournaments.

The Company keeps long term co-operation with many medical and health organizations to provide employees with medical services and medical examinations. The Company provides employees with health check-ups throughout the year. Apart from regular body checks, additional related body examinations are offered for special age and female staff.

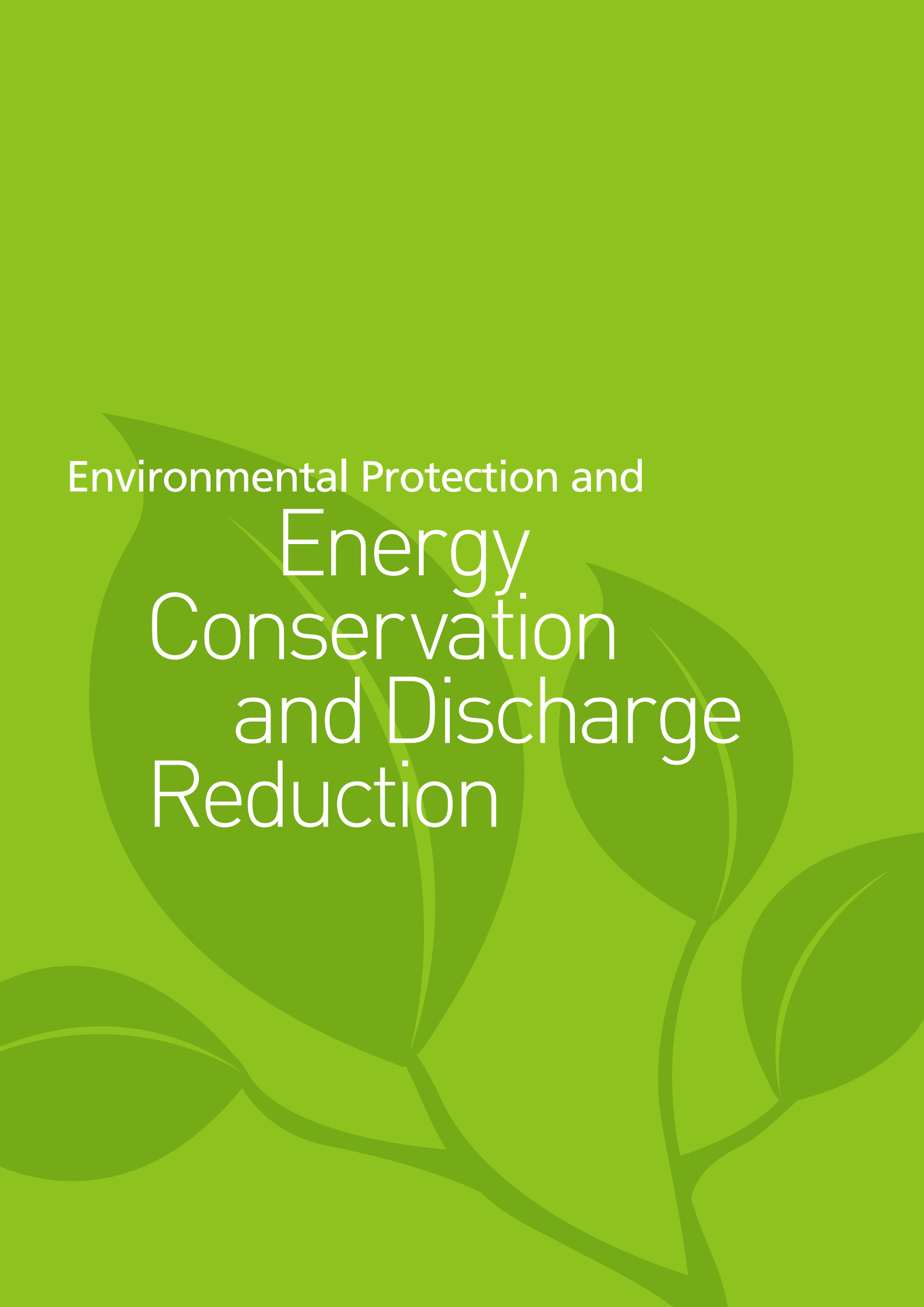
Vocational Training

The Company adheres to the mission of "training is the greatest staff benefits, development is the best incentive", and takes staff development as a strategic task.

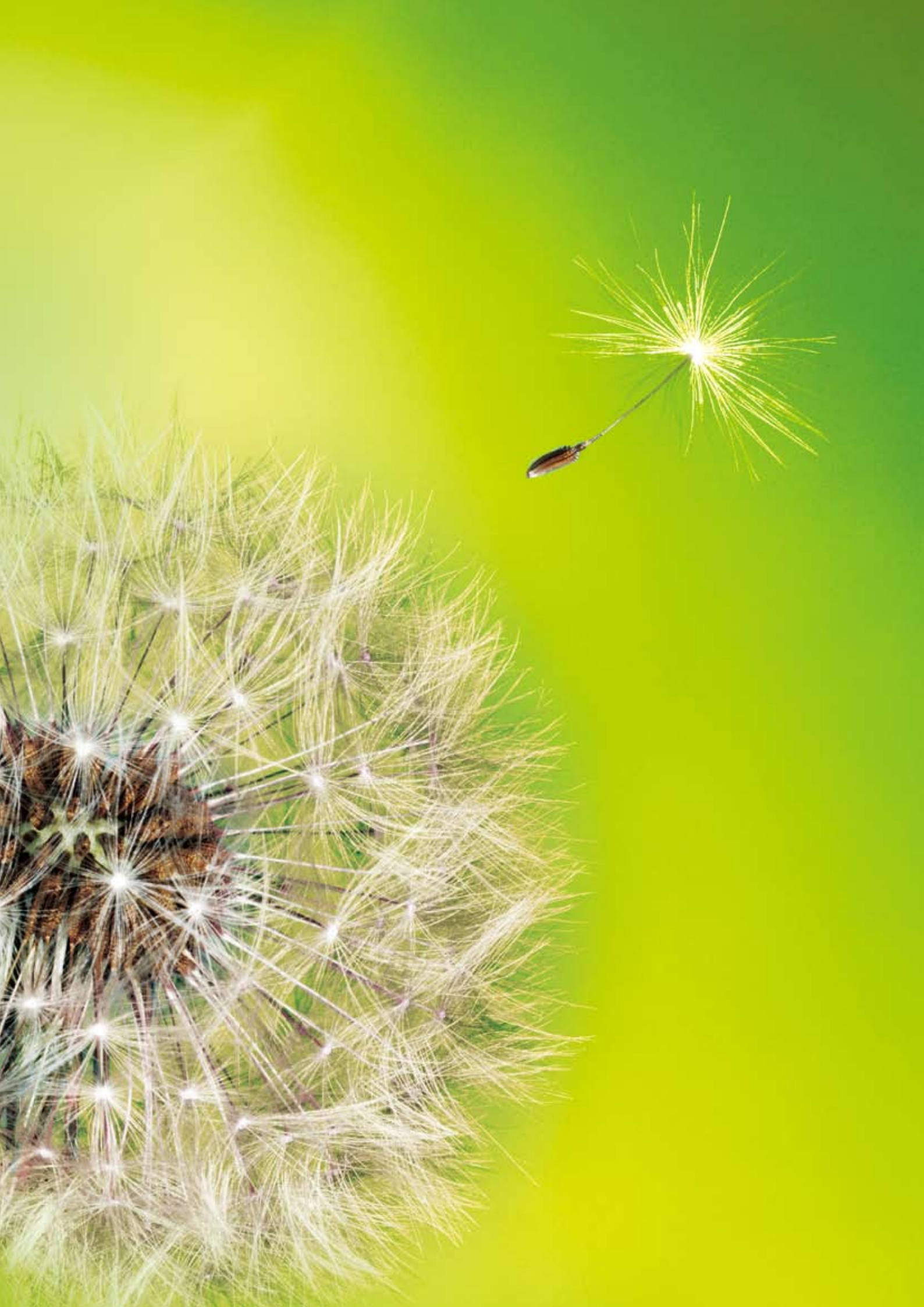
In 2007, the Company held two seminars for senior management jointly with international reputable enterprises, which were attended by 43 members of CSEC's senior management. The subsidiaries and branches also laid great emphasis on the improvement of the leadership and overall quality of senior management, and have selected and sent many members of middle and senior management to attend EMBA and MBA courses in domestic key colleges.

For employees at the corporate head office, the Company seeks to build a team with outstanding professional expertise and management skills as well as relatively high educational attainment to underpin comprehensive corporate development so that the corporate head office can set a good example for the whole system. In 2007, 18 seminars were held for corporate office staff on topics such as professional knowledge, general legal knowledge, skills for discharging their official duties, business etiquette and civil attainment totaling about 6,000 training hours.

In order to further enhance the quality of financial staff, the Company organizes rotational training courses for financial staff to the state accounting colleges in groups with a total number of more than 620 people. A large number of senior financial professionals were selected to attend training courses designed for Hong Kong qualified accountants and more than 30 staff members were selected to attend trainings for master's degree in key universities of the State.

The background of the slide is a solid light green color. Overlaid on this background is a stylized illustration of a plant branch with several leaves. The leaves are a darker shade of green and have a simple, rounded shape with visible veins. The branch starts from the bottom left and curves upwards and to the right, ending near the top right. The text is centered over the middle of the image, partially overlapping the leaves.

Environmental Protection and Energy Conservation and Discharge Reduction





Overview

The Company is a pioneer of the coal mining, transportation and power industry of China in the field of environmental protection and energy conservation and discharge reduction.

A Safety, Health and Environmental Protection Committee was set up under the board of director. A vice president is in charge of environmental protection and a specialized department is responsible for the co-ordination of environmental impact assessment, tests, ecological and reclamation projects. Every major subsidiary of the Company has its own environmental protection department. To tackle with energy saving and discharge reduction problems, the Company has formed a group led by CEO comprising relative departments such as Technological Development Department and head of relative companies in our core businesses to participate energy conservation and discharge reduction, so that a basic working system of supervision, data monitoring and performance testing has been formed.

The Company has set up various management systems involving environmental protection, energy conservation and discharge reduction. The Company strictly complies with the relevant regulations of the state and fully carries out the “three simultaneities” system in respect of environmental impact assessment, water and soil conservation proposal and environmental protection facilities. The ISO 14001 environmental management system has been set up and operated successfully in Shendong Coal Branch and Guohua Power Branch. This system is widely promoted in other subsidiaries and branches. The Company's target on environmental protection is: “produce environmental friendly coal construct an ecological mine area” coal mine and “no chimneys smoking, no gas leaking, no sewage water discharging, no noise pollutions causing disturbances to local community, recycling of ash and gangue” in power plants.

In 2007, the Company invested RMB 648 million in energy conservation and discharge reduction, focusing on the construction of important energy saving and discharge reducing projects, technological renovations and promotions of results. The gross energy consumption per RMB10,000 of coal production and total COD (chemical oxygen demand) continued to decrease. The Company ranks leading position in the coal industry in terms of the indicators of energy saving and emission reduction. The Company's coal production and power generation operations have successfully achieved the requirements of energy saving and discharge reduction set by NDRC and SASAC of the State Council.

The Company's subsidiaries and branches such as Shendong Coal Branch, Shuohuang Railway Company, Zhunger Company, Huanghua Port, Tianjin Coal Dock were accredited with the titles of “2007 Environmental protection model units” issued by the Energy Resources and Environment Professional Council of China Environment Federation.

In 2007, Shendong Coal Branch was accredited as the “50 Best Green Energy Enterprises of China” issued by China Academy of Social Sciences. Bulian Ta coal mine, Shangwan coal mine and Daliuta coal mine under Shendong Coal Branch were all ranked as provincial “environmental friendly enterprises”, and Panshan power plant and Shenmu power plant under Guohua Power Branch received financial incentives from the State for energy saving technological renovation respectively.

Environmental Protection, Energy Conservation and Discharge Reduction

The Company's coal operations, power operations and transportation operations inevitably involve the use of coal resources, fresh water and land, as well as pollution caused by the discharge of coal gangue, coal ash, noise, poisonous gas, thus the Company is seeking corresponding measures of environmental protection.

Increasing Recovery Rate

The Company increases the recovery rates in the production process of coal through the following ways: scientific and reasonable layout of working face, upgrade on coal mining equipment, adoption with high production and high efficiency technique on thick coal seam and thin coal seam and strengthened live management. Through the implementation of technical renovations and elimination of backward coal mining process, the Company's coal mines have achieved full mechanization at the end of 2007.

In 2007, average ratio of mining recovery of the Company's four major coal mines have attained 74.8%, ranking the top of the industry.

Full Use of Water Resources

Coal mining operation: Built a number of water purification treatment plants, renovated the existing water equipment and water processing technology, enhanced maintenance and renewal of water distribution pipelines and promotion of water saving devices, fully made use of underground water, careful treatment on sewage and recycling water for washing coal.

In 2007, Shendong Coal Branch has made renovations on nine mining and domestic sewage treatment plants, which add treatment capacity of 12,000 tonnes/day, and has enhanced the treatment capacity.

Transportation operation: Shuohuang Railway has built 9 domestic sewage treatment plants, purified water of which have met the requirements of "National Second Grade Discharge Standards". Tianjin Coal Dock recollected water from vessel tanks for dust removal to spray in the yards and has realized fresh water resources saving and environmental protection.

Power generation operation: The Company promoted various technologies and measures such as "Air cooling" to replace "Recycled water cooling", sea water cooling tower, low temperature multi-effect sea water desalination, integration of Chimney and cooling tower and application of urban domestic sewage in Jinjie Eergy, Huanghua Power, and Sanhe Power, which substantially reduced the volume of fresh water in the process of power generation.

By the adoption of "Air cooling technology", water consumption in power stations is only one third of the power stations adopting "Recycled water cooling technology" or even lower. Jinjie Energy with four 600MW units adopted "Air cooling technology" have saved approximately 20 million tonnes of water annually.

Discharge Reduction and Utilization of Gangue

Gangue can be produced in the course of coal production and washing of CSEC. During the process of coal production, the Company reduces the quantity of gangue at its source by the promotion of advanced technologies such as rock-less tunnels and disposal of gangue in abandoned tunnels in mines where it is geologically permissible. In respect of the gangue produced in production and washing process of coal, the Company reduces the storage of gangue mainly through rehabilitation and field-building, power generation with coal gangue and construction material manufacturing.

Currently, gangue produced by the Company's coal mining subsidiaries and branches have all been disposed of in accordance with the environmental protection requirements. The level of gangue discharge of CSEC is lower than average industrial level.

As at the end of 2007, the total installed capacity of coal gangue-fired plants controlled and operated by CSEC has reached 540MW.

Prevention of Coal Dust Pollution

The Company has adopted various measures to manage coal dust pollution in coal production and transportation.

Coal operation: The Company built sealed coal tanks and promoted negative pressure guided dust removal system in all the key mines, which lower the density of flying coal ash efficiently.

Transportation operation: In the major loading stations of Shendong Coal Branch, environmental friendly dust sealing curing agent is sprayed on the topless wagons. Through that, environmental pollution along the railway has been reduced and coal loss in the process of transportation has been decreased (accounting for approximately 0.3% of gross transportation volume). In the process of coal transferring and storage at yards of Huanghua Port and Tianjin Coal Berth, water is being sprayed on the surface of coal to reduce dispersion of coal dust.

Power generation operation: The Company built fully sealed coal tanks in Ninghai Power etc., which will maximize the reduction of coal ash spreading.

Enhance Ecological Construction in the Mine Areas

Ecological construction in mine areas is one important component of the Company's environmental protection tasks. Shendong Coal Branch, the Company's backbone coal mine, withdraw RMB0.45 per tonne as fund to improve the environment of the mining areas in order to increase the forestation coverage ratios in various mining areas.

In 2007, Shendong Coal Branch invested a total amount of RMB 81 million for ecological construction. Zhunger Company invested RMB 8 million in 2007 and completed rehabilitation of 1,200,000 m² of dumping site at the open mines, with a rehabilitation ratio of 100%.

Reduction of Noise Pollution

As at the end of 2007, the aggregate length of the Company's self-owned railway transportation system reached 1,367 km. In order to reduce noise pollution caused by loaded trains to residents along the railway, the Company replaced the whole uplink of Shuohuang Railway with seamless railroad, and installed 46 noise barriers along the railway, which improved the living environment of people along the line.

Land Saving

The Company has taken various measures to minimize the use of land in its operations as far as possible.

Shuohuang Railway Company has saved 623,900 m² of land resources by using raw soil to build roads, refilling with mellow soil and building bridges to replace roads, representing 14.5% of the total area of the land requested. Huanghua Power is the first power plant in the country to obtain land for the premises of the power plant by reclamation from the sea, the area of land thus formed in the first phase amounted to 488,000 m².

Prevention and Governance of Air Pollution

Harmful gas and particles such as CO₂, SO₂, nitrogen oxides and dust is possibly discharged from both the Company's power plants and other customers using Shenhua coal.

The Company has adopted various measures to prevent and reduce pollutions to the atmosphere: (1) increasing the proportion of washing coal so as to further enhance coal quality and reduce pollutant contents in commercial coal; (2) promoting Shenhua coal combustion technique to customers to reduce pollutants generated in combustion; (3) install de-sulphurisation, de-NOX and dust removing equipment in the generator units to reduce discharge of pollutants; (4) the Company has commenced investigations on the capture and storage of CO₂ to lower CO₂ emission.



As at the end of 2007, 87% units of Guohua Power Branch have been installed with de-sulphurisation devices, which ranked the top within the country. It is planned that installation rate of de-sulphurisation devices will reach 100% by the end of 2010; 30 coal-fired units have been installed with electrostatic precipitators with dust removing efficiency more than 99%. Ninghai Power has been awarded with the title of “2007 National Key Environmental Protection Practical Technology Model Project” by China Association of Environmental Protection Industry.

Future Plan

The Company will persist in the policy of simultaneous planning, implementation and development between economic construction and environmental construction; and will take the construction of resources saving and environmental friendly enterprise as its fundamental strategy, with focus on energy saving, comprehensive prevention and governance of resources and pollutions, ecological construction in the mining areas, and promote ISO14001 environmental management system in the construction of subsidiaries and branches, so as to realize a coordinated unification of enterprise development with social and environmental effects.

The Company anticipates to attain the target of further investing approximately RMB3 billion in energy saving and discharge reduction within three years after the “Eleventh Five Year Plan”, and accomplish the target of energy saving of 0.309 million tonnes by NDRC by the end of the “Eleventh Five Year Plan” period, to achieve a 20% reduction in the comprehensive energy consumption per added value, a 10% reduction in the emission of SO₂ and COD. The coal consumption in our power operations continue to decline and maintain domestic leading position. The coal consumption rate of power supply decreased to 321 g/kwh from 327 g/kwh in 2007. The total volume of SO₂ discharging reduced by 8.78% compared with that of the end of the “Tenth Five Year Plan” period.

The Company attained the above mainly by undertaking the following tasks:

- Implementation of a accountability system for environmental protection, energy saving and discharge reduction, incorporated into the criteria for the assessment of the production and sales performance system.
- Carrying out a system of controlling the total volume of pollutants and improving the relevant monitoring and supervision system, strengthening the management of environmental impact assessment and “Three Simultaneities” management, carrying out feasibility studies and planning on the reasonable use of energy and integrated use of resources at the stage of project inception so as to promote energy saving and discharge reduction at source.
- Strengthening the management of specialized funds, formulating examination and approval, filing for record, and supervision systems for environmental protection projects to ensure the completion of environmental protection projects while meeting quality and quantitative requirements.
- More funds were expanded on technological renovations for environmental protection, energy saving and discharge reduction projects, equipment replacement and the promotion of research results.
- Upgrading environmental protection rewarding system, while strictly pursuing responsibilities for environmental incidents.
- Strengthening research and development of environmental technology, with the focus on enhancing the coordinated mining of resources with the environment, integrated governance of ecology de-sulphurisation and de-NO_x of gas and the treatment of waste water from coal mines.
- Improving information management capability, speeding up the building of environmental protection information system, creating an information platform integrating environmental decision making, distant control and emergency assistance to accomplish proactive management of the environment.

The background of the slide features a stylized, monochromatic blue design. It consists of several large, rounded leaf shapes and a central vertical stem with branching lines, all rendered in a darker shade of blue against a lighter blue background. The overall aesthetic is clean and modern, suggesting growth and innovation.

Self- developed Innovation and Technological Advancement





Overview

Technological innovation is an important measure for CSEC to keep itself at leading position in the industry. The Company issued a number of systems, including “Provisional Measures for the Management of Technological Innovation Projects of CSEC Energy Company Limited”, “Rules governing the Management of Technological Innovation Project Funds of CSEC Energy Company Limited”, “Supplementary Rules for the Management of Technological Innovation Project of CSEC Energy Company Limited”, and “Provisional Measures for the Management of Intellectual Property of CSEC Energy Company Limited” etc. in succession. The Company has initially succeeded in building a technological innovation structure with the technology committee and specialist consultant committee as decision makers, technological management department and the pool of experts as management, the two technology centers on coal and electricity and units at the basic level as research and development centre, and social technological power as an important supplement.

Investment in Technology

In the past three years, CSEC has invested a cumulative amount of RMB 2 billion in technological innovations, with the growth rate exceeding 20% for three years successively. The Company attached importance on high production volume and efficiency of coal mining, harmonious development between resource exploration and environment protection and technological research on power generation featuring energy saving.

In 2007, the Company has obtained approvals of 37 technological projects, with an aggregate budget of Rmb 130.33 million. The number of projects undertaken and the amount of budget increased by 11.8% and 65.9% over last year respectively. There were 93 research projects still in progress.

Intellectual Property

An intellectual property system has basically been established which includes organization and duties for intellectual property management, titles to the ownership of rights and internal control of intellectual property, the use, transfer and relevant system of reward and penalty in respect of intellectual property.

CSEC applied for 82 patents in 2007, which included 36 invention patents; CESC has been granted 41 new patents lately aggregating a total of 129 patents. We top the list in the application for and the obtaining of patents in the coal industry. In September 2007, CSEC has been assessed as Beijing Patent Model.

Technological Cooperation

The Company made full use of social resources to establish various project. Cooperative relationship with domestic and overseas strong enterprises, scientific research institutes and academies, providing a technological platform for the healthy and rapid development of the Company.

In 2007, the Company established the “Strategic Alliance for the Development and Application of Technological Innovation for Coal” jointly with 18 institutes including China Aerospace Science and Technology Corporation, Shanghai Electric Group, Shanghai Jiao Tong University and China University of Mining and Technology etc., which provided an excellent platform for the full utilization of social and technological resources.

Localization of Equipment

CSEC cooperated with equipment suppliers and technological research institutes made positive progress in the localization of equipment, which is beneficial to reduce cost of equipment purchases, reduce equipment lead-time. In 2007, progress that made in the localization of equipment were mainly as follow:

- (1) Independently invented and produced high hydraulic supporters with 6.3 meters high, which have been successfully applied in two working faces in Shangwan mine and Bulianta mine of Shendong Coal Branch. In 2007, approximately additional 1.54 million tonnes of coal have been recovered in these two working face (see table below) and increased the height of the working face and the ratio of mining recovery.

Mine	Working face	Length of working face	Average mining height	Time of beginning and ending	Progress of working face (m)	Additional recovery of coal (million tonnes)
Shangwan coal Mine	51,202	301	6	2007.5 to 2007.12	3,240	1.014
Bulianta Mine	32,301	301	5.8	2007.7 to 2007.12	2,240	0.526
Total						1.54

- (2) Cooperated with major domestic manufacturers of coal mining equipment and successfully manufactured the first continual mining machine domestically, which was put into industrial testing at Wanli mine at the end of 2007. If it proves successfully, the purchasing cost for continual mining machine will decrease over 1/3.
- (3) Self-development of “Low temperature multi-effect 10,000-tonne grade sea water desalination technology” and equipment jointly with relevant domestic institutions. The technology could decrease cost effectively and increase profitability;
- (4) Independent 1000MW unit limestone — gypsum wet desulphurization technology” and the localization of the 1000MW unit equipped desulphurization technology which was the first in China. The localization of the technology and equipment could decrease constructive cost over 30%.

Independent Innovations

In 2007, CSEC focused on the application and conversion of research results and made great effort on it, which generated remarkable economic benefits. According to preliminary statistics, our major projects alone created economic benefits of RMB 7.7 billion in 2007.

On the basis of full application of “Technology for the extension of working face length” in Shendong coal mine, it is being introduced to Wanli mine and Jinfeng mine. In 2007, 26 extending working face with length over 300 metres have been completed with a cumulative increase in coal production of 6.1 million tonnes and 2% increase of recovery rate. Through the “study of technological parameters of reasonable width of coal columns, fault of working and supportive protection” undertaken in 2007, the width of coal columns has been reduced significantly and coal wastage loss get lower.

“Throw blasting technique” has been successfully applied in Heidaigou mine of Zhunger Company and the gross stripping cost was reduced significantly.

Transportation operations: “Vibration control technology for the roads and bridges of Shuohuang Railway” has been successfully applied in 5 bridges along the railway. Speed restrictions have been lifted, and transportation capacity got raised.

Power operations: “Chimney and cooling tower integration technology” has been successfully applied in Phase II of Sanhe power, lowering design and construction costs by over RMB 18 million. The 1000MW unit limestone — gypsum wet method desulphurization technology and 10,000-tonne low temperature multi-effect sea water desalination technology can reduce infrastructure investments by RMB 10 million and RMB 55 million respectively.

Future Plans

Development Target

According to the Company's development plans, the annual increase in technological investment will not be less than 20%. By 2010, technological investment will amount to 1% of the sales income.

The major targets of CSEC in its independent innovations by 2010 are:

Firstly, to establish a highly efficient and an independent technological innovation system, with the enterprise's technological center as the principal body, attaining the standard of a national technological center. The independent innovative capability and management quality reach first-class level in China;

Secondly, to build stable channels for investment in technology, to establish a technological risk investment system and to take the results of using the technological fund as a key criterion for assessing the performance of management;

Thirdly, to establish an effective platform that fully utilizes social technological resources and form long-term stable strategic partnership with major research institutes;

Fourthly, to train and build a team of talented people for independent innovation and formulate a good system of incentives for the innovation.

Key Technological Research Projects

Coal Operations

- (1) To develop mining techniques of coordination between coal resource and the environment.
 - (i) Mining technique to enhance the coal recovery rate at Shenhua mining area (general conditions of the resources at Shenhua mining area and mining technique, mining technique for the super-thick coal seam of over 5.5m, mining technique for thin coal seam, enhancement technique for the recovery rate of long-face mining);
 - (ii) Shenhua's open-pit mine high efficiency construction and production safety technique (key technology and process optimization of open-pit mine dragline stripping technology, ground surface governance and rehabilitation ancillary technologies);
 - (iii) Protective exploration and usage technique of water resources at Shenhua mining area (the environment of water resources in mining area and optimized measures, impact of Shenhua mining mode to underground water resources and key technologies of water conservation in mining, combined dispatching measures of surface water, underground water and under-mine water);
 - (iv) The technology for ecological environment protection and coordinated exploration at Shenhua mining area (comprehensive appraisals on the ecological environmental system of the mining area and the environmental protection technology on coordinated exploration, mining area ecological environmental protection and rehabilitation techniques and model project)
- (2) Localization of coal mining equipment.
 - R&D on thin coal seam hydraulic supporter;
 - R&D on localization of coal mining machine and machines for working face;
 - R&D on continual coal mining machine;
- (3) High efficient and safe production technology in mines.
 - Prevention treatment on high gas mines;
 - Live monitoring and prevention treatment on underground coal fire;
 - Forecast and prevention treatment of geological disasters under high production and high efficiency mode.

Transportation Operations

- (1) Technological enhancement of the transportation capacity of the Shenhua railways
 - The application of transportation dispatch information systems;
 - Large tonnage self-unloading wagons;
 - Large power AC locomotives;
 - 10,000 T train hauling comprehensive techniques applied on long and steep slope.
- (2) Technological optimization for the Shenhua railway system.

Comprehensive analysis on the impact of CSEC coal sales short and long-term target on the demand and supply



of transportation capacity taking, the reliability, efficiency, competition and surviving capability of the production, transportation and sale systems into account to optimize the layout of railways, so as to provide technological supports to the railway construction and technological reform decisions.

- (3) The application of efficient management techniques on dredging techniques
 - Research of dredging technologies such as high efficiency dredger, special dredging equipment and hydraulic silt removing;
 - Research on route silting alarm;
 - Research on the optimization of silt removing technology;
 - Research on the monitoring technology of dredging.

Power Operations

- (1) Efficient and safe coal combustion technique of Shenhua coal
 - Techniques for anti-clinking of Shenhua coal;
 - High-sulphur coal combustion technique;
 - Methods of storage and transportation for fuel;
 - Anti-abrasion and anti-blast technique for the ash system.
- (2) Technique for water and energy conservation and reduction of consumption.
 - Plasma ignition technique;
 - Technique for power generation from domestic sewage;
 - Application techniques in supercritical units and ultra-supercritical units;
 - Integrated gasification combined cycle ("IGCC");
 - Technique of liquefied natural gas joint circulation power generation.
- (3) Research of the localization of power equipment.
 - Generation unit with capacity of 1 million kw equipped with desulphurization technology;
 - 10,000-ton low temperature multi-effect sea water desalination technology and equipment.

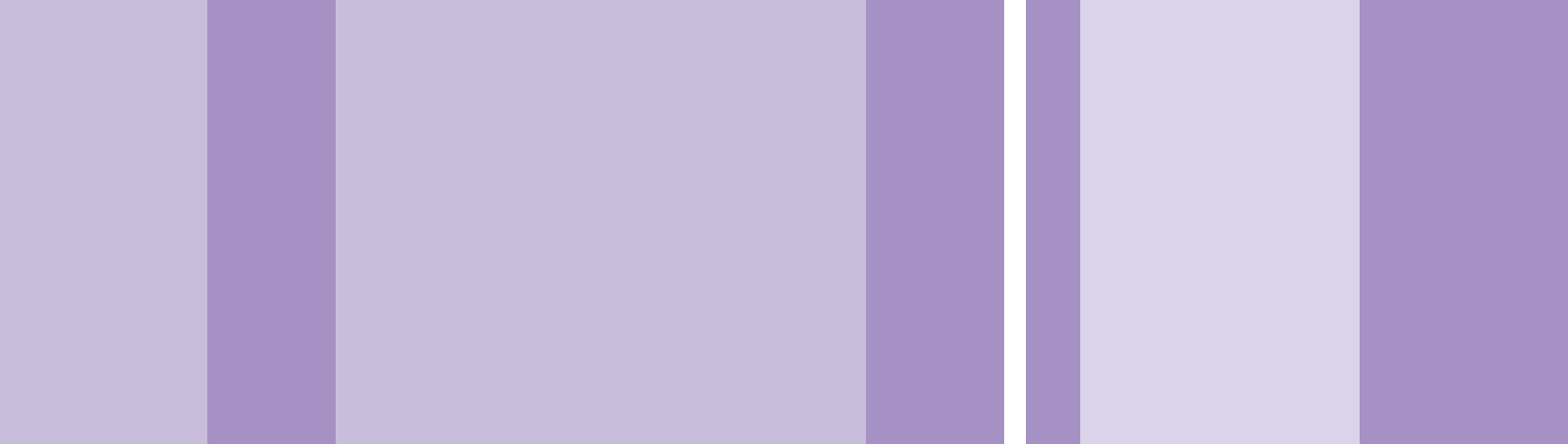
Technological Awards

No.	Award	Project awarded	Award winning unit	Class of awards
National Award				
1	National Technology Advancement Award	Construction and operation techniques for Shuohuang heavy loading railway	Shenhua Group, Shuohuang Railway Group	Class II
Provincial-level Award				
2	Scientific Technology Award for the Coal Industry	Safety intelligent vacuum combined switch for the KJZ series for use to insulate against blasting	Shendong Coal Branch	Class I
3	Scientific Technology Award for the Coal Industry	Research on the theory of self combustion of coal and basis of its application	Shendong Coal Branch	Class I
4	China Power Science and Technology Award	Research and engineering application of 600 MW generator set proprietary DCS	Guohua Power Shendong Coal Branch	Class I
5	Scientific Technology Award for the Coal Industry	Research on the localization of the support equipment and protective facilities for the integrated mining panel with an annual production of 10 million tonnes	Shendong Coal Branch	Class II
6	China Power Science and Technology Award	Research on the application of 10,000tonnes low temperature multi-effect sea water desalination technology in large scale thermal power plant	Huanghua Power Co.	Class II
7	China Power Science and Technology Award	Optimisation of 600 MW steam turbine valve management	Huanghua Power Co.	Class III

A stylized, dark purple plant with several large, rounded leaves and a central stem, set against a lighter purple background. The plant is positioned on the right side of the frame, with its leaves extending towards the left.

Social Commonweal and Social Appraisal





While CSEC creates huge economic benefits, we remain enthusiastic in participating social commonweal activities including charitable and donation, the Company provides enthusiastic support to social commonweal including education, culture and hygiene, which gradually develops a way to repay society with CSEC characteristics.

Full Payment of Taxation on A Timely Basis

The Company has paid taxes including income tax, value-added tax, resource tax, land using tax etc. which amounts to RMB 16,090 million in 2007.

Donations and Aids for the Poor

The Company formulated systems including “(Provisional) Administrative Measures on Donations of China Shenhua Energy Company Limited” etc. to lay down definite regulations on the target, amount and procedures of donations.

In 2007, CSEC has donated more than RMB 95.10 million providing assistance to the poor, including assistance to the local herdsman in the mining areas, ensuring them with heating supplies during the winter; donations to Huang Di Ling to protect traditional culture; providing aids to nearly a hundred poor students and organized the staff to donate materials and money to poor areas and disaster stricken areas.

Social Services

As for social services, CSEC has launched numerous social commonweal services with special features and made them part of daily lives and systemized them.

Beijing Thermo, a subsidiary of CSEC featuring on State Power Technology Exhibition Center and Industrial Tourism Model Project is mainly advertising ordinary knowledge on power technology towards secondary and elementary students, university students and foreign students from overseas of power professionals in some of the academies. In 2007, it received more than 3,000 visitors. Beijing Thermo has been appointed as the designated unit by the Beijing Olympics Committee to show to the world the achievements in environmental protection by enterprises in the PRC.



Contributions to the Local Community

CSEC is engaged in various businesses involving mining, railway, harbors and power generation across certain provinces, municipalities with a wide coverage. The survival and development of CSEC cannot achieve without the support and attention by the local governments and the people. Harmonious relationship between the local government and the enterprise is also a fundamental factor ensuring the steady and rapid development of CSEC.

In 2007, Shendong Coal Branch, the Company's largest coal production base, Shendong Coal Branch made charity donations of RMB 70.82 million and paid land acquisition, compensation for slope subsidies and resident resettlement of RMB 233 million. Pushed by the constructions and productions of Shendong Coal Branch, there have been significant improvements in the local economy, society and environment.

Shuohuang Railway Co. has voluntarily shouldered the social responsibility of environment protection as a corporate and has been making great efforts to maintain the natural scene along the railway. Shuohuang Railway restored geographic appearance of 128 dumping sites and 15 barren hills and beaches. Shuohuang Railway invested RMB 97 million to plant 14.3 million trees along the rail line. Given Shuohuang railway's responsible attitude and actions to the society have received much appreciation from the government and people along the railway lines, it was accredited the honour of "Environmental Friendly Project of the State".

Social Appraisal

Time	Award
December 2007	"2007 The Best Mining Enterprise in China" awarded by Global Finance
December 2007	"2007 Asia's Top Shareholder-Friendly Companies" awarded by Institutional Investor
December 2007	"2007 The Beset 50 Enterprises with Long Term Earning Power in the Asia Pacific Region" awarded by Forbes
November 2007	"2007 The Listed Company with the Best Investment Value in China" awarded by Chinese Academy of Social Sciences, Shanghai Stock Exchange and Shenzhen Stock Exchange
November 2007	2006 "Best Corporate Governance Disclosure Award" — Gold Award for H share Company awarded by the Hong Kong Institute of Certified Public Accountants
September 2007	Ranked the 58 th in 2007 "Top 250 Global Energy Companies". Ranked the First in Global Coal and Consumable Fuels by Platts Energy Information
August 2007	"2006 Most Influential Overseas Listed Company in China" awarded by Shanghai Stock Exchange and Beijing University Guanghai Management College
June 2006	2006 "Best Corporate Governance Company in the Asian region" awarded by Asia Finance
June 2006	Shuohuang Railway Company was accredited the honor of "Environmental Friendly Project of the State" by China Association of Environmental Protection Industry
February 2006	Shendong Coal Branch was awarded with "Environmental Award of the PRC" by China Association of Environmental Protection Industry
2005	2005 "Best IPO" in the Asian region awarded by Asia Money

Feedback Sheet

CSEC is very concerned about your opinions on the Company's works on Corporate Social Responsibility Report. Your opinions and proposals are the contents that we are most interested in our continual improvement of the report. Corporate social responsibility and in the process of this Report.

Please fax this sheet to +86-10-8488 2107 after you have answered the following questions.

1. Do you have any topics about which you are concerned but which are not covered in this Report? If yes, please write down the content about which you are concerned.

2. Which part(s) of this Report are you most interested in?

You are welcome to provide personal data if you wish:

Name:

Occupation:

 Organization:

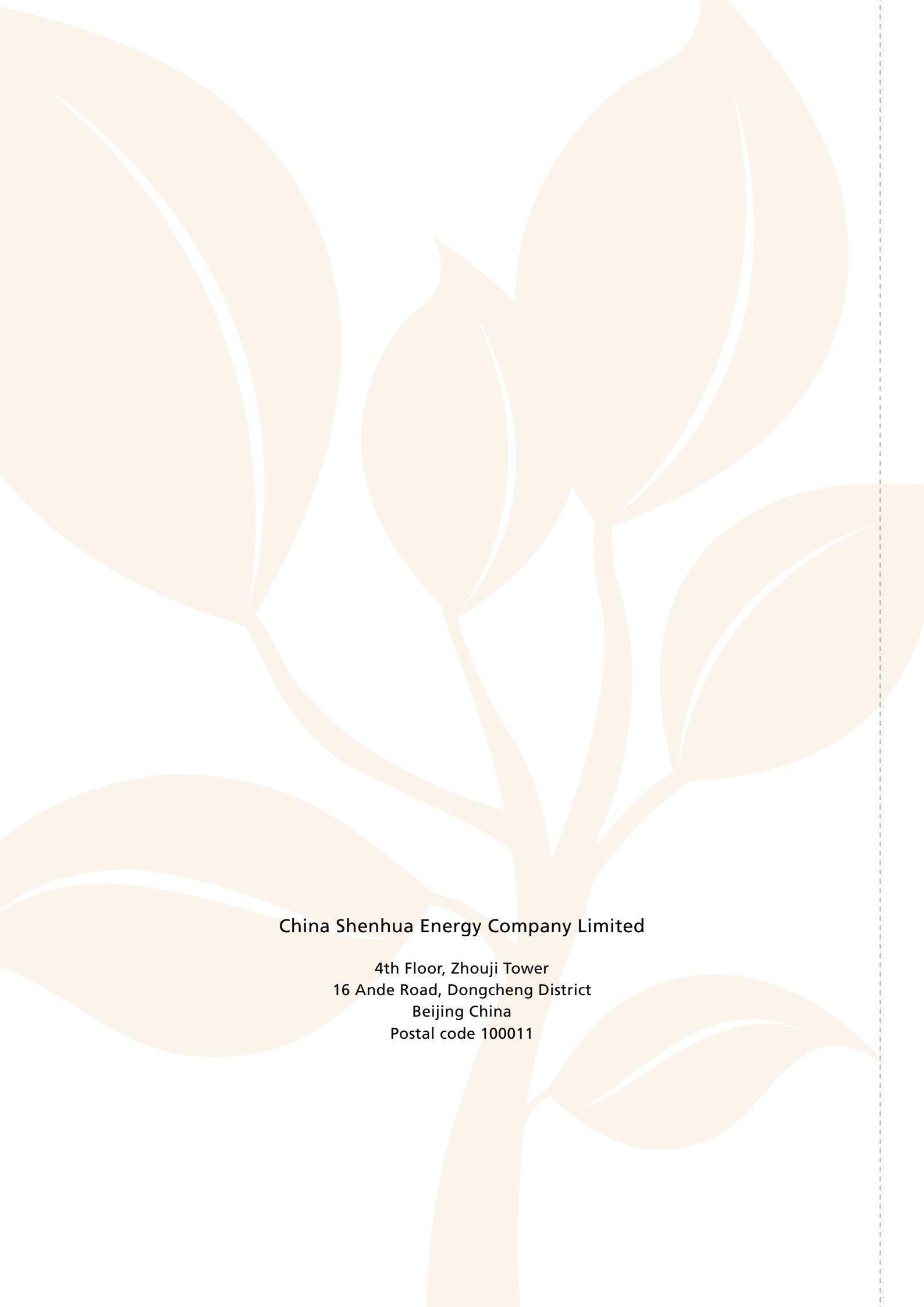
Contact address:

 Postal code:

Telephone:

 Fax:

Email:

A large, stylized graphic of a plant with several large, light beige leaves and a central stem, positioned on the left side of the page. A vertical dashed line runs along the right edge of the page.

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