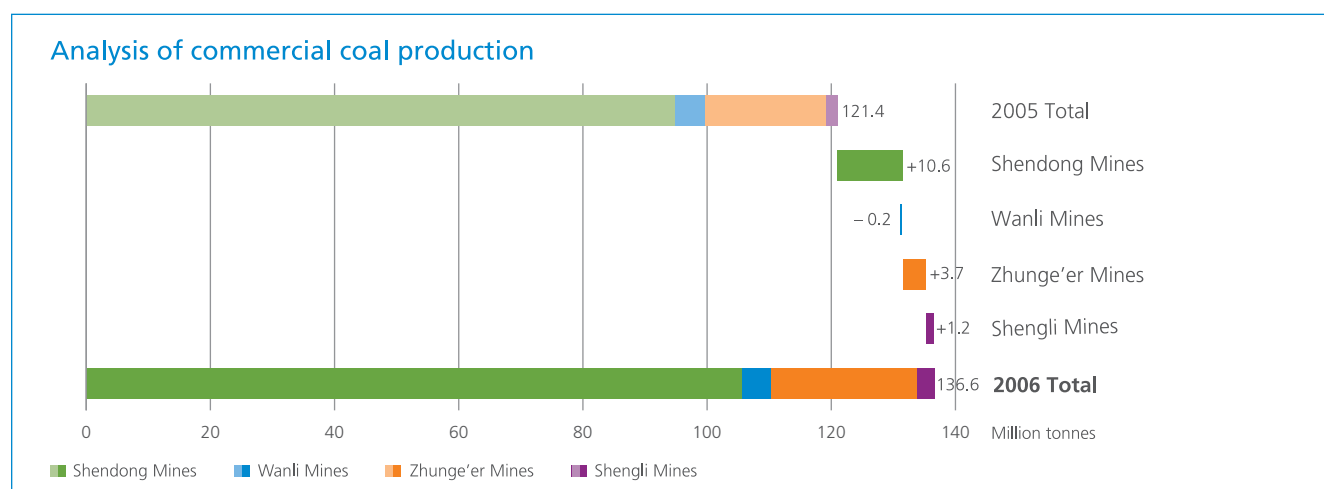


Business Performance

Coal Segment

Commercial coal production

	2004 Million tonnes	2005 Million tonnes	2006 Million tonnes	05-06 Percentage change %
Shendong Mines	80.7	94.9	105.5	11.2
Bulianta	11.1	16.5	20.0	21.2
Daliuta-Huojitu	19.9	19.6	18.1	(7.7)
Yujialiang	14.1	15.5	16.1	3.9
Shangwan	12.5	11.5	12.1	5.2
Halagou	2.5	12.3	12.1	(1.6)
Kangjiatan	7.3	8.0	10.3	28.8
Shigetai	–	0.2	5.8	2,800.0
Wulanmulun	3.2	4.4	4.4	–
Jinjie Energy	–	–	0.4	N/A
Others	10.1	6.9	6.2	(10.1)
Wanli Mines	5.4	5.0	4.8	(4.0)
Zhunge'er Mines	14.2	19.8	23.5	18.7
Heidaigou	14.2	19.8	23.5	18.7
Shengli Mines	1.1	1.6	2.8	75.0
Total	101.3	121.4	136.6	12.5



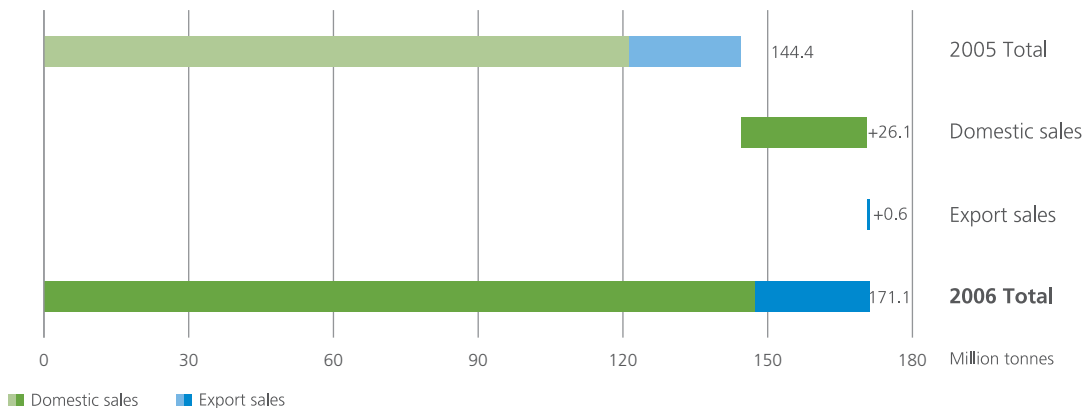
Coal sales

	2004 Million tonnes	2005 Million tonnes	2006 Million tonnes	05-06 Percentage change %
Domestic sales	100.3	121.1	147.2	21.6
By region				
Northern China	44.4	49.1	47.9	(2.4)
Eastern China	31.3	57.7	66.0	14.4
Southern China	19.1	8.5	24.8	191.8
Northeast China	5.2	4.8	7.9	64.6
Others	0.4	0.9	0.6	(33.3)
By usage				
Power generation	71.4	87.7	115.9	32.2
Metallurgy	2.1	2.3	3.3	43.5
Chemical	1.2	1.5	3.1	106.7
Others	25.6	29.6	24.9	(15.9)
Export sales	26.6	23.3	23.9	2.6
By region				
Korea	9.4	8.3	7.8	(6.0)
China Taiwan	7.5	6.7	6.1	(9.0)
Japan	4.8	4.4	4.6	4.5
Others	4.9	3.9	5.4	38.5
Total	126.9	144.4	171.1	18.5



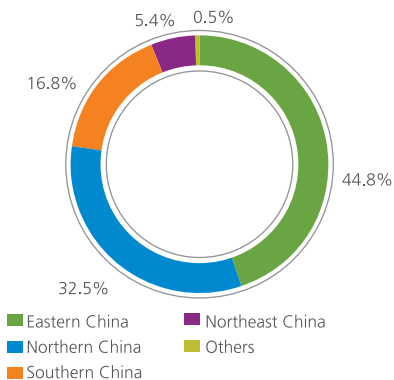
The loading facilities of Huanghua Port

(I) Analysis of coal sales

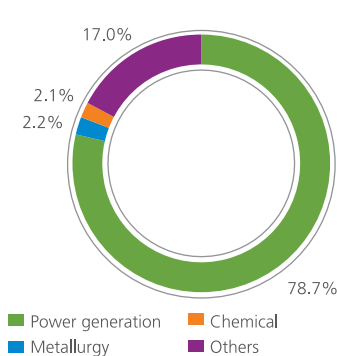


(II) Analysis of coal sales

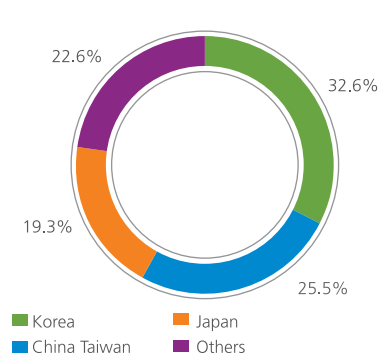
By region of domestic sales



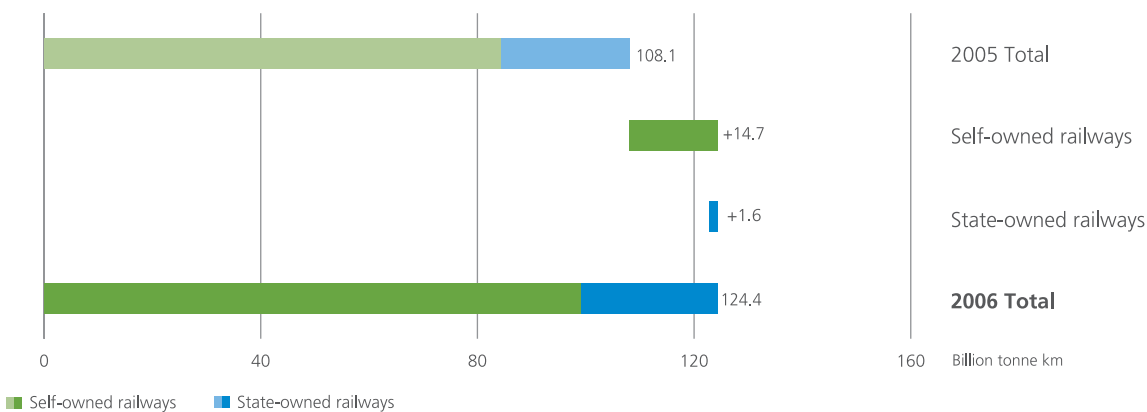
By usage of domestic sales



By region of export sales



Analysis of turnover of coal transportation by railway



(I) Coal transportation

	2004 Billion tonne km	2005 Billion tonne km	2006 Billion tonne km	05-06 Percentage change %
Turnover of coal transportation				
Self-owned railways	64.3	84.3	99.0	17.4
State-owned railways	24.5	23.8	25.4	6.7
Total	88.8	108.1	124.4	15.1

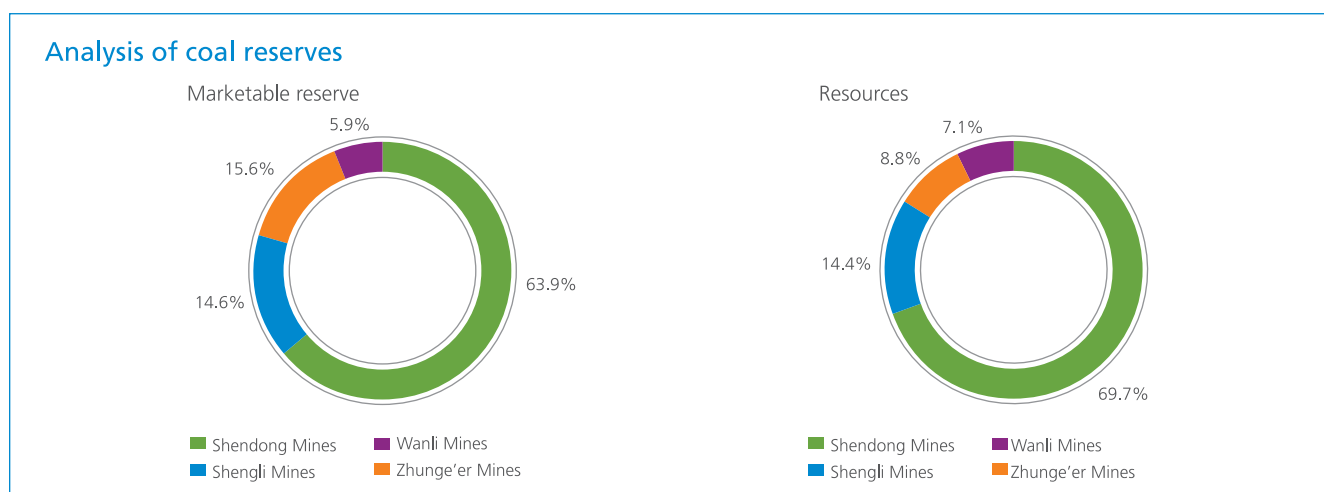
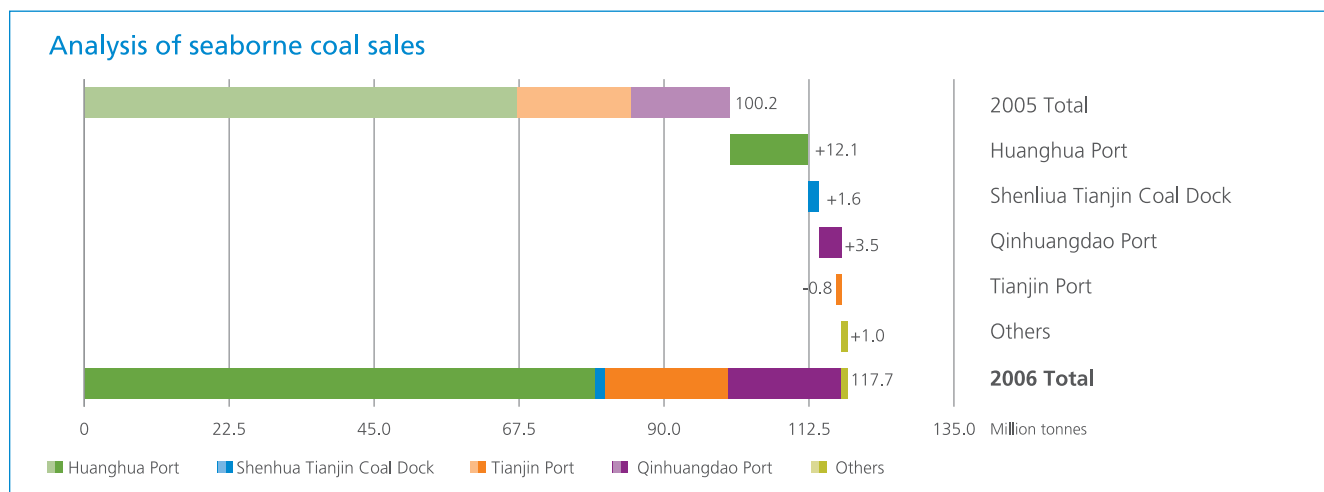
(II) Coal transportation

	2004 Million tonnes	2005 Million tonnes	2006 Million tonnes	05-06 Percentage change %
Seaborne coal sales				
Self-owned ports	45.4	67.1	80.8	20.4
Huanghua Port	45.4	67.1	79.2	18.0
Shenhua Tianjin Coal Dock	–	–	1.6	N/A
Third-party ports	41.9	33.2	36.9	11.1
Qinhuangdao Port	20.2	17.7	21.2	19.8
Tianjin Port	21.7	15.5	14.7	(5.2)
Others	–	–	1.0	N/A
Total	87.3	100.2	117.7	17.5

Coal reserves*

	Method of mining	As at 31 December 2006		Resources Million tonnes	Percentage to total resources %
		Marketable reserve Million tonnes	Percentage to total marketable reserve %		
Shandong Mines	Underground	3,804.4	63.9	10,353.9	69.7
Wanli Mines	Underground	353.9	5.9	1,048.6	7.1
Zhunge'er Mines	Open-cut	929.3	15.6	1,315.6	8.8
Shengli Mines	Open-cut	869.3	14.6	2,133.1	14.4
Total		5,956.9	100.0	14,851.2	100.0

* Under the Australian Code of Reporting of Mineral Resources and Ore Reserves, effective since December 2004 ("JORC Code")



Coal production

In 2006, our coal segment achieved outstanding results. Commercial coal production amounted to 136.6 million tonnes, representing a year-on-year increase of 15.2 million tonnes or 12.5%; coal sales amounted to 171.1 million tonnes, representing a year-on-year increase of 26.7 million tonnes or 18.5%. In 2006, our raw coal production of 150 million tonnes accounted for 6.3% of the national raw coal production of 2.38 billion tonnes. Export sales volume, which was 23.9 million tonnes, accounted for 37.8% of the national export sales of 63.3 million tonnes.

Our Shendong Mines continued to maintain its leading position among underground mines around the world, both in production volume and efficiency of underground workers. In December 2006, Bulianta mine became the first underground mine in the world with annual production volume of 20 million tonnes. Shendong Mines also includes five 10 million-tonne

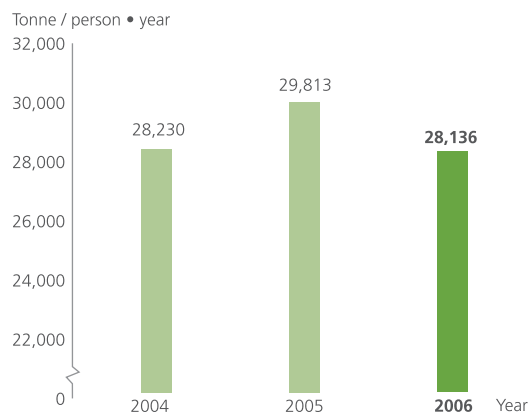
class underground mines: Daliuta, Yujialiang, Halagou, Shangwan and Kanjiatan. In 2006, the commercial coal production of Shendong Mines accounted for 77.2% of the total commercial coal production of the Company. In 2006, the coal production per capita in underground mines of Shendong Mines was 28,136 tonnes.

Extensive technological revamp of the Wanli Mines was carried out with certain mines combined, and mechanised mining improved, thus providing a foundation for expansion of production capacity in the future.

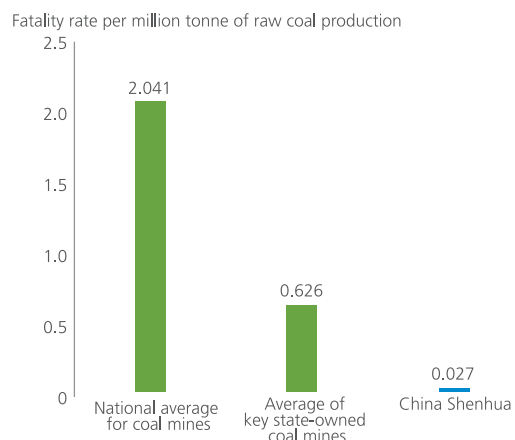
In 2006, production of the Heidaigou mine at Zhunge'er Mines amounted to 23.5 million tonnes, making it the largest open-cut mine in the PRC.

Construction of open-cut mine in Shengli No.1 of Shengli Mines is still underway.

Mining efficiency of underground mines at the Shendong Mines



2006 Production Safety Record



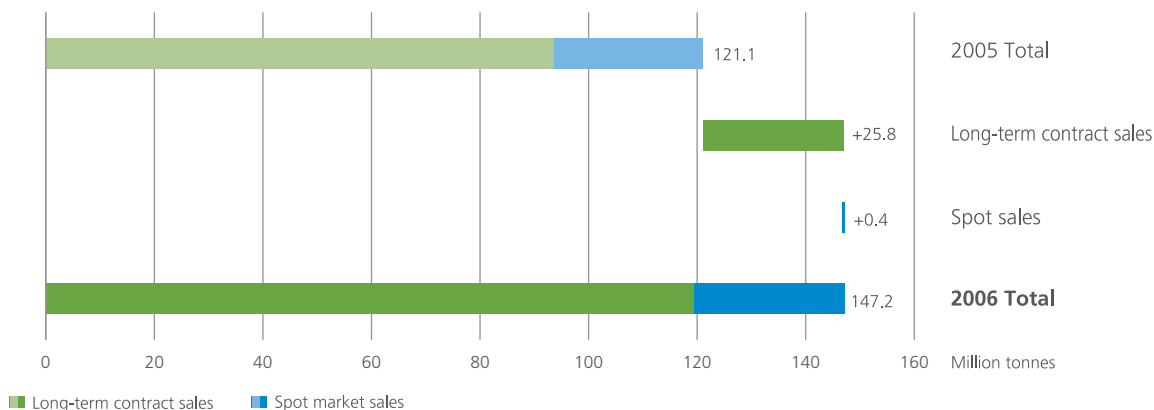
Coal sales

The Company believes that a sound sales and marketing strategy will allow it to establish itself as a market leader, and will also help in maintaining long-term customer relationships. In 2006, we placed great emphasis on relationship with new customers, including providing assistance in coal blending and the design of combustion boilers. We have implemented a VIP customer service providing preferential services in respect of the performance of contracts, quality assurance and customer services. In addition, we set up a Technological Expert Team for Shenhua Coal, which visits our customers regularly and assists them in solving any problems regarding combustion of Shenhua coal. They also make recommendations to customers for coal combustion in a safe and economical manner.

1. Domestic sales

In 2006, we sold 147.2 million tonnes of coal in the domestic market, which accounted for 86.0% of our commercial coal sales. Long term contract sales were 119.3 million tonnes, which accounted for 81.0% of our domestic sales and spot market sales were 27.9 million tonnes, which accounted for 19.0% of our domestic sales.

Analysis of domestic sales





Bulianta mine at the Shendong Mines

Coal sales to the five largest external customers amounted to 20.2 million tonnes, accounted for 13.7% of the total domestic sales volume. Sales to the largest external customer amounted to 5.1 million tonnes, accounted for 3.5% of our total domestic sales. The five largest domestic external customers are either power generation companies or fuel companies.

for 19.7% of our total export sales. The five largest customers for our export sales are either power generation companies or fuel companies.

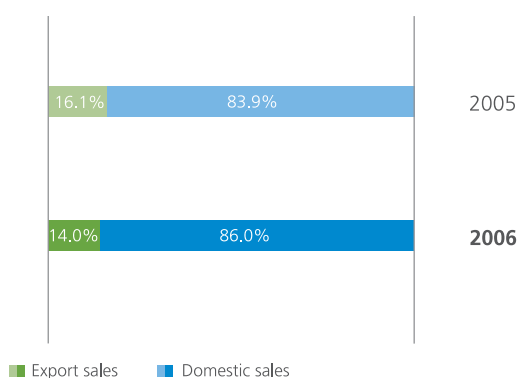
3. Sales to external customers and our power segment

In 2006, by customer type, the majority of our coal was sold to external customers, amounted to 148.7 million tonnes, representing a year-on-year increase of 16.2% and accounted for 86.9% of our total sales volume for the year; sales to our power segment amounted to 22.4 million tonnes, representing a year-on-year increase of 36.6% and accounted for 13.1% of our total sales for the year.

4. Operations of coal purchase from third parties for resales and blending (“Operations of coal purchase from third parties”)

In 2006, coal purchased from third parties amounted to 35.4 million tonnes, accounted for 20.7% of our commercial coal sales and an increase of 13.9 million tonnes, or 64.7%, over 2005.

Proportion of domestic sales to total sales

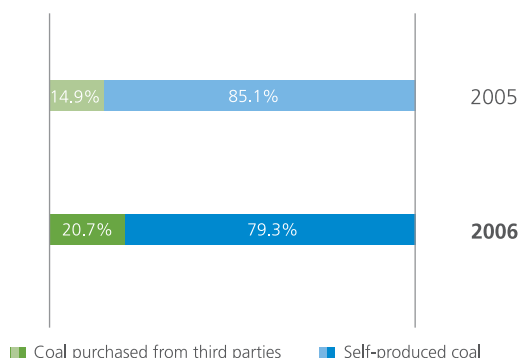


2. Export sales

In 2006, we exported 23.9 million tonnes, which accounted for 14.0% of our commercial coal sales. Approximately 85% of our export sales were long-term contract sales.

Our sales to the five largest export customers amounted to 14.6 million tonnes, which accounted for 61.1% of our total export sales volume. Sales to the largest export customer amounted to 4.7 million tonnes, which accounted

Proportion of self-produced coal to total sales



Coal transportation

In 2006, the total turnover of our coal transportation was 124.4 billion tonne km, representing a year-on-year increase of 16.3 billion tonne km or 15.1%. In 2006, the turnover of coal transportation by our self-owned railways amounted to 99.0 billion tonne km, representing a year-on-year increase of 14.7 billion tonne km or 17.4%. The turnover of coal transportation by self-owned railways accounted for 79.6% of total turnover of coal transportation.

In October 2006, Huangwan Railway and three berths at Shenhua Tianjin Coal Dock were completed and put into operation. The roll-out of these projects has provided new seaborne coal sales channels for us which will contribute to minimising transportation cost and enhancing the profit margin of coal sales.

In 2006, Huanghua Port achieved a seaborne coal sales of 79.2 million tonnes, representing a year-on-year increase of 12.1 million tonnes, or 18.0%, accounted for 46.3% of our commercial coal sales in 2006.

Coal reserves

As at 31 December 2006, under the JORC Code, our marketable coal reserves reached 5.96 billion tonnes. Based on the commercial coal production in 2006, the Company has resources which may be exploited for approximately a further 43 years.

In 2006, the Company sold the Wujiata mine, Huoluowan mine and Dahaize mine at the Shendong Mines to Shendong Tianlong Group Company Limited ("Tianlong Company"), which involved a marketable coal reserve of 168 million tonnes based on the JORC Code. The reasons for the sale are that these mines had minimal resources, relatively short exploitation period remaining and were unsuitable for our comprehensive mechanical long-wall mining technology. In order to optimise deployment of resources, to upgrade mining methods and to meet the State's requirements on resource recovery rate and safety regulations, we decided to dispose of these coal mines in 2006.

Based on a valuation report as at 31 March 2006 issued by an independent third party valuer, the sales of the mining rights for the three mines was valued at RMB262 million in aggregate. We completed the above transactions in September 2006.



Heavy-loaded train running on the Shuohuang Railway

Power Segment

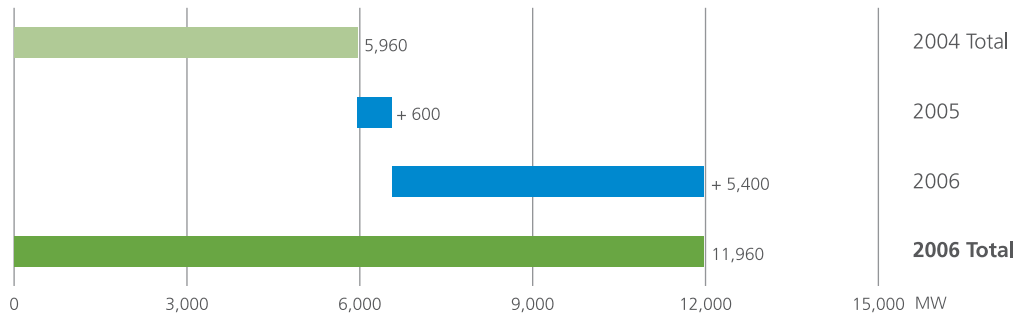
The table below sets forth operational performance for power plants:

Operating power plants	Location	Regional grid	Installed capacity as at 31 December 2006 MW	Gross power generation 100 million kwh	Total power output dispatch 100 million kwh	Average utilisation hours hour	Standard coal consumption rate of power dispatch g/kwh
Huanghua Power	Hebei	North China Power Grid	1,200	19.7	18.5	5,943	332
Panshan Power	Tianjin	North China Power Grid	1,000	58.8	55.1	5,881	331
Sanhe Power	Hebei	North China Power Grid	700	42.1	39.9	6,008	324
Guohua Zhunge'er	Inner Mongolia	North China Power Grid	660	46.3	42.8	7,009	329
Beijing Thermal	Beijing	North China Power Grid	400	23.7	21.0	5,925	271
Zhunge'er Power	Inner Mongolia	North China Power Grid	200	15.6	14.2	7,804	397
Suizhong Power	Liaoning	Northeast Power Grid	1,600	104.7	99.1	6,541	328
Ninghai Power	Zhejiang	East China Power Grid	2,400	68.3	64.0	5,515	329
Jinjie Energy	Shaanxi	Nothwest Power Grid	600	9.1	7.2	5,958	345
Shenmu Power	Shaanxi	Nothwest Power Grid	200	13.2	11.9	6,596	397
Taishan Power	Guangdong	Southern Power Grid	3,000	152.3	143.3	6,464	315
Total/weighted average			11,960	553.6	517.1	6,302	326

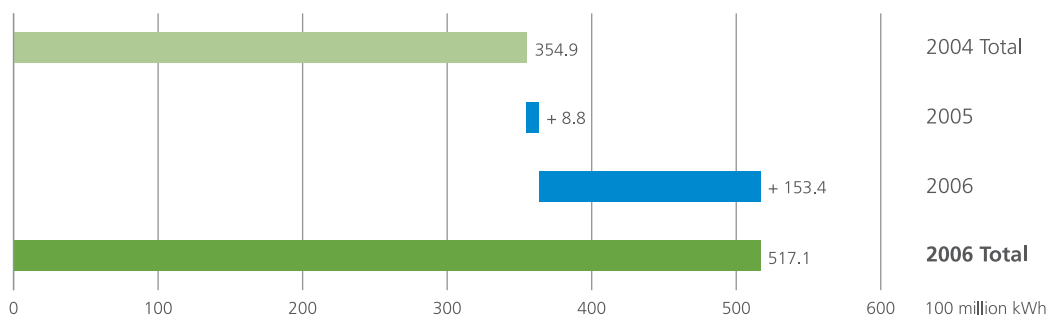


As at 31 December 2006, we controlled and operated 11 coal-fired power plants with total installed capacity and equity installed capacity of 11,960 MW and 6,993 MW, respectively, representing a year-on-year increase of 82.3% and 103.2%. The equity installed capacity accounted for 58.5% of the total installed capacity. In 2006, our gross power generation was 55.36 billion kwh, representing a year-on-year increase of 16.15 billion kwh or 41.2%; total power output dispatch amounted to 51.71 billion kwh, representing a year-on-year increase of 15.34 billion kwh or 42.2%; the average utilisation hours amounted to 6,302 hours, representing a year-on-year decrease of 231 hours, although we still maintained our leading position in the industry in China. In 2006, coal consumption by the Company's power business amounted to 23.2 million tonnes; of which 21.8 million tonnes of Shenhua Coal were consumed, accounting for 94.0% of the total coal consumption. Standard coal consumption rate of power dispatch was 326 g/kwh, the efficiency of coal combustion remain a similar level as to the previous year.

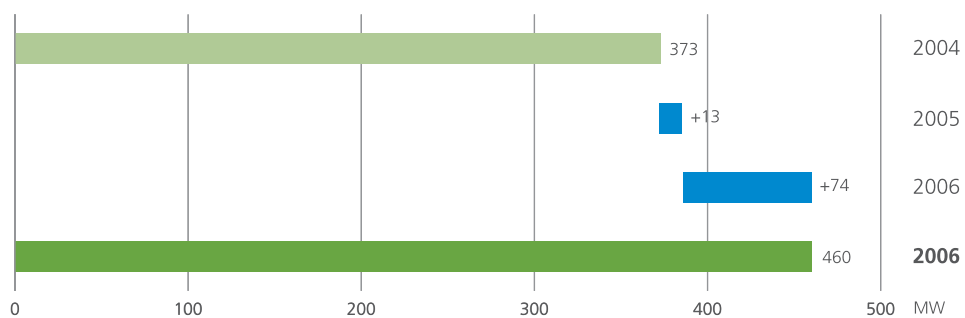
Analysis of total installed capacity



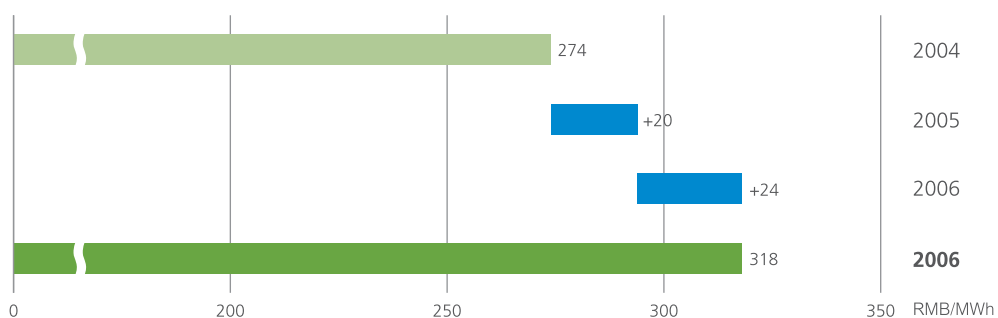
Analysis of total power output dispatch



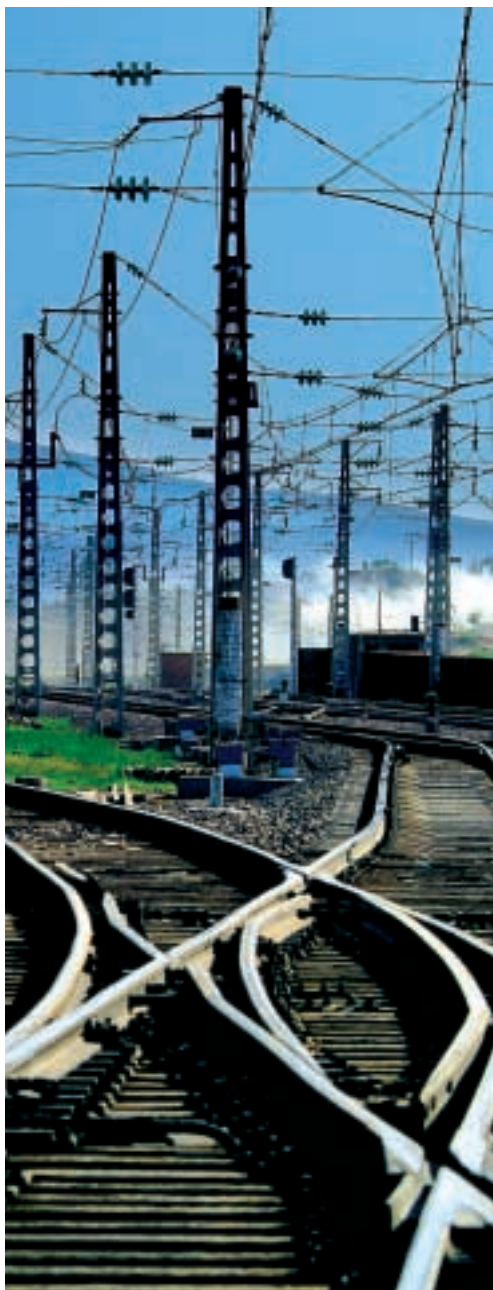
Analysis of average installed capacity per unit



Analysis of average power tariff



The Unique Transport System
comprises of Railways and Ports



Enhancement of coal
transportation efficiency

Huangwan Railway and Shenhua Tianjin Coal Dock, which commenced operation in 2006, laid a solid foundation to enhance coal transportation volume and market share, hence our profitability.

