

Supervisory Committees' Report

Dear Shareholders,

During the report period, 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 principles 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 2006. On behalf of the Supervisory Committee, I hereby present our report for as follows:

Overview of the Work of the Supervisory Committee

In 2006, as required by the "Rules and Procedures of Meetings of the Supervisory Committee of China Shenhua Energy Company Limited" and based on its actual work, the Supervisory Committee conducted two on-site inspections of the operations and financial position of the Company, and reviewed the financial statements regularly. In 2006, the Supervisory Committee held three meetings, details of the time, venue, attendance and contents of the meetings are as follows:

1. On 7 March 2006, the fifth meeting of the first session of the Supervisory Committee was convened in Beijing. All supervisors were present. The meeting considered and approved three resolutions including the "Final accounts of the Company for 2005", "Financial budget of the Company for 2006" and "Profit distribution plan for 2006". In addition, the meeting considered and approved the work report of the Supervisory Committee for 2005, and considered and approved the highlights of the work of the Supervisory Committee for 2006.
2. On 6 July 2006, the sixth meeting of the first session of the Supervisory Committee was convened in Beijing. All supervisors were present. The meeting considered and approved the resolution on amendments to the "Rules and Procedures of Meetings of the Supervisory Committee of China Shenhua Energy Company Limited", and the meeting had also heard reports regarding the construction of projects and management of projects of the Company for the first half of the year.
3. On 24 August 2006, the seventh meeting of the first session of the Supervisory Committee was convened in Beijing. All supervisors were present. The meeting considered and approved the "Resolution on the Interim Financial Report of the Company for 2006".

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

In 2006, the supervisors had attended the shareholders' annual general meeting for 2005 and were present at all the board meetings of the Company for 2006 and 12 meetings of the standing committee of the President. At those meetings, the supervisors had duly monitored whether the Company had operated in accordance with the law.

Independent Opinion of the Supervisory Committee on Relevant Matters of the Company in 2006

Compliance of the Company's operations with Legal Requirements

Pursuant to the laws and regulations of the place of listing, 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's internal management system.

The Supervisory Committee is of the view that the Board and senior management of the Company strictly operated in accordance with the Company Law, the Securities Law of the PRC, the Articles of Association as well as other relevant regulations and rules of the place of listing, 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 and the Articles of Association. When examining the financial position of the Company and monitoring the performance of the 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 the laws, regulations, the Articles of Association and rules of the Company.

Examination of Financial Position of the Company

The Supervisory Committee examined the financial position of the Company twice and duly considered the annual report of the Company for 2006, the profit distribution plan of the Company for 2006 and the unqualified auditors' report for 2006 audited by the auditors of the Company. 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 aspects in an objective, true and fair manner, and the financial statements are true 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 2006.

Use of Proceeds from the IPO of the Company

On 15 June 2005, the Company issued H shares to raise funds. In 2006, the Company used the proceeds to fund capital expenditure of RMB13.269 billion (of which the expenditure for 2005 was RMB5.779 billion and the expenditure for 2006 was RMB7.490 billion), made early repayment of borrowings of RMB7.429 billion (expenditure for 2005) and used RMB2.123 billion (expenditure for 2005) as working capital. The actual use of proceeds was in line with the undertakings set out in the prospectus of the Company.

Transactions of the Company for Acquiring or Disposing of Assets

In 2006, the Company successfully completed the acquisition of Jinjie Energy. In 2006, the Company did not conduct any substantial disposal 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.

Connected Transactions

In 2006, the Company concluded an acquisition transaction for the sum of RMB 1,162 million to acquire a 70% equity interest in Shaanxi Guohua Jinjie Energy Company Limited from Beijing Guohua Power Company, a wholly-owned subsidiary of China Shenhua Group Corporation. The transaction was approved by the seventh Board meeting of the first session of the Company held on 10 March 2006. The consideration was paid on 31 August 2006.

The Supervisory Committee is of view that the connected transactions of the Company for the year were conducted under the principles of fairness and equality. The connected transactions of the Company have been constantly monitored, and the price for the connected transactions are reasonable and the amounts of the transactions are within the cap as approved by the Stock Exchange. The Supervisory Committee is not aware of any act which is harmful to the interests of the shareholders.

The Supervisory Committee hopes that with the Company's high level of capital expenditure, it will move further to assess the cost-effectiveness of the investments projects, and that it will further improve the effectiveness of its investment plan; also, the Supervisory Committee hopes that the Company will strengthen communications and liaise with the competent authorities of the government and reduce the impact of change of policies on its cost of production; that it will further enhance the awareness of production safety of the management and operation staff to enable them to operate in strict compliance with the operation procedures, so as to facilitate the creation of "intrinsically safe enterprise".

In 2007, the Supervisory Committee will continue 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 the Supervisory Committee

Beijing, China

23 March 2007