

Capital Expenditure¹

	Actual in 2006 RMB million	Percentage to total %	Planned for 2007 RMB million	Percentage to total %
Coal segment	13,696	55.6	16,904	61.6
Of which: Mines	9,389	38.1	12,114	44.2
Railways	3,098	12.6	3,840	14.0
Ports	1,209	4.9	950	3.4
Power segment	10,818	43.9	10,303	37.6
Corporate and others	121	0.5	220	0.8
Total	24,635	100.0	27,427	100.0

Coal mines

Shandong Mines: In 2007, the planned capital expenditure will be RMB5,130 million, which will be used in expanding the production capacity of Shandong Mines. The capital is expected to be used in the purchase of mining equipment for mining and hydraulic shield for the mining of thin coal bed in Yujiali mine, Halagou mine and Shigetai mine as well as the maintenance of the mining structure.

Wanli Mines: In 2007, the planned capital expenditure will be RMB2,193 million, which will be used in the construction of Bu'ertai mine. It is currently planned that construction of the mine will be completed in 2008 with an annual production capacity of 20 million tonnes. Furthermore, we plan to enhance the production capacity and production efficiency of the Wanli Mine through continued technological revamps.

Zhunge'er Mines: In 2007, the planned capital expenditure will be RMB4,157 million, which will continue to be used in the construction of the Ha'erwusu open-cut mine. The designed annual production capacity of the project is 20 million tonnes, and it is currently expected that it will be put into operation in 2008. In addition, the capital is expected to settle the final payment of the cost and installation fee for the draglines in Heidaigou open-cut mine.

Shengli Mines: In 2007, the planned capital expenditure will be RMB527 million, which will continue to be used in the development of open-cut mine and construction projects.

Others: In 2007, the planned capital expenditure will be RMB107 million, which will mainly be used in the development of the coal sales center.

Railways

The planned capital expenditure for 2007 will be RMB3,840 million, which will be mainly used in the construction of the railway transportation network to enhance our transportation capability. The key projects include:

Baoshen Railway: construction works such as the double-line from Batuta to Ciyaowan section;

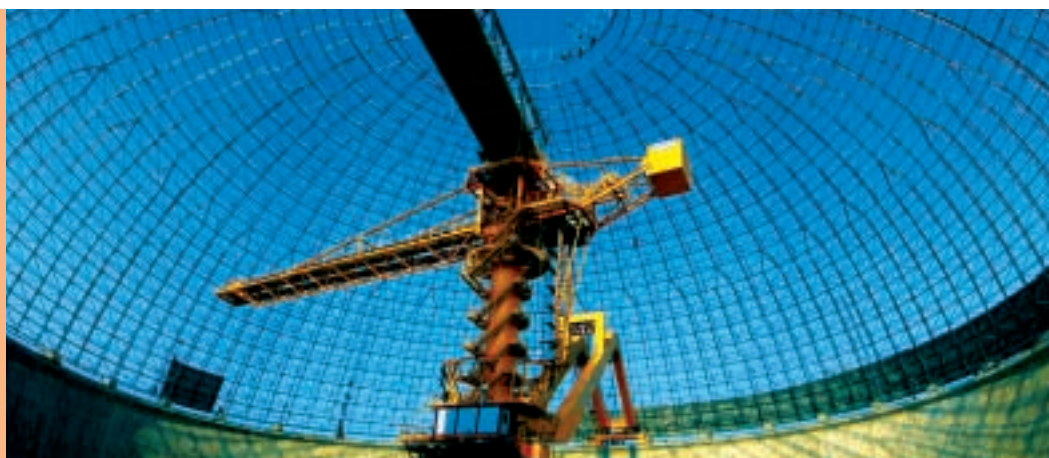
Shenshuo Railway: revamp works to enhance its capacity and the purchase of electric cars;

Shuohuang Railway: revamp and other related ancillary construction works; and

Dazhun Railway: expansion of capacity for trains with 10,000-tonne capacity and the newly constructed Ha'erwusu open-cut mine and its coal transportation special railway (Nanping sub-route);

Note: 1 Plans for future capital expenditure of the Company may vary for developments in Company's business plan (including potential acquisitions), progress in the Company's capital projects, market conditions, the outlook of the Company's future business conditions and obtaining of the necessary permits and regulatory approvals. Other than as required by the law, the Company takes no responsibility for the updating of any plan for capital expenditure.

Spherical coal depot
in construction



In addition, capital expenditure in 2007 will also cover construction of a vehicle repair and maintenance center and purchase of new trucks and equipment to increase our transportation capacity.

Ports

The planned capital expenditure for 2007 will be RMB950 million, which will be used in expanding our port operations. It will be mainly used in:

Huanghua Port: improvement works to the rotary railcar dumpers, dredging of the sailing channel and revamp works to each professional berths; and

Shenhua Tianjin Coal Dock: completing of existing projects and to increase handling equipment such as the coal loading carriers.

Power

The planned capital expenditure for 2007 will be RMB10,303 million, which will be mainly used in Phase I and Phase II of

Jinjie Energy, Phase II of Sanhe Power, Phase III of Guohua Zhunge'er and Phase II of Ninghai Power as well as technological revamp works such as the FGD system.

Estimated Production Capacity

In 2007, our capital expenditure will be applied to enhance our capacity in coal production, railway transportation and port transportation capacity and installed capacity of power generation units. Assuming that the Company can complete the capital expenditure plans as scheduled, the estimated capacity for our relevant businesses will be enhanced (as shown in the following table). As the planned developments will need to undergo an implementation process, the estimated capacity may not be fully realised in 2007 and in the near future.

The Company plans to meet the funds for capital expenditure from cash generated from operating activities, short-term and long-term borrowings, part of the net proceeds from the IPO as well as other debts and equity financing.

	Capacity by the end of 2006	Estimated capacity by the end of 2007
Coal production capacity (Million tonnes/year) (including Shendong Mines, Wanli Mines, Zhunge'er Mines and Shengli Mines)	145	157
Shenshuo Railway (Million tonnes/year)	140	150
Shuohuang Railway (Million tonnes/year)	150	200
Baoshen Railway (Million tonnes/year)	80	90
Dazhun Railway (Million tonnes/year)	45	45
Seaborne coal capacity of self-owned ports (Million tonnes/year) (including Huanghua Port and Shenhua Tianjin Coal Dock)	115	125
Gross installed capacity (MW)	11,960	14,420