

# Report of the Supervisory Committee

To: All shareholders

In 2006, pursuant to the relevant requirements of the "Company Law of the People's Republic of China" ("Company Law") and the Articles of Association of the Company, all members of the Supervisory Committee of the Company (the "Supervisory Committee") have fully observed and discharged their duties as supervisors of the Company. In 2006, the supervisors also endeavored to safeguard the interests of shareholders and the benefits of the Company and oversaw the operation and financial position of the Company and the discharge of duties by senior management. I would like to present herewith the working report of the Supervisory Committee for 2006.

In 2006, the Supervisory Committee examined the operation and financial position of the Company in accordance with the requirements of the "Articles of Association of China Coal Energy Company Limited" and reviewed the financial statements on a regular basis. In 2006, supervisors of the Company attended all board meetings and shareholders' meetings. On 18 August 2006, the first meeting of the first session of Supervisory Committee of China Coal Energy Company Limited was held in Beijing to discuss and approve the resolution of electing Du Ji'an as chairman of the first Supervisory Committee, Zhou Litao as supervisor representing the shareholders and Chen Xiangshan as Employee Representative Supervisor.

Set out below are independent opinions of the Supervisory Committee on its work in 2006:

## 1. Operation of the Company in accordance with the law

The Supervisory Committee has, in accordance with the law, duly supervised and examined the procedure for convening meetings by the Board, the resolutions, the execution of resolutions of the general meeting by the Board, the discharge of duties by senior management of the Company, the establishment, soundness and implementation of the internal management system of the Company.

The Supervisory Committee considers that the Board and the senior management of the Company have been able to proceed with standardized operation in strict compliance with the PRC Company Law, the Securities Law, the Articles of Association of the Company and other relevant Hong Kong regulations and systems, and discharged their duties in good faith and diligently and executed the resolutions and authorizations of the general meeting. All operating activities have complied with the relevant laws and regulations. Through a series of system constructions, the Company has further improved its corporate governance structure and internal management system and established the basic internal control system. In the course of examining the financial position of the Company and supervising the discharge of duties by directors and senior management of the Company, the Supervisory Committee has not discovered any acts that were detrimental to the benefits of the Company and the interests of shareholders and any acts in violation of the laws and regulations.

## 2. Examination of the financial position of the Company

The Supervisory Committee has duly considered the relevant information such as the financial statements of the Company for 2006, the profit distribution plan of the Company for 2006, the 2006 annual report and the independent auditors' report with "unqualified opinion" for 2006, which was issued after being audited by domestic and international auditors of the Company.

The Supervisory Committee considers that the financial statements of the Company have given an objective, true and fair view of the financial position and operating results of the Company in all material respects and the final report is true and accurate.



## Report of the Supervisory Committee

### 3. Transactions involving the acquisition or disposal of assets by the Company

In 2006, the Company did not have any material transactions involving the acquisition or disposal of assets. Besides, the Supervisory Committee has not discovered any insider trading and circumstances that were detrimental to the interests of shareholders or led to a loss of assets for the Company.

The Supervisory Committee considers that the connected transactions of the Company during 2006 were conducted on an arm's length and equitable basis at reasonable prices. No acts were found to be detrimental to the benefits of shareholders.

The Supervisory Committee considers that during 2006, the Company concentrated its advantageous resources together to develop its principal businesses; facilitated reforms in the operational system and further transformed the mechanism in operation and management; accelerated industrial restructuring and endeavoured to develop an economy, where resources are recyclable; firmly established the concept of safe development and facilitated the construction of a durable mechanism for safe production; strengthened production and operation control to ensure healthy economic operation, steady development of all businesses, and the continued growth of economic effectiveness, thereby further enhancing corporate value.

The Supervisory Committee considers that during 2006, all members of the Board and senior management acted in the interests of shareholders, were committed to their duties, worked hard and with diligence, made decisions prudently, proceeded with operation in strict compliance with rules governing listed companies, endeavoured to safeguard the interests of shareholders and made persistent efforts to achieve satisfactory operating results for the Company.

In 2007, the Supervisory Committee will continue to discharge its supervisory duties with due diligence in accordance with the Company Law and the Articles of Association of the Company, to further explore and expand working ideas and fully perform its supervisory duties so as to safeguard the interests of shareholders and the Company.

By Order of the Supervisory Committee

**Du Ji'an**

*Chairman of the Supervisory Committee*

Beijing, China

17 April 2007