

Report of the Supervisory Committee

In 2005, in accordance with the relevant provisions of the Company Law of the People's Republic of China (the "Company Law") and Articles of Association of the Company, and in compliance with the principle of integrity, all members of the Supervisory Committee of the Company (the "supervisory committee") performed their duties of supervision with a view to protecting shareholders' interests in line with their accountability to all shareholders. They monitored the operations and financial position as well as the performance of senior management of the Company for the year of 2005. On behalf of the Supervisory Committee, I hereby present our report for 2005:

(I) Overview of the Work of the Supervisory Committee

In 2005, as required by the "Rules and Procedures of Meetings of the Supervisory Committee of China Shenhua Energy Company Limited", the supervisory committee conducted two on-site inspections of the operations and financial position of the Company, and reviewed the financial statements regularly. In 2005, the Supervisory Committee held three meetings, details of the time, venue, attendance and contents of the meetings are as follows:

1. On 28 February 2005, the second meeting of the first session of the Supervisory Committee was convened in Beijing. All supervisors were present. The meeting reviewed and approved the "Rules and Procedures of Meetings of the Supervisory Committee of China Shenhua Energy Company Limited" and "Outline of the Supervisory Committee's Work in 2005".
2. On 26 March 2005, the third meeting of the first session of the Supervisory Committee was convened in Beijing. All supervisors were present. The meeting reviewed and approved the "Report of the Supervisory Committee in 2004" and examined the 2004 Financial Statements and 2005 Financial Budget (Draft) of the Company.
3. On 26 August 2005, the fourth meeting of the first session of the Supervisory Committee was convened in Beijing. All supervisors were present. During the meeting, the finance department and strategic planning department of the Company reported on relevant matters regarding the 2005 Interim Report of the Company, as well as arrangements on and utilisation of the proceeds from the IPO. The meeting also considered and approved the "Resolution on the Interim Report of China Shenhua Energy Company Limited".

The holding of the three meetings were in compliance with the relevant provisions of the Company Law and the Articles of Association of the Company.

In 2005, the supervisors of the Company attended all the Board meetings and shareholders' meeting of the Company.

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(II) Independent Opinion of the Supervisory Committee on Relevant Matters of the Company in 2005

1. Compliance of the Company's Operations with Legal Requirements

Pursuant to the laws and regulations of Hong Kong, the Supervisory Committee has duly supervised and examined the procedures for convening board meetings, resolutions, execution of resolutions of shareholders' general meetings by the Board, performance of duties by senior management of the Company, as well as the healthy establishment and consistent implementation of the Company internal management system.

The Supervisory Committee is of the view that the Board and senior management of the Company operated in accordance with the Company Law, Securities Law of the PRC, the Articles of Association of the Company as well as other relevant regulations and rules of Hong Kong. With integrity and diligence, they performed their duties, executed all resolutions and authorities of the shareholders' general meetings and conducted all operations in compliance with laws and regulations. Through the adoption of various systems, the Company further improved its corporate governance structure and internal management policies which have formed the basic internal control system of the Company. When examining the financial position of the Company and monitoring the performance of directors and senior management of the Company, the Supervisory Committee was not aware of any act harmful to the interests of the Company and shareholders, nor was there any act in breach of laws, regulations, the Articles of Association or rules and policies.

2. Examination of Financial Position of the Company

The Supervisory Committee earnestly examined the financial statements of the Company for 2005; the Company's profit distribution plan for 2005 and the annual report for 2005; the unqualified auditors' report for 2005 issued by the PRC and international auditors of the Company and other relevant information.

The Supervisory Committee is of the view that the financial statements of the Company reflect the financial position and operating results of the Company in all material respects in an objective, authentic and fair manner, and the financial statements is authentic and reliable. The Supervisory Committee has agreed on the audited financial statements issued by the auditors as well as the profit distribution plan of the Company for 2005.

3. Use of Proceeds from the IPO of the Company

On 15 June 2005, the Company issued H Shares to raise funds. In 2005, the Company used the proceeds to fund capital expenditures of RMB5.779 billion, made early repayment of borrowings of RMB7.429 billion and used RMB2.123 billion as working capital. Those expenditures were in line with the undertakings set out in the prospectus of the Company.

4. Transactions of the Company for Acquiring or Disposing of Assets

In 2005, the Company did not conduct any substantial acquisitions or disposals of assets, and the Supervisory Committee was not aware of any insider dealing and circumstances resulting in any loss to the interests of shareholders or any loss of the Company's assets.

5. Fairness of Connected Transactions

For the year ended 31 December 2005, three connected transactions of the Company exceeded the annual caps disclosed in the prospectus. These transactions include production supplies and ancillary services provided by Shenhua Group to the Group which incurred an expense of approximately RMB753.3 million, as compared to the annual cap set at RMB707.40 million; coal sales made by the Group to Shenhua Group which generated an income of approximately RMB401.8 million, as compared to the annual cap set at RMB226.1 million; and the agency fees received by the Group for services provided to Xisanju Companies which generated an account payable of approximately RMB9.7 million, as compared to the annual cap set at RMB4.7 million.

The supervisory committee is of the view that the connected transactions of the Company for 2005 were conducted on the principles of fairness and equality at reasonable prices. No act harmful to shareholders' interests was found.

The supervisory committee expects that the Company will continue to uphold the principle of rapid and coordinated development, continue to increase its reserve of resources, and further enhance the use of resources through technological improvement and management innovation. Also, the Company should improve internal control and maximise its profits through a standardised financial management system. Furthermore, the senior management is expected to develop a sense of macro management, inculcate team spirit, advocate in-depth development and make good decisions to lead the Company towards continued growth.

In 2006, the supervisory committee will continue to perform its duties of supervision diligently for the protection of the interests of shareholders and the Company in accordance with the Company Law and the Articles of Association of the Company.

Xu Zufa

Chairman of Supervisory Committee

Beijing, China
10 March 2006