THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China Shenhua Energy Company Limited, you should at once pass this circular to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

This circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of China Shenhua Energy Company Limited.

中国神华
CHINA SHENHUA

中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1088)

ENTERING INTO EQUITY PURCHASE AGREEMENTS
ENTERING INTO ASSETS PURCHASE AGREEMENT
ENTERING INTO FINANCIAL SERVICES AGREEMENT
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
AMENDMENTS TO THE RULES OF PROCEDURE OF GENERAL MEETING

Joint Financial Advisers to the Company

CICC
中金香港证券

Deutsche Bank
德意志銀行

Joint PRC Financial Advisers to the Company

中国国际金融有限公司
CHINA INTERNATIONAL CAPITAL CORPORATION LIMITED

中德证券有限责任公司
Zhong De Securities Co., Ltd.

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

A letter from the Board is set out on pages 9 to 85 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 86 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 87 to 119 of this circular.

Notice convening the EGM to be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China on Friday, 25 February 2011 at 9:30 a.m. is set out on pages 208 to 214 of this circular.

Reply slip and form of proxy for use at the EGM are enclosed herewith. Shareholders who intend to attend the EGM shall complete and return the reply slip in accordance with the instructions printed thereon before Friday, 4 February 2011. Shareholders who intend to appoint a proxy to attend the EGM are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the said meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

29 December 2010

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In this circular, the following expressions have the following meanings unless the context requires otherwise:

"A Share(s)"	the domestic shares issued by the Company to domestic investors denominated in RMB and which are listed on the Shanghai Stock Exchange;
"Abstained Directors"	Dr. Zhang Xiwu, Dr. Zhang Yuzhuo, Dr. Ling Wen, Mr. Han Jianguo, Mr. Liu Benren and Mr. Xie Songlin, who had abstained from voting as Directors on the relevant board resolution(s) relating to the Equity Purchase Agreements, Assets Purchase Agreement and Financial Services Agreement;
"Adaohai Mine"	Shenhua Group Baotou Mining Co Ltd Adaohai Coal Mine, whose mining rights for the period from 31 May 2009 to 31 May 2011 are held by Baotou Mining as evidenced by the Mining Permit (C1500002009051120020302) dated 31 May 2009 issued by Department of Land and Resources of Inner Mongolia Autonomous Region and Bureau of Land and Resources of Baotou City of the PRC;
"Articles of Association"	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time;
"Assets"	the major operational assets and their related liabilities owned by Baotou Mining, including the mining rights of Adaohai Mine, Shuiquan Opencast Mine, Lijiahao Mine and their related assets and liabilities;
"Assets Profit Forecast"	has the meaning ascribed to it in the "Assets Purchase Agreement" section in the letter from the board of this circular;
"Assets Purchase Agreement"	the assets transfer agreement dated 20 December 2010 entered into between the Company and Baotou Mining;
"Assets Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the Assets to be purchased by the Company from Baotou Mining pursuant to the Assets Purchase Agreement as at the Valuation Date;
"associate"	has the meaning ascribed thereto under the Hong Kong Listing Rules;
"Baotou Mining"	Shenhua Group Baotou Mining Co Ltd, a limited liability company incorporated in the PRC;

"Baoyan Mine"	Baorixile Coal Co Ltd Baoyan Coal Mine, whose mining rights for the period from July 2005 to July 2013 are held by Shenbao Company as evidenced by the Mining Permit (No.1500000510535) dated 10 July 2005 issued by Department of Land and Resources of Inner Mongolia Autonomous Region of the PRC;
"Beiyao Company"	Shenhua (Beijing) Remote Sensing Exploration Co Ltd, a limited liability company incorporated in the PRC;
"Beiyao Company Equity Interest"	the 100% equity interest in Beiyao Company owned by Shenhua Group Co;
"Beiyao Company Equity Purchase Agreement"	the equity transfer agreement dated 20 December 2010 entered into between the Company and Shenhua Group Co;
"Beiyao Company Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the Beiyao Company Equity Interest as at the Valuation Date;
"Board"	the board of Directors;
"CBRC"	China Banking Regulatory Commission;
"Chaijiagou Mine"	Shaanxi Jihua Chaijiagou Mining Co Ltd Coal Mine, whose mining rights for the period from 10 September 2008 to 10 September 2011 are held by Chaijiagou Mining as evidenced by the Mining Permit (No.6100000830274) dated 10 September 2008 issued by Department of Land and Resources of Shaanxi Province of the PRC;
"Chaijiagou Mining"	Shaanxi Jihua Chaijiagou Mining Co Ltd, a limited liability company incorporated in the PRC;
"Chaijiagou Mining Equity Interest"	the 80.00% and 15.00% equity interest in Chaijiagou Mining owned by Guohua Energy and Jihua Industry respectively;
"Chaijiagou Mining Equity Purchase Agreement"	the equity transfer agreement dated 20 December 2010 entered into between the Company, Guohua Energy and Jihua Industry;
"Chaijiagou Mining Profit Forecast"	has the meaning ascribed to it in the "Chaijiagou Mining Equity Purchase Agreement" section in the letter from the board of this circular;
"Chaijiagou Mining Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the Chaijiagou Mining Equity Interest as at the Valuation Date;
"CICCHKS"	China International Capital Corporation Hong Kong Securities Limited;

"Clean Coal Company"	Hulunbeier Shenhua Clean Coal Co Ltd, a limited liability company incorporated in the PRC;
"Clean Coal Company Equity Interest"	the 39.10% and 21.00% equity interest in Clean Coal Company owned by Shenhua Trading and Shenbao Company respectively;
"Clean Coal Company Equity Purchase Agreement"	the equity transfer agreement dated 20 December 2010 entered into between the Company, Shenhua Trading and Shenbao Company;
"Clean Coal Company Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the Clean Coal Company Equity Interest at the Valuation Date;
"Company"	China Shenhua Energy Company Limited (中國神華能源股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Hong Kong Stock Exchange;
"Company Law"	the Company Law of the People's Republic of China;
"CSRC"	China Securities Regulatory Commission;
"Deutsche Bank"	Deutsche Bank AG, Hong Kong Branch;
"Director(s)"	the director(s) of the Company;
"EGM"	the extraordinary general meeting of the Company to be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China at 9:30 a.m. on 25 February 2011;
"Equity Purchase Agreements"	collectively the Shenbao Company Equity Purchase Agreement, Hudian Company Equity Purchase Agreement, Clean Coal Company Equity Purchase Agreement, Chaijiagou Mining Equity Purchase Agreement, Finance Company Equity Purchase Agreement, Material Company Equity Purchase Agreement, Tianhong Company Equity Purchase Agreement, Information Company Equity Purchase Agreement and Beiyao Company Equity Purchase Agreement;
"Finance Company"	Shenhua Finance Co Ltd, a limited liability company incorporated in the PRC;
"Finance Company Equity Interest"	the 39.29%, 12.86% and 7.14% equity interest in Finance Company owned by Shenhua Group Co, Guohua Energy and Shenhua CTL respectively;

"Finance Company Equity Purchase Agreement"	the equity transfer agreement dated 20 December 2010 entered into between the Company, Shenhua Group Co, Guohua Energy and Shenhua CTL;
"Finance Company Profit Forecast"	has the meaning ascribed to it in the "Finance Company Equity Purchase Agreement" section in the letter from the board of this circular;
"Finance Company Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the Finance Company Equity Interest as at the Valuation Date;
"Financial Services Agreement"	the Financial Services Agreement dated 20 December 2010 entered into between the Company and Shenhua Group Co;
"Group"	the Company and its subsidiaries;
"Guohua Energy"	Guohua Energy Investment Co Ltd, a limited liability company incorporated in the PRC;
"Guohua Power"	Beijing Guohua Power Co Ltd, a limited liability company incorporated in the PRC;
"H Share(s)"	the overseas-listed foreign invested share(s) in the Company's share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
"Hong Kong"	the Hong Kong Special Administrative Region of the People's Republic of China;
"Hong Kong Listing Rules"	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Hudian Company"	Inner Mongolia Guohua Hulunbeier Power Generation Co Ltd, a limited liability company incorporated in the PRC;
"Hudian Company Equity Interest"	the 80.00% equity interest in Hudian Company owned by Guohua Power;
"Hudian Company Equity Purchase Agreement"	the equity transfer agreement dated 20 December 2010 entered into between the Company and Guohua Power;
"Hudian Company Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the 77.46% equity interest of Hudian Company owned by Guohua Power as at the Valuation Date;

"Independent Board Committee"	an independent board committee of the Board comprising all the independent non-executive Directors;
"Independent Financial Adviser"	China Merchants Securities (HK) Co., Limited, a corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders;
"Independent Shareholders"	Shareholders who are not required to abstain from voting on the relevant resolution(s) relating to the Equity Purchase Agreements, Assets Purchase Agreement and the Financial Services Agreement to be proposed at the EGM under the Hong Kong Listing Rules;
"Information Company"	Shenhua Hollysys Information Technology Co Ltd, a limited liability company incorporated in the PRC;
"Information Company Equity Interest"	the 80.00% equity interest in Information Company owned by Shenhua Group Co;
"Information Company Equity Purchase Agreement"	the equity transfer agreement dated 20 December 2010 entered into between the Company and Shenhua Group Co;
"Information Company Profit Forecast"	has the meaning ascribed to it in the "Information Company Equity Purchase Agreement" section in the letter from the board of this circular;
"Information Company Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the Information Company Equity Interest as at the Valuation Date;
"Jihua Industry"	Beijing Jihua Industry Coal Co Ltd, a limited liability company incorporated in the PRC;
"Joint Financial Advisers"	CICCHKS and Deutsche Bank;
"Latest Practicable Date"	22 December 2010, being the latest practicable date prior to the issuance of this circular for ascertaining certain information contained herein;
"Lijiahao Mine"	Shenhua Group Baotou Mining Co Ltd Lijiahao Coal Mine, whose mining rights for the period from 9 February 2010 to 9 February 2040 are held by Baotou Mining as evidenced by the Mining Permit (C1000002010 021110056343) dated 9 February 2010 issued by Ministry of Land and Resources of the PRC;

"Mandatory Provisions"	the Mandatory Provisions for the Articles of Association of companies Seeking a Listing outside the PRC;
"Material Company"	Shenhua Material Trading Co Ltd, a limited liability company incorporated in the PRC;
"Material Company Equity Interest"	the 98.71% and 1.29% equity interest in Material Company owned by Shenhua Group Co and Shenhua Trading respectively;
"Material Company Equity Purchase Agreement"	the equity transfer agreement dated 20 December 2010 entered into between the Company, Shenhua Group Co and Shenhua Trading;
"Material Company Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the Material Company Equity Interest as at the Valuation Date;
"MEP"	Ministry of Environment Protection of the PRC;
"Mine 3 Continuation Area"	mining areas zoned pursuant to the "Approval on Mining Areas Zoning" issued by MLR (Guo Tu Zi Kuang Hua Zi [2005] No.002), the "Letter of Reply on the Extension of Reservation Period of Mining Area Zoning for Opencast Mine Continuation Area and Mine 3 Continuation Area of Inner Mongolia Baorixile Coal Co., Ltd (Guo Tu Zi Kuang Han [2008] No.22) and the "Letter of Consent on the Extension of the Reservation Period of Mining Area Zoning for Mine 3 Continuation Area of Shenhua Baorixile Energy Co Ltd (Guo Tu Zi Kuang Han [2010] No.72);
"MLR"	Ministry of Land and Resource of the PRC;
"NDRC"	National Development and Reform Commission of the PRC;
"Opencast Mine"	Shenhua Baorixile Energy Co Ltd Opencast Coal Mine, whose mining rights for the period from 16 October 2008 to 16 October 2013 are held by Shenbao Company as evidenced by the Mining Permit (No.1500000820517) dated 16 October 2008 issued by Department of Land and Resources of Inner Mongolia Autonomous Region of the PRC;
"Opencast Mine Continuation Area"	Shenhua Baorixile Energy Co Ltd Opencast Coal Mine, whose mining rights for the period from 5 September 2008 to 5 September 2038 are held by Shenbao Company as evidenced by the Mining Permit (No. C1000002008091120001320) dated 5 September 2008 issued by Ministry of Land and Resources of the PRC;

"PBOC"	People's Bank of China;
"PRC"	the People's Republic of China;
"Profit Forecasts"	collectively the Shenbao Company Profit Forecast, Chaijiagou Mining Profit Forecast, Finance Company Profit Forecast, Information Company Profit Forecast and the Assets Profit Forecast;
"Property Valuation Report"	the property valuation report prepared by the Property Valuer as at 31 October 2010, the full text of which is contained in Appendix I of this circular;
"Property Valuer"	Jones Lang LaSalle Sallmanns Limited, an independent property valuer;
"RMB"	Renminbi, the lawful currency of the PRC;
"Rules of Procedure of General Meeting"	the rules of procedure of general meeting of the Company, as amended, modified or otherwise supplemented from time to time;
"SASAC"	State-owned Assets Supervision and Administration Commission of the State Council of the PRC;
"SBSM"	State Bureau of Surveying and Mapping of the PRC;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time;
"Shanghai Listing Rules"	the listing rules of the Shanghai Stock Exchange;
"Share(s)"	ordinary share(s) of RMB1.00 each in the share capital of the Company including A Share(s) and H Share(s);
"Shareholder(s)"	the shareholder(s) of the Company;
"Shenbao Company"	Shenhua Baorixile Energy Co Ltd (formerly known as Baorixile Coal Co Ltd) a limited liability company incorporated in the PRC;
"Shenbao Company Equity Interest"	the 56.61% equity interest in Shenbao Company owned by Shenhua Group Co;
"Shenbao Company Equity Purchase Agreement"	the equity transfer agreement dated 20 December 2010 entered into between the Company and Shenhua Group Co;
"Shenbao Company Profit Forecast"	has the meaning ascribed to it in the "Shenbao Company Equity Purchase Agreement" section in the letter from the board of this circular;
"Shenbao Company Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the Shenbao Company Equity Interest as at the Valuation Date;
"Shenhua CTL"	China Shenhua Coal-to-liquid Chemical Co Ltd, a limited liability company incorporated in the PRC;

"Shenhua Group"	collectively, Shenhua Group Co and its subsidiaries (excluding the Group);
"Shenhua Group Co"	Shenhua Group Corporation Limited, the controlling shareholder of the Company as defined under the Hong Kong Listing Rules;
"Shenhua Trading"	Shenhua International Trading Co Ltd, a limited liability company incorporated in the PRC;
"Shuiquan Opencast Mine"	Shenhua Group Baotou Mining Co Ltd Shuiquan Opencast Coal Mine, whose mining rights for the period from 3 June 2009 to 3 June 2019 are held by Baotou Mining as evidenced by the Mining Permit (C150000200906112002 0893) dated 3 June 2009 issued by Department of Land and Resources of Inner Mongolia Autonomous Region and Bureau of Land and Resources of Baotou City of the PRC;
"Takeovers Code"	The Hong Kong Code on Takeovers and Mergers and Share Repurchases;
"Tianhong Company"	Shenhua Tianhong Trading Co Ltd, a limited liability company incorporated in the PRC;
"Tianhong Company Equity Interest"	the 100.00% equity interest in Tianhong Company owned by Shenhua Group Co;
"Tianhong Company Equity Purchase Agreement"	the equity transfer agreement dated 20 December 2010 entered into between the Company and Shenhua Group Co;
"Tianhong Company Valuation Report"	the valuation report prepared by the Valuer in relation to the value of the Tianhong Company Equity Interest as at the Valuation Date;
"Valuation Date"	30 June 2010, being the assessment date adopted by the Valuer in the Valuation Reports;
"Valuation Reports"	the Shenbao Company Valuation Report, Hudian Company Valuation Report, Clean Coal Company Valuation Report, Chaijiagou Mining Valuation Report, Finance Company Valuation Report, Material Company Valuation Report, Tianhong Company Valuation Report, Information Company Valuation Report, Beiyao Company Valuation Report and the Assets Valuation Report;
"Valuer"	China Enterprise Appraisal Corporation Limited, a firm of valuer qualified in the PRC.

中国神华
CHINA SHENHUA

中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1088)

Executive Directors:
Zhang Xiwu
Zhang Yuzhuo
Ling Wen

Non-executive Directors:
Han Jianguo
Liu Benren
Xie Songlin

Independent Non-executive Directors:
Fan Hsu Lai Tai
Gong Huazhang
Guo Peizhang

Registered Office:
Shenhua Tower
22 Andingmen Xibinhe Road
Dongcheng District
Beijing, PRC

29 December 2010

To the Shareholders

Dear Sir or Madam,

ENTERING INTO EQUITY PURCHASE AGREEMENTS
ENTERING INTO ASSETS PURCHASE AGREEMENT
ENTERING INTO FINANCIAL SERVICES AGREEMENT
AMENDMENTS TO THE ARTICLES OF ASSOCIATION
AND
AMENDMENTS TO THE RULES OF PROCEDURE OF GENERAL MEETING

INTRODUCTION

Reference is made to the announcements made by the Company on 20 December 2010 in relation to the Equity Purchase Agreements, Assets Purchase Agreements and Financial Services Agreement and the proposed amendments to the Articles of Association and the Rules of Procedure of General Meeting of the Company respectively.

The purpose of this circular is to provide you with further information in relation to (1) the Equity Purchase Agreements, Assets Purchase Agreement and Financial Services Agreement, the recommendation from the Independent Board Committee and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and (2) the proposed amendments to the Articles of Association and the Rules of Procedure of General Meeting of the Company.

ENTERING INTO EQUITY PURCHASE AGREEMENTS

As disclosed in the announcement dated 20 December 2010 of the Company, the Company has on 20 December 2010 entered into the following Equity Purchase Agreements:

(1) the Shenbao Company Equity Purchase Agreement with Shenhua Group Co, pursuant to which the Company conditionally agreed to purchase 56.61% equity interest in Shenbao Company from Shenhua Group Co;

(2) the Hudian Company Equity Purchase Agreement with Guohua Power, pursuant to which the Company conditionally agreed to purchase 80.00% equity interest in Hudian Company from Guohua Power;

(3) the Clean Coal Company Equity Purchase Agreement with Shenhua Trading and Shenbao Company, pursuant to which the Company conditionally agreed to purchase 39.10% and 21.00% equity interest in Clean Coal Company from Shenhua Trading and Shenbao Company respectively;

(4) the Chaijiagou Mining Equity Purchase Agreement with Guohua Energy and Jihua Industry, pursuant to which the Company conditionally agreed to purchase 80.00% and 15.00% equity interest in Chaijiagou Mining from Guohua Energy and Jihua Industry respectively;

(5) the Finance Company Equity Purchase Agreement with Shenhua Group Co, Guohua Energy and Shenhua CTL, pursuant to which the Company conditionally agreed to purchase 39.29%, 12.86% and 7.14% equity interest in Finance Company from Shenhua Group Co, Guohua Energy and Shenhua CTL respectively;

(6) the Material Company Equity Purchase Agreement with Shenhua Group Co and Shenhua Trading, pursuant to which the Company conditionally agreed to purchase 98.71% and 1.29% equity interest in Material Company from Shenhua Group Co and Shenhua Trading respectively;

(7) the Tianhong Company Equity Purchase Agreement with Shenhua Group Co, pursuant to which the Company conditionally agreed to purchase 100.00% equity interest in Tianhong Company from Shenhua Group Co;

(8) the Information Company Equity Purchase Agreement with Shenhua Group Co, pursuant to which the Company conditionally agreed to purchase 80.00% equity interest in Information Company from Shenhua Group Co; and

(9) the Beiyao Company Equity Purchase Agreement with Shenhua Group Co, pursuant to which the Company conditionally agreed to purchase 100.00% equity interest in Beiyao Company from Shenhua Group Co.

The aggregate consideration for the acquisition of equity interests pursuant to and as stated on the Equity Purchase Agreements is RMB5,632,759,522.81 subject to the price adjustment mechanisms set forth below.

(1) Shenbao Company Equity Purchase Agreement

The major terms of the Shenbao Company Equity Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser: The Company

Vendor: Shenhua Group Co

Equity interest to be acquired

Subject to the terms and conditions of the Shenbao Company Equity Purchase Agreement, the Company has conditionally agreed to purchase 56.61% equity interest in Shenbao Company from Shenhua Group Co.

Consideration

The aggregate consideration for the acquisition of the Shenbao Company Equity Interest is RMB2,409,249,537.26 which will be paid in cash by the Company. Since the Shenbao Company Equity Interest is PRC state-owned assets, such consideration is subject to the final agreement and record of the Shenbao Company Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations》. As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

Shenbao Company has declared dividend in the amount of RMB75,301,630 after the Valuation Date.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the net asset value and financial information and performance of Shenbao Company, the appraised value of the Shenbao Company Equity Interest of RMB2,451,874,900 as at the Valuation Date and the subsequent declaration of dividend by Shenbao Company after the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on both asset-based approach and discounted cash flow approach and discounted cash flow approach was used only for the appraisal of the Opencast Mine, Opencast Mine Continuation Area, Baoyan Mine and Mine 3 Continuation Area.

Given the appraisal of the Opencast Mine, Opencast Mine Continuation Area, Baoyan Mine and Mine 3 Continuation Area involve the use of discounted cash flow approach, such valuation is regarded as a profit forecast of Shenbao Company ("Shenbao Company Profit Forecast") under Rule 14.61 of the Hong Kong Listing Rules and the Company has fully complied with Rule 14.62 of the Hong Kong Listing Rules. The principal assumptions of the Shenbao Company Profit Forecast are set out in Appendix II. The auditors of the Company, KPMG have confirmed that they have reviewed the calculations for the forecast contained in the Shenbao Company Valuation Report. A report from KPMG related to such forecast is contained in Appendix VII. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry and a report from the Joint Financial Advisers related to such forecast is contained in Appendix VIII. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Valuer is a third party independent of the Group and its connected persons.

Conditions precedent

The Shenbao Company Equity Purchase Agreement is conditional and shall take effect upon the following:

(1) the Shenbao Company Equity Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Shenbao Company Equity Purchase Agreement and the equity transfer therein having been obtained, including:

 (a) the obtaining of approval from Shenhua Group Co in relation to the equity transfer pursuant to the Shenbao Company Equity Purchase Agreement;

 (b) the agreement and record of the Shenbao Company Valuation Report by Shenhua Group Co;

 (c) the obtaining of internal approvals by each of the parties;

 (d) the other shareholders of Shenbao Company agreeing to the subject equity transfer and to waive their pre-emptive purchase rights;

(e) the obtaining of approval from the board of directors of the Company; and

(f) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable. As of the Latest Practicable Date, the condition (d) above has been fulfilled and the other shareholders of Shenbao Company have agreed to the subject equity transfer and waived their pre-emptive rights.

(2) Hudian Company Equity Purchase Agreement

The major terms of the Hudian Company Equity Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser: The Company

Vendors: Guohua Power

Equity interest to be acquired

Subject to the terms and conditions of the Hudian Company Equity Purchase Agreement, the Company has conditionally agreed to purchase 80.00% equity interest in Hudian Company from Guohua Power.

Consideration

The aggregate consideration for the acquisition of the Hudian Company Equity Interest is RMB733,701,600 which will be paid in cash by the Company. Since the Hudian Company Equity Interest is PRC state-owned assets, such consideration is subject to the final agreement and record of the Hudian Company Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

As at the Valuation Date, Guohua Power held 77.46% equity interest in Hudian Company and the appraised value of such 77.46% equity interest is RMB484,651,600. Pursuant to an agreement between Hudian Company and its shareholders reached in October 2010 based on the capital need of Hudian Company, the registered capital of Hudian Company increased from approximately RMB631 million to approximately RMB 922 million. Guohua Power participated in such registered capital increase and has made registered capital payment of RMB249,050,000, of which (1) approximately RMB226 million is proportional capital contribution in respect of the original 77.46% equity interest in Hudian Company held by Guohua Power, and (2) approximately RMB23 million is capital contribution made in additional to its proportional capital contribution and for an additional 2.54% equity interest in Hudian Company. After the registered capital increase, the shareholding of Hudian Company held by Guohua Power increased from 77.46% to 80.00%.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the net asset value and financial information and performance of Hudian Company, the appraised value of the 77.46% equity interest in Hudian Company held by Guohua Power of RMB484,651,600 as at the Valuation Date and the above mentioned subsequent subscription of 2.54% equity interest in Hudian Company after the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on asset-based approach.

Conditions precedent

The Hudian Company Equity Purchase Agreement is conditional and shall take effect upon the following:

(1) the Hudian Company Equity Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Hudian Company Equity Purchase Agreement and the equity transfer therein having been obtained, including:

   (a) the obtaining of approval from Shenhua Group Co in relation to the equity transfer pursuant to the Hudian Company Equity Purchase Agreement;

   (b) the agreement and record of the Hudian Company Valuation Report by Shenhua Group Co;

   (c) the obtaining of internal approvals by each of the parties;

   (d) the other shareholders of Hudian Company agreeing to the subject equity transfer and to waive their pre-emptive purchase rights;

(e) the obtaining of approval from the board of directors of the Company; and

(f) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable. As of the Latest Practicable Date, the condition (d) above has been fulfilled and the other shareholders of Hudian Company have agreed to the subject equity transfer and waived their pre-emptive rights.

(3) Clean Coal Company Equity Purchase Agreement

The major terms of the Clean Coal Company Equity Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser:	The Company
Vendors:	Shenhua Trading Shenbao Company

Equity interest to be acquired

Subject to the terms and conditions of the Clean Coal Company Equity Purchase Agreement, the Company has conditionally agreed to purchase 39.10% equity interest in Clean Coal Company from Shenhua Trading, and 21.00% equity interest in Clean Coal Company from Shenbao Company.

Consideration

The aggregate consideration for the acquisition of the Clean Coal Company Equity Interest is RMB55,906,300 which will be paid in cash by the Company. Since the Clean Coal Company Equity Interest is PRC state-owned assets, such consideration is subject to the final agreement and record of the Clean Coal Company Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the net asset value and financial information and performance of Clean Coal Company, and the appraised value of the Clean Coal Company Equity Interest of RMB55,906,300 as at the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on asset-based approach.

Conditions precedent

The Clean Coal Company Equity Purchase Agreement is conditional and shall take effect upon the following:

(1) the Clean Coal Company Equity Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Clean Coal Company Equity Purchase Agreement and the equity transfer therein having been obtained, including:

   (a) the obtaining of approval from Shenhua Group Co in relation to the equity transfer pursuant to the Clean Coal Company Equity Purchase Agreement;

   (b) the agreement and record of the Clean Coal Company Valuation Report by Shenhua Group Co;

   (c) the obtaining of internal approvals by each of the parties;

   (d) the other shareholders of Clean Coal Company agreeing to the subject equity transfer and to waive their pre-emptive purchase rights;

   (e) the obtaining of approval from the board of directors of the Company; and

   (f) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable. As of the Latest Practicable Date, the condition (d) above has been fulfilled and the other shareholders of Clean Coal Company have agreed to the subject equity transfer and waived their pre-emptive rights.

(4) Chaijiagou Mining Equity Purchase Agreement

The major terms of the Chaijiagou Mining Equity Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser:	The Company
Vendors:	Guohua Energy Jihua Industry

Equity interest to be acquired

Subject to the terms and conditions of the Chaijiagou Mining Equity Purchase Agreement, the Company has conditionally agreed to purchase 80.00% equity interest in Chaijiagou Mining from Guohua Energy, and 15.00% equity interest in Chaijiagou Mining from Jihua Industry.

Consideration

The aggregate consideration for the acquisition of the Chaijiagou Mining Equity Interest is RMB448,816,800 which will be paid in cash by the Company. Since the Chaijiagou Mining Equity Interest is PRC state-owned assets, such consideration is subject to the final agreement and record of the Chaijiagou Mining Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

Chaijiagou Mining has declared dividend in the amount of RMB76,000,000 after the Valuation Date.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the net asset value and financial information and performance of Chaijiagou Mining, the appraised value of the Chaijiagou Mining Equity Interest of RMB521,016,800 as at the Valuation Date and the subsequent declaration of dividend by Chaijiagou Mining after the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on asset-based approach and discounted cash flow approach and discounted cash flow approach was used only for the appraisal of the Chaijiagou Mine.

Given the appraisal of the Chaijiagou Mine involves the use of discounted cash flow approach, such valuation is regarded as a profit forecast of Chaijiagou Mining ("Chaijiagou Mining Profit Forecast") under Rule 14.61 of the Hong Kong Listing Rules and the Company has fully complied with Rule 14.62 of the Hong Kong Listing Rules. The principal assumptions of the Chaijiagou Mining Profit Forecast are set out in Appendix III. The auditors of the Company, KPMG, have confirmed that they have reviewed the calculations for the forecast contained in the Chaijiagou Mining Valuation Report. A report from KPMG related to such forecast is contained in Appendix VII. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry and a report from the Joint Financial Advisers related to such forecast is contained in Appendix VIII. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Valuer is a third party independent of the Group and its connected persons.

Conditions precedent

The Chaijiagou Mining Equity Purchase Agreement is conditional and shall take effect upon the following:

(1) the Chaijiagou Mining Equity Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Chaijiagou Mining Equity Purchase Agreement and the equity transfer therein having been obtained, including:

(a) the obtaining of approval from Shenhua Group Co in relation to the equity transfer pursuant to the Chaijiagou Mining Equity Purchase Agreement;

(b) the agreement and record of the Chaijiagou Mining Valuation Report by Shenhua Group Co;

(c) the obtaining of internal approvals by each of the parties;

(d) the other shareholders of Chaijiagou Mining agreeing to the subject equity transfer and to waive their pre-emptive purchase rights;

(e) the obtaining of approval from the board of directors of the Company; and

(f) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable. As of the Latest Practicable Date, the condition (d) above has been fulfilled and the other shareholders of Chaijiagou Mining have agreed to the subject equity transfer and waived their pre-emptive rights.

(5) Finance Company Equity Purchase Agreement

The major terms of the Finance Company Equity Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser:	The Company
Vendors:	Shenhua Group Co Guohua Energy Shenhua CTL

Equity interest to be acquired

Subject to the terms and conditions of the Finance Company Equity Purchase Agreement, the Company has conditionally agreed to purchase 39.29% equity interest in Finance Company from Shenhua Group Co, 12.86% equity interest in Finance Company from Guohua Energy, and 7.14% equity interest in Finance Company from Shenhua CTL.

Consideration

The aggregate consideration for the acquisition of the Finance Company Equity Interest is RMB1,035,906,912.04 which will be paid in cash by the Company. Since the Finance Company Equity Interest is PRC state-owned assets, such consideration is subject to the final agreement and record of the Finance Company Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

Finance Company has declared dividend in the amount of RMB287,637,739 after the Valuation Date.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the net asset value and financial information and performance of Finance Company, the appraised value of the Finance Company Equity Interest of RMB1,206,435,000 as at the Valuation Date and the subsequent declaration of dividend by Finance Company after the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on discounted cash flow approach.

Such valuation is regarded as a profit forecast of Finance Company ("Finance Company Profit Forecast") under Rule 14.61 of the Hong Kong Listing Rules and the Company has fully complied with Rule 14.62 of the Hong Kong Listing Rules. The principal assumptions of the Finance Company Profit Forecast are set out in Appendix IV. The auditors of the Company, KPMG, have confirmed that they have reviewed the calculations for the forecast contained in the Finance Company Valuation Report. A report from KPMG related to such forecast is contained in Appendix VII. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry and a report from the Joint Financial Advisers related to such forecast is contained in Appendix VIII. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Valuer is a third party independent of the Group and its connected persons.

Conditions precedent

The Finance Company Equity Purchase Agreement is conditional and shall take effect upon the following:

(1) the Finance Company Equity Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Finance Company Equity Purchase Agreement and the equity transfer therein having been obtained, including:

   (a) the obtaining of approval from Shenhua Group Co in relation to the equity transfer pursuant to the Finance Company Equity Purchase Agreement;

   (b) the agreement and record of the Finance Company Valuation Report by Shenhua Group Co;

(c) the obtaining of approval from CBRC in relation to the equity transfer pursuant to the Finance Company Equity Purchase Agreement;

(d) the obtaining of internal approvals by each of the parties;

(e) the other shareholders of Finance Company agreeing to the subject equity transfer and to waive their pre-emptive purchase rights;

(f) the obtaining of approval from the board of directors of the Company; and

(g) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable. As of the Latest Practicable Date, the condition (e) above has been fulfilled and the other shareholders of Finance Company have agreed to the subject equity transfer and waived their pre-emptive rights.

(6) Material Company Equity Purchase Agreement

The major terms of the Material Company Equity Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser:	The Company
Vendors:	Shenhua Group Co Shenhua Trading

Equity interest to be acquired

Subject to the terms and conditions of the Material Company Equity Purchase Agreement, the Company has conditionally agreed to purchase 98.71% equity interest in Material Company from Shenhua Group Co, and 1.29% equity interest in Material Company from Shenhua Trading.

Consideration

The aggregate consideration for the acquisition of the Material Company Equity Interest is RMB527,717,073.51 which will be paid in cash by the Company. Since the Material Company Equity Interest is PRC state-owned assets, such consideration is subject to the final agreement and record of the Material Company Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

Material Company has declared dividend in the amount of RMB100,536,026 after the Valuation Date.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the net asset value and financial information and performance of Material Company, the appraised value of the Material Company Equity Interest of RMB628,253,100 as at the Valuation Date and the subsequent declaration of dividend by Material Company after the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on asset-based approach.

Conditions precedent

The Material Company Equity Purchase Agreement is conditional and shall take effect upon the following:

(1) the Material Company Equity Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Material Company Equity Purchase Agreement and the equity transfer therein having been obtained, including:

(a) the obtaining of approval from Shenhua Group Co in relation to the equity transfer pursuant to the Material Company Equity Purchase Agreement;

(b) the agreement and record of the Material Company Valuation Report by Shenhua Group Co;

(c) the obtaining of internal approvals by each of the parties;

(d) the obtaining of approval from the board of directors of the Company; and

(e) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable.

(7) Tianhong Company Equity Purchase Agreement

The major terms of the Tianhong Company Equity Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser: The Company

Vendor: Shenhua Group Co

Equity interest to be acquired

Subject to the terms and conditions of the Tianhong Company Equity Purchase Agreement, the Company has conditionally agreed to purchase 100.00% equity interest in Tianhong Company from Shenhua Group Co.

Consideration

The aggregate consideration for the acquisition of the Tianhong Company Equity Interest is RMB330,257,100 which will be paid in cash by the Company. Since the Tianhong Company Equity Interest is PRC state-owned assets, such consideration is subject to the final agreement and record of the Tianhong Company Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the net asset value and financial information and performance of Tianhong Company, and the appraised value of the Tianhong Company Equity Interest of RMB330,257,100 as at the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on asset-based approach.

Conditions precedent

The Tianhong Company Equity Purchase Agreement is conditional and shall take effect upon the following:

(1) the Tianhong Company Equity Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Tianhong Company Equity Purchase Agreement and the equity transfer therein having been obtained, including:

   (a) the obtaining of approval from Shenhua Group Co in relation to the equity transfer pursuant to the Tianhong Company Equity Purchase Agreement;

   (b) the agreement and record of the Tianhong Company Valuation Report by Shenhua Group Co;

   (c) the obtaining of internal approvals by each of the parties;

   (d) the obtaining of approval from the board of directors of the Company; and

   (e) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable.

(8) Information Company Equity Purchase Agreement

The major terms of the Information Company Equity Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser: The Company

Vendor: Shenhua Group Co

Equity interest to be acquired

Subject to the terms and conditions of the Information Company Equity Purchase Agreement, the Company has conditionally agreed to purchase 80.00% equity interest in Information Company from Shenhua Group Co.

Consideration

The aggregate consideration for the acquisition of the Information Company Equity Interest is RMB67,442,000 which will be paid in cash by the Company. Since the Information Company Equity Interest is PRC state-owned assets, such consideration is subject to the final agreement and record of the Information Company Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the net asset value and financial information and performance of Information Company, and the appraised value of the Information Company Equity Interest of RMB67,442,000 as at the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on discounted cash flow approach.

Such valuation is regarded as a profit forecast of Information Company ("Information Company Profit Forecast") under Rule 14.61 of the Hong Kong Listing Rules and the Company has fully complied with Rule 14.62 of the Hong Kong Listing Rules. The principal assumptions of the Information Company Profit Forecast are set out in Appendix V. The auditors of the Company, KPMG, have confirmed that they have reviewed the calculations for the forecast contained in the Information Company Valuation Report. A report from KPMG related to such forecast is contained in Appendix VII. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry and a report from the Joint Financial Advisers related to such forecast is contained in Appendix VIII. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Valuer is a third party independent of the Group and its connected persons.

Conditions precedent

The Information Company Equity Purchase Agreement is conditional and shall take effect upon the following:

(1) the Information Company Equity Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Information Company Equity Purchase Agreement and the equity transfer therein having been obtained, including:

  (a) the obtaining of approval from Shenhua Group Co in relation to the equity transfer pursuant to the Information Company Equity Purchase Agreement;

  (b) the agreement and record of the Information Company Valuation Report by Shenhua Group Co;

  (c) the obtaining of internal approvals by each of the parties;

  (d) the other shareholders of Information Company agreeing to the subject equity transfer and to waive their pre-emptive purchase rights;

  (e) the obtaining of approval from the board of directors of the Company; and

  (f) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable. As of the Latest Practicable Date, the condition (d) above has been fulfilled and the other shareholders of Information Company have agreed to the subject equity transfer and waived their pre-emptive rights.

(9) Beiyao Company Equity Purchase Agreement

The major terms of the Beiyao Company Equity Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser: The Company

Vendor: Shenhua Group Co

Equity interest to be acquired

Subject to the terms and conditions of the Beiyao Company Equity Purchase Agreement, the Company has conditionally agreed to purchase 100.00% equity interest in Beiyao Company from Shenhua Group Co.

Consideration

The aggregate consideration for the acquisition of the Beiyao Company Equity Interest is RMB23,762,200 which will be paid in cash by the Company. Since the Beiyao Company Equity Interest is PRC state-owned assets, such consideration is subject to the final agreement and record of the Beiyao Company Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the net asset value and financial information and performance of Beiyao Company, and the appraised value of the Beiyao Company Equity Interest of RMB23,762,200 as at the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on asset-based approach.

Conditions precedent

The Beiyao Company Equity Purchase Agreement is conditional and shall take effect upon the following:

(1) the Beiyao Company Equity Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Beiyao Company Equity Purchase Agreement and the equity transfer therein having been obtained, including:

  (a) the obtaining of approval from Shenhua Group Co in relation to the equity transfer pursuant to the Beiyao Company Equity Purchase Agreement;

  (b) the agreement and record of the Beiyao Company Valuation Report by Shenhua Group Co;

  (c) the obtaining of internal approvals by each of the parties;

  (d) the obtaining of approval from the board of directors of the Company; and

  (e) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable.

Connected Transaction and Hong Kong Listing Rules Implications

Shenhua Group Co is a controlling shareholder and the sole promoter of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules.

Shenbao Company, Guohua Power, Shenhua Trading, Guohua Energy, Jihua Industry and Shenhua CTL are subsidiaries of Shenhua Group Co and are therefore also connected persons of the Company under the Hong Kong Listing Rules.

Therefore, the Equity Purchase Agreements and the transactions contemplated thereunder constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

Since the applicable percentage ratios of the transactions contemplated under the Equity Purchase Agreements and the Assets Purchase Agreement (on an aggregated basis) exceed 5% but are less than 25%, these transactions constitute a discloseable transaction for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Hong Kong Listing Rules.

Since the applicable percentage ratios of the transactions contemplated under the Equity Purchase Agreements and the Assets Purchase Agreement (on an aggregated basis) exceed 5%, these transactions are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction entered into between the Group and the Shenhua Group within a 12-month period from the date of this circular or otherwise related, which would, together with transactions under the Equity Purchase Agreements and the Assets Purchase Agreement, be regarded as a series of transactions and treated as if they are one transaction under Rule 14A.25 of the Hong Kong Listing Rules.

General

The Directors consider that the terms of the Equity Purchase Agreements are on normal commercial terms, fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

The Board has resolved and approved the Equity Purchase Agreements and the transactions contemplated thereunder on 20 December 2010. Of the Directors attending the board meeting, the Abstained Directors were considered to have material interests in the transactions contemplated under the Equity Purchase Agreements by virtue of being employed by Shenhua Group Co, and had thus abstained from voting on the board resolution(s) in respect of the foregoing transactions.

Information Relating to the Target Companies

Shenbao Company

Shenbao Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Shenbao Company is RMB1,168,911,100.00. Shenbao Company is principally engaged in the business of production, sales, transportation and loading of coal.

Shenbao Company owns the mining rights of a total mining area of 65.46 square kilometres with a raw coal output reaching 13,302,400 tonnes and a sales volume amounting to 13,115,400 tonnes in 2009. Raw coal output from January to September 2010 amounted to 11,927,900 tonnes and sales volume reached 12,000,100 tonnes. Rail transport was utilized the most for external coal sales.

As of the Latest Practicable Date, Shenbao Company has mining rights of the Opencast Mine, Opencast Mine Continuation Area and Baoyan Mine, and is applying for the mining rights of Mine 3 Continuation Area, the details of which are as follows:

Mines	Location	Type of Coal Produced	Area (square kilometres)	Mining Permit Certificate Number	Term of the Mining Permit
Opencast Mine	Chenbaerhu Qi of Hulunbeier City in the Inner Mongolia	Lignite	7.9208	1500000820517	16 October 2008 to 16 October 2013
Opencast Mine Continuation Area	Chenbaerhu Qi of Hulunbeier City in the Inner Mongolia	Lignite	43.7151	C1000002008091120001320	5 September 2008 to 5 September 2038
Baoyan Mine	Chenbaerhu Qi of Hulunbeier City in the Inner Mongolia	Lignite	0.8851	1500000510535	July 2005 to July 2013
Mine 3 Continuation Area	Chenbaerhu Qi of Hulunbeier City in the Inner Mongolia	Lignite	12.9406	N/A	N/A
Total			**65.4616**		

Mines	30 June 2010 Resources (10,000 tonnes) (PRC standard)[1]	30 June 2010 Recoverable Reserves (10,000 tonnes) (PRC standard)[1]	30 June 2010 Inferred Resources (10,000 tonnes) (JORC standard)[2]	30 June 2010 Indicated Resources (10,000 tonnes) (JORC standard)[2]	30 June 2010 Measured Resources (10,000 tonnes) (JORC standard)[2]	30 June 2010 Marketable Probable Reserve (10,000 tonnes) (JORC standard)[2]	30 June 2010 Marketable Proved Reserve (10,000 tonnes) (JORC standard)[2]	30 September 2010 Inferred Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Indicated Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Measured Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Probable Reserve (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Proved Reserve (10,000 tonnes) (JORC standard)[2]
Opencast Mine	5,008.42	137,235.56 (being the combined recoverable reserves for Opencast Mine, Opencast Mine Continuation Area and Baoyan Mine)	–	4,682	647	4,309	598	–	4,682	598	4,309	553
Opencast Mine Continuation Area	152,429		8,929	114,627	32,381	106,313	30,410	8,929	114,627	32,381	106,313	30,410
Baoyan Mine	1,345		–	353	934	339	868	–	353	934	339	868
Mine 3 Continuation Area	44,871.60	36,110.69	46,716	495	–	453	–	46,716	495	–	453	–
Total	203,654.02	173,346.25	55,645	120,157	33,962	111,414	31,876	55,645	120,157	33,913	111,414	31,831

Notes

1. These information are based on and extracted from the valuation reports of the mines listed above prepared by the Valuer for the Company.

2. These information are based on and extracted from the coal reserves report prepared by John T. Boyd Company for the Company.

(1) Opencast Mine

Opencast Mine is located in the east of Chenbaerhu Qi Coalfield, Hulunbeier City, Inner Mongolia Autonomous Region, which is under the jurisdiction of Baorixile Town, Chenbaerhu Qi, Hulunbeier City, Inner Mongolia Autonomous Region. According to the Mining Permit (No.1500000820517) issued by Department of Land and Resources of Inner Mongolia Autonomous Region, the mining rights to Opencast Mine which occupies a mining area of 7.9208 sq. km are owned by Shenbao Company. The Mining Permit is valid from 16 October 2008 to 16 October 2013. Shenbao Company will, before expiration of the said Mining Permit, apply for the extension of the Mining Permit of Opencast Mine. As of the Latest Practicable Date, based on information provided by Shenbao Company and current laws and regulations of the PRC, the Company does not foresee any difficulty in obtaining extension of the Mining Permit of the Opencast Mine. Opencast Mine was completed and put into operation in 2001. It primarily produces lignite which is high calorific value, oil-bearing coal with a particularly low to low sulfur content, a low phosphorus content and a low to medium ash content, with a current approved production capacity of 1,800,000 tonnes per year. At present, a renovation and expansion construction project is being conducted for Opencast Mine, i.e. the construction project of Opencast Mine Continuation Area. Upon completion of the project, Opencast Mine and Opencast Mine Continuation Area will be combined to carry out production, with a production capacity of 10,000,000 tonnes per year. The renovation and expansion project of Shenbao Company Opencast Mine has been approved by NDRC by virtue of the "Reply on the Approval of the Renovation and Expansion Project of Baorixile Opencast Mine of Shenhua Group Co" (Fa Gai Neng Yuan [2008] No.730), Bureau of Coal Mine Safety Supervision of Inner Mongolia Autonomous Region by virtue of the "Reply on the Inspection and Acceptance of Safety Facilities and Requirements upon Completion of the Renovation and Expansion Project of Opencast Mine of Shenhua Baorixile Energy Co Ltd" (Nei Mei An Yi Chu Zi [2009] No.43), and MEP by virtue of the "Letter of Opinion on the Inspection and Acceptance of Environmental Protection upon Completion of the Renovation and Expansion Project of Opencast Mine of Shenhua Baorixile Energy Co Ltd" (Huan Yan [2010] No.241). Shenbao Company is processing the entire inspection and acceptance formalities of the renovation and expansion project of Opencast Mine.

Pursuant to the "Certificate of Review and Records on the Reserves of Mineral Resources for the Coal Resources Reserves Verification Report on Opencast Mine of Baorixile Mine 1, Baorixile Mining Area, Chenqi Coalfield, Inner Mongolia Autonomous Region" (Nei Guo Tu Zi Chu Bei Zi [2005] No.201) issued by Department of Land and Resources of Inner Mongolia Autonomous Region, and the valuation report of Opencast Mine, Opencast Mine Continuation Area and Baoyan Mine issued by the Valuer, the reserves of retained resources of Opencast Mine amounted to 98,507,900 tonnes as at 31 December 2004; total reserves of used resources were 48,423,700 tonnes from January 2005 to June 2010; as at 30 June 2010, the reserves of retained resources amounted to 50,084,200 tonnes, and the recoverable reserves equivalent to disposal prices amounted to 39,379,600 tonnes.

(2) Opencast Mine Continuation Area

Opencast Mine Continuation Area is located in the east of Chenbaerhu Qi Coalfield, Hulunbeier City, Inner Mongolia Autonomous Region, which is under the jurisdiction of Chenbaerhu Qi, Hulunbeier City, Inner Mongolia Autonomous Region, and adjacent to the mining area of Opencast Mine. According to the Mining Permit (No.C1000002008091120001320) issued by MLR, the mining rights to Opencast Mine Continuation Area which occupies a mining area of 43.7151 sq. km are owned by Shenbao Company. The Mining Permit is valid from 5 September 2008 to 5 September 2038. The renovation and expansion project of Opencast Mine involves a total investment of RMB2.543 billion, and is scheduled for completion and operation by July 2011. Opencast Mine Continuation Area primarily produces lignite which is high calorific value, oil-bearing coal with a particularly low to low sulfur content, a low phosphorus content and a low to medium ash content, with a designed production capacity of 10,000,000 tonnes per year. Opencast Mine Continuation Area is currently under construction. It is actually a renovation and expansion project of Opencast Mine. Upon completion of the project, Opencast Mine and Opencast Mine Continuation Area will be combined to carry out production. For details on the documents of inspection and acceptance upon completion of the project, please see relevant statements in the paragraph above "(1) Opencast Mine".

Pursuant to the "Certificate of Review and Records on the Reserves of Mineral Resources for the Coal Resources Reserves Verification Report on Opencast Mine of Baorixile, Chenqi Coalfield, Inner Mongolia Autonomous Region (Guo Tu Zi Chu Bei Zi [2005] No.248) issued by MLR and the valuation report of Opencast Mine, Opencast Continuation Area and Baoyan Mine issued by the Valuer, the reserves of retained resources of Opencast Mine Continuation Area amounted to 1,524,290,000 tonnes as at 30 April 2005; no resources reserves were used from May 2005 to June 2010; as at 30 June 2010, the reserves of retained resources amounted to 1,524,290,000 tonnes, and the recoverable reserves equivalent to disposal prices amounted to 270,600,000 tonnes.

(3) Baoyan Mine

Baoyan Mine is located in the east of Chenbaerhu Qi Coalfield, Hulunbeier City, Inner Mongolia Autonomous Region, which is under the jurisdiction of Chenbaerhu Qi, Hulunbeier City, Inner Mongolia Autonomous Region. According to the Mining Permit (No.1500000510535) issued by Department of Land and Resources of Inner Mongolia Autonomous Region, the mining rights to Baoyan Mine which occupies a mining area of 0.8851 sq. km are owned by Baorixile Coal Co Ltd (former company name used by Shenbao Company prior to changing the company name in December 2005). The Mining Permit is valid from July 2005 to July 2013. Shenbao Company will, before expiration of the said Mining Permit, apply for the extension of the Mining Permit of Baoyan Mine. As of the Latest Practicable Date, based on information provided by Shenbao Company and current laws and regulations of the PRC, the Company does not foresee any difficulty in obtaining extension of the Mining Permit of the Baoyan Mine. Shenbao Company already submitted an application on 28 October 2010 to Department of Land and Resources of Inner Mongolia Autonomous Region for changing the owner of the mining rights of Baoyan Mine to Shenbao Company, and the application was accepted.

Baoyan Mine was built in 1994, primarily producing lignite which is high calorific value, oil-bearing coal with a particularly low to low sulfur content, a low phosphorus content and a low to medium ash content, with a current approved production capacity of 330,000 tonnes per year. The production at Baoyan Mine has been suspended up to date since March 2006. As confirmed by Shenbao Company in "Report on Mine Resource Reserves Restructuring of Baoyan Mine" (Shenbao [2010] No. 163), the future planning for Baoyan Mine is to cooperate with Opencast Mine for joint mining.

Pursuant to the "Certificate of Review and Records on the Reserves of Mineral Resources for the Coal Resources Reserves Verification Report on Baoyan Mine, Chenqi Coalfield, Inner Mongolia Autonomous Region" (Nei Guo Tu Zi Chu Bei Zi [2009] No.130) issued by Department of Land and Resources of Inner Mongolia Autonomous Region, and the valuation report of Opencast Mine, Opencast Continuation Area and Baoyan Mine issued by the Valuer, the reserves of retained resources of Baoyan Mine amounted to 13,450,000 tonnes as at 30 November 2008. As the production has been suspended from March 2006, no resources reserves were used from December 2008 to June 2010. As at 30 June 2010, the reserves of retained resources amounted to 13,450,000 tonnes, and the recoverable reserves equivalent to disposal prices amounted to 8,235,000 tonnes.

Pursuant to the valuation report of Opencast Mine, Opencast Mine Continuation Area and Baoyan Mine issued by the Valuer, as at 30 June 2010, the combined reserves of retained resources of the Opencast Mine, Opencast Mine Continuation Area and Baoyan Mine amounted to 1,587,824,200 tonnes, and the combined recoverable retained reserves amounted to 1,372,355,600 tonnes while the evaluated exploitable recoverable reserves amounted to 318,214,600 tonnes with an evaluated mine life for utilization agreed by the Company of 14.46 years.

(4) Mine 3 Continuation Area

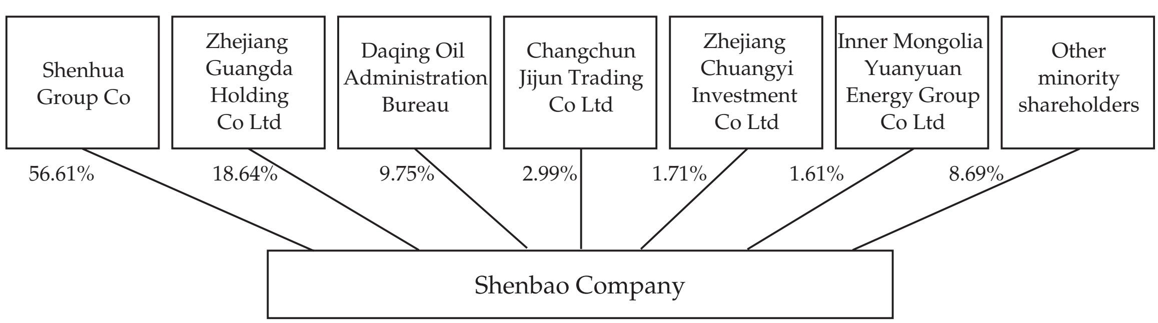
Mine 3 Continuation Area is located in the east of Baorixile Exploration Area of Chenbaerhu Qi Coalfield, which is under the jurisdiction of Baorixile town, Chenbaerhu Qi and Xiertala town, Hailar District, Inner Mongolia Autonomous Region. Pursuant to the Approval on Mining Areas Zoning issued by MLR (Guo Tu Zi Kuang Hua Zi [2005] No.002), Mine 3 Continuation Area occupies a mining area of 12.9406 sq. km. According to the "Letter of Reply on the Extension of Reservation Period of Mining Area Zoning for Opencast Mine Continuation Area and Mine 3 Continuation Area of Inner Mongolia Baorixile Coal Co., Ltd (Guo Tu Zi Kuang Han [2008] No.22) and the "Letter of Consent on the Extension of the Reservation Period of Mining Area Zoning for Mine 3 Continuation Area of Shenhua Baorixile Energy Co Ltd (Guo Tu Zi Kuang Han [2010] No.72) issued by MLR, the reservation period of mining area zoning for Mine 3 Continuation Area has been approved to be extended to 31 March 2012. As of the Latest Practicable Date, Shenbao Company has applied to the relevant PRC authorities for the mining rights of the Mine 3 Continuation Area. As of the Latest Practicable Date, based on information provided by Shenbao Company and the current laws and regulations of the PRC, the Company does not foresee any difficulty in obtaining the mining rights of the Mine 3 Continuation Area before 31 March 2012.

Pursuant to the Appendix 2 to the "Notice on the Requirements of Registration of Exploration and Mining of Mineral Resources: Requirements on Mining Registration of Mineral Resources" issued by MLR, once the above approval on mining area zoning from MLR has been obtained, no mining rights registration authorities in the area will accept new application on mining rights, at present, Shenbao Company is the sole applicant for the mining rights within such mining zoning area.

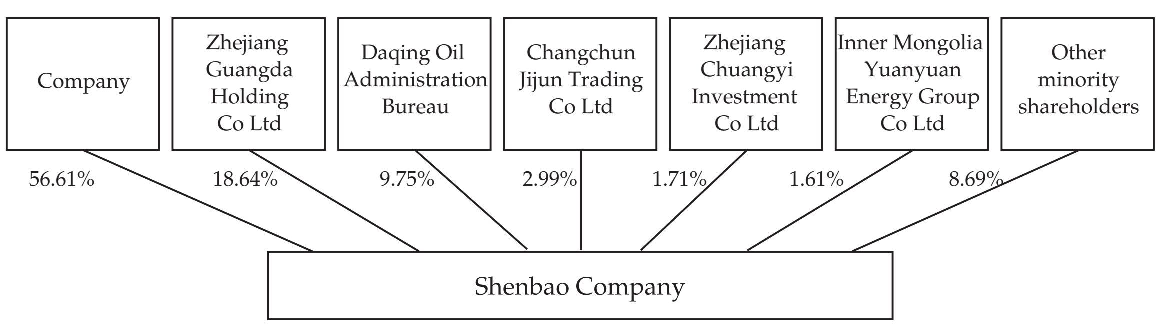
Mine 3 Continuation Area primarily produces lignite and long-flame coal, with a designed production capacity of 10,000,000 tonnes per year.

Pursuant to the "Certificate of Review and Records on the Reserves of Resources for the Coal Resources Reserves Verification Report on Mine 3 Continuation Area of Baorixile Mine, Chenqi Coalfield, Inner Mongolia Autonomous Region (Guo Tu Zi Chu Bei Zi [2006] No.127) issued by MLR, and the valuation report of Mine 3 Continuation Area issued by the Valuer, as at 31 December 2005, the reserves of retained resources of the Mine 3 Continuation Area amounted to 448,716,000 tonnes, no resources reserves were used from January 2006 to June 2010; as at 30 June 2010, the reserves of retained resources amounted to 448,716,000 tonnes, and the recoverable retained reserves amounted to 361,106,900 tonnes while the evaluated exploitable recoverable reserves amounted to 323,400,000 tonnes with an evaluated mine life for utilization agreed by the Company of 30 years.

As of the Latest Practicable Date, the shareholding structure of Shenbao Company is as follows:



After completion of the equity purchase pursuant to the Shenbao Company Equity Purchase Agreement, the shareholding structure of Shenbao Company will be as follows:



The following financial information is extracted from the consolidated financial statements of Shenbao Company prepared for this acquisition.

	31 December 2009 *(RMB'000)* (Audited)	30 June 2010 *(RMB'000)* (Audited)	30 September 2010 *(RMB'000)* (Audited)
Total assets	3,741,310	4,194,907	4,649,553
Total liabilities	1,619,790	2,162,992	2,545,581
Equity attributable to owners of the company	2,029,317	1,939,713	2,011,770

	Year ended 31 December 2008 *(RMB'000)* (Unaudited)	Year ended 31 December 2009 *(RMB'000)* (Audited)	Six months period ended 30 June 2010 *(RMB'000)* (Audited)	Nine months period ended 30 September 2010 *(RMB'000)* (Audited)
Net profit (before taxation and extraordinary items)	162,684	394,905	121,909	158,343
Net profit attributable to owners of the company (after taxation and extraordinary items)	170,944	328,993	115,862	145,321

Shenbao Company will become a subsidiary of the Company after completion of the subject acquisition.

In November 2005, Shenhua Group Co purchased 50.92% equity interest of Shenbao Company from Hulunbeier Municipal Economy Commission in consideration of RMB333,010,000. During the period from July to October 2008, Shenhua Group Co increased its shareholding from 50.92% to 56.61% through equity subscription in aggregated consideration of RMB590,304,008.68.

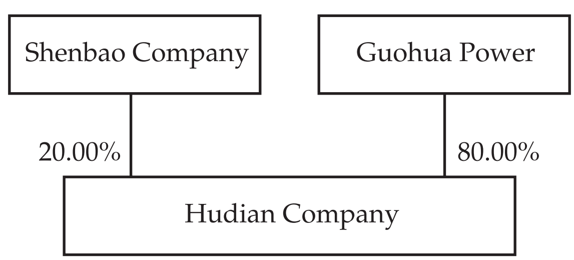
To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Shenbao Company as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

Hudian Company

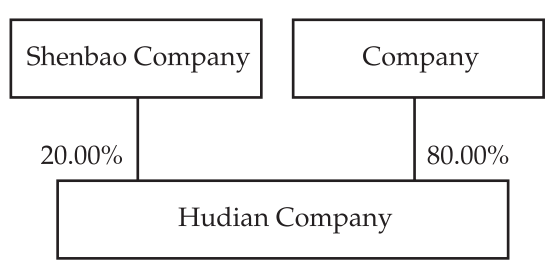
Hudian Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Hudian Company is RMB922,230,000. Hudian Company is principally engaged in the business of installation, testing and maintenance of thermal and power equipment; multiple utilization of thermal coal ashes; provision of consultancy and other relevant services in electric technology and power generation.

Hudian Company's power plant is situated in Chenbaerhu Qi of Hulunbeier City in Inner Mongolia Autonomous Region of the PRC. The power plant will be completed by two phases. The Phase I consists of the construction of two sets of 600,000 KW domestic supercritical coal-fired air-cooling generating unit (hereinafter referred as "Phase I Project") and the simultaneous installation of Flue Gas Desulfurization (FGD) and de-NOx systems. The total funding for the preliminary design plan of the Phase I Project is RMB4,765,990,000, with a designed production capacity of 6.6 billion KWh per year, and annual utilization hours to reach 5,500 hours. The coal for power generation used by the plant is lignite produced by Shenbao Company and will amount to approximately 3,700,000 tonnes per year. Coal ash and cinder produced by the plant will be collected and utilized while the mined-out areas of Opencast Mine of Shenbao Company will satisfy the ash storage requirement of the plant. At present, two sets of generating unit of Phase I Project have undergone testings and have commenced production in December 2010. The project has been approved by NDRC by virtue of the "Reply on the Approval of the Inner Mongolia Guohua Hulunbeier Power Plant Project" (Fa Gai Neng Yuan [2008] No.1991) and MEP by virtue of "Reply on the Environmental Impact Report of the construction of two sets of 600,000 KW generating unit under Inner Mongolia Guohua Hulunbeier Power Project" (Huan Shen [2008] No.195). Currently, the construction of two sets of 600,000 KW domestic supercritical coal-fired air-cooling generating unit for Phase II is undergoing pre-feasibility studies and other relevant works.

As of the Latest Practicable Date, the shareholding structure of Hudian Company is as follows:



After completion of the equity purchase pursuant to the Hudian Company Equity Purchase Agreement, the shareholding structure of Hudian Company will be as follow:



The following financial information is extracted from the financial statements of Hudian Company prepared for this acquisition.

	31 December 2009 *(RMB'000)* (Audited)	30 June 2010 *(RMB'000)* (Audited)	30 September 2010 *(RMB'000)* (Audited)
Total assets	3,025,706	3,570,796	3,856,503
Total liabilities	2,426,689	2,981,939	3,277,176
Owners' equity	599,016	588,857	579,327

	Year ended 31 December 2008 *(RMB'000)* (Unaudited)	Year ended 31 December 2009 *(RMB'000)* (Audited)	Six months period ended 30 June 2010 *(RMB'000)* (Audited)	Nine months period ended 30 September 2010 *(RMB'000)* (Audited)
Net loss (before taxation and extraordinary items)	(10,419)	(32,186)	(10,160)	(19,689)
Net loss (after taxation and extraordinary items)	(7,814)	(24,140)	(10,160)	(19,689)

Hudian Company will become a subsidiary of the Company after completion of the subject acquisition.

Guohua Power is an initial shareholder of Hudian Company and has held the Hudian Company Equity Interest since the incorporation of Hudian Company.

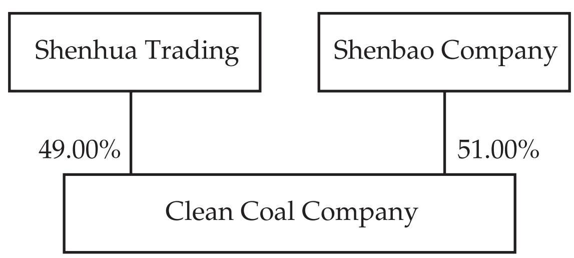
To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Hudian Company as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

Clean Coal Company

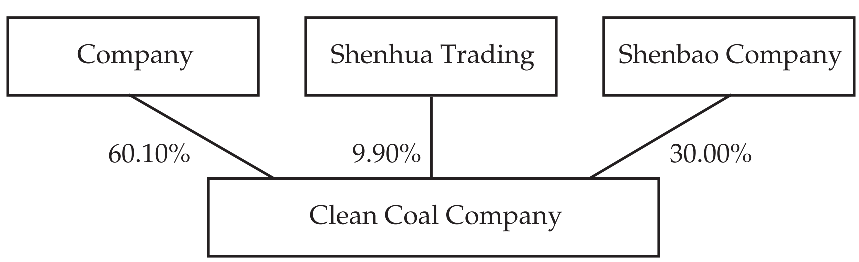
Clean Coal Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Clean Coal Company is RMB100,000,000.00. Clean Coal Company is principally engaged in the business of quality advancement and processing of lignite.

Clean Coal Company has a project on quality advancement of lignite consisting of two sets of coal unit with an annual capacity of 500,000 tonnes, which is the first major industrialized testing project of lignite in the PRC. At present the project is under system reconfiguration and pilot production. The total investment of the project is RMB318,090,000 and the coal resources required upon the commencement of operation will be wholly provided by Shenbao Company. The project has been approved by the Development and Reform Commission of Inner Mongolia Autonomous Region by virtue of the "Notice on the Approval of the Filing of the Testing Project on Quality Advancement of Lignite of Shenhua Baorixile Energy Co Ltd" (Nei Fa Gai Neng Yuan Zi [2008] No.1041) and the Bureau of Environmental Protection of Inner Mongolia Autonomous Region by virtue of the "Reply on the Approval of Environmental Impact Report on Industrial Testing of the Project of Quality Advancement of Lignite of Shenhua Baorixile" (Nei Huan Shen [2008] No.194).

As of the Latest Practicable Date, the shareholding structure of Clean Coal Company is as follows:



After completion of the equity purchase pursuant to the Clean Coal Company Equity Purchase Agreement, the shareholding structure of Clean Coal Company will be as follows:



The following financial information is extracted from the financial statements of Clear Coal Company prepared for this acquisition.

	31 December 2009	**30 June 2010**	**30 September 2010**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(Audited)	(Audited)	(Audited)
Total assets	275,950	315,520	315,633
Total liabilities	180,161	222,352	224,184
Owners' equity	95,789	93,169	91,449

	Year ended 31 December 2008	Year ended 31 December 2009	Six months period ended 30 June 2010	Nine months period ended 30 September 2010
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Net loss (before taxation and extraordinary items)	(1,346)	(2,865)	(2,621)	(4,340)
Net loss (after taxation and extraordinary items)	(1,346)	(2,865)	(2,621)	(4,340)

Clean Coal Company will become a subsidiary of the Company after completion of the subject acquisition.

Shenhua Trading and Shenbao Company are initial shareholders of Clean Coal Company and have held the Clean Coal Company Equity Interest since the incorporation of Clean Coal Company.

To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Clean Coal Company as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

Chaijiagou Mining

Chaijiagou Mining is a limited liability company incorporated under the laws of the PRC. The registered capital of Chaijiagou Mining is RMB10,000,000.00. Chaijiagou Mining is principally engaged in the business of mining and sales of raw coal and owns the mining right of Chaijiagou Mine.

Chaijiagou Mining had a raw coal output reaching 959,800 tonnes and a sales volume amounting to 1,029,100 tonnes for year 2009. Raw coal output from January to September 2010 amounted to 745,000 tonnes and sales volume reached 671,300 tonnes.

As of the Latest Practicable Date, Chaijiagou Mining has mining rights of the Chaijiagou Mine. Details of the Chaijiagou Mine are as follows:

Mines	Location	Type of Coal Produced	Area (square kilometres)	Mining Permit Certificate Number	Term of the Mining Permit
Chaijiagou Mine	Yijun County, Shaanxi Province	Long-flame coal	4.868	6100000830274	10 September 2008 to 10 September 2011

Mines	30 June 2010 Resources (10,000 tonnes) (PRC standard)[1]	30 June 2010 Recoverable Reserves (10,000 tonnes) (PRC standard)[1]	30 June 2010 Inferred Resources (10,000 tonnes) (JORC standard)[2]	30 June 2010 Indicated Resources (10,000 tonnes) (JORC standard)[2]	30 June 2010 Measured Resources (10,000 tonnes) (JORC standard)[2]	30 June 2010 Marketable Probable Reserve (10,000 tonnes) (JORC standard)[2]	30 June 2010 Marketable Proved Reserve (10,000 tonnes) (JORC standard)[2]	30 September 2010 Inferred Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Indicated Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Measured Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Probable Reserve (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Proved Reserve (10,000 tonnes) (JORC standard)[2]
Chaijiagou Mine	1,200.94	699.64	508	-	640	-	399	508	-	595	-	369

Notes:

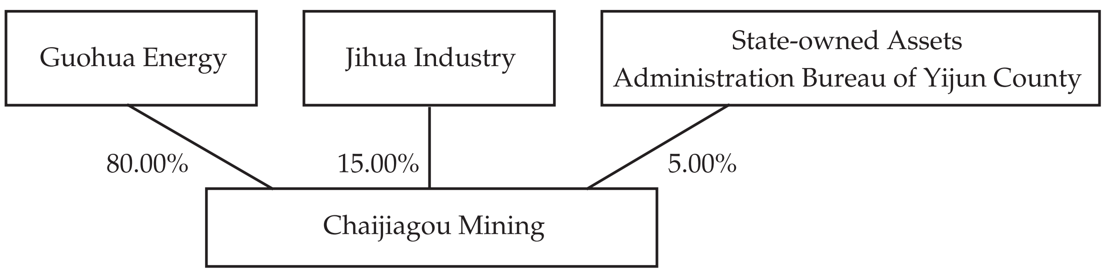
1. These information are based on and extracted from the Chaijiagou Mining Valuation Report prepared by the Valuer for the Company.

2. These information are based on and extracted from the coal reserves report prepared by John T. Boyd Company for the Company.

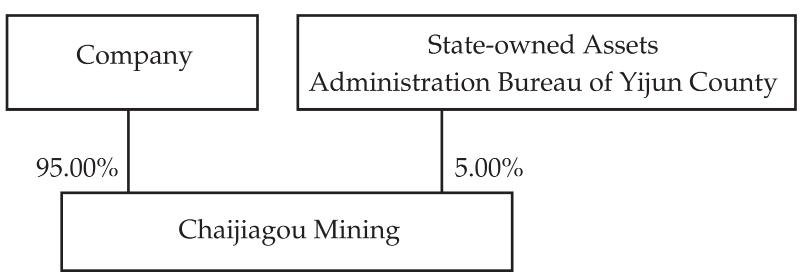
Chaijiagou Mine is located in the east of the Scrutinized (Supplemental) Exploration Area of Longwang-Yuhua Mining Field (龍王—玉華井田精查(補充)勘探區), Jiaoping Mine of Shaanbei Jurassic Coalfield, which is under the jurisdiction of Tai'an Town, Yijun County of Shaanxi Province. According to the Mining Permit (No.6100000830274) issued by Department of Land and Resources of Shaanxi Province, the mining rights to Chaijiagou Mine which occupies an mining area of 4.868 sq. km are owned by Chaijiagou Mining. The Mining Permit is valid from 10 September 2008 to 10 September 2011. Chaijiagou Mine commenced pilot production in 1996 and fulfilled technical renovation in 2004. It primarily produces long-flame coal which is high calorific value, oil-bearing coal with mid-to-high sulphur content, low phosphorus content, low-to-mid ash content, with a designed production capacity of 1,000,000 tonnes per year. Chaijiagou Mine has obtained the Coal Production Permit (No. 206102220016) which is valid from 20 October 2008 to 20 September 2011 issued by Bureau of Coal Industry of Shaanxi Province. It has also obtained the Safety Production Permit ((Shaan) MK An Xu Zheng Zi No.[113019]) which is valid from 22 September 2008 to 22 September 2011 issued by Bureau of Coal Mine Safety Supervision of Shaanxi Province. Chaijiagou Mining will, before expiration of the said Mining Permit, Coal Production Permit and Safety Production Permit, apply for the extension of the Mining Permit, Coal Production Permit and Safety Production Permit of Chaijiagou Mine. As of the Latest Practicable Date, based on information provided by Chaijiagou Mining and current laws and regulations of the PRC, the Company does not foresee any difficulty in obtaining extension of the Mining Permit, Coal Production Permit and Safety Production Permit of the Chaijiagou Mine. Chaijiagou Mining has reconfigured its mine ventilation system of the Chaijiagou Mine during the period from January 2010 to May 2010, and coal production was temporarily suspended during such period. Coal production of the Chaijiagou Mine has resumed from late May 2010 onward after successful reconfiguration of the ventilation system.

Pursuant to the "Certificate of Review and Records on the Reserves of Mineral Resources on Measurement of Mine Resource Reserves of Chaijiagou Mine of Shaanxi Jihua Chaijiagou Mining Co Ltd" (Shaan Guo Tu Zi Chu Bei Zi [2008] No.83) and the valuation report of Chaijiagou Mine issued by the Valuer, the reserves of retained resources of Chaijiagou Mine as at 31 December 2004 amounted to 20,712,800 tonnes, total reserves of used resources were 8,703,400 tonnes from January 2005 to June 2010; as at 30 June 2010, the reserves of retained resources amounted to 12,009,400 tonnes, the recoverable retained reserves amounted to 6,996,400 tonnes while the evaluated exploitable recoverable reserves amounted to 6,996,400 tonnes with an evaluated mine life for utilization agreed by the Company of 5.98 years.

As of the Latest Practicable Date, the shareholding structure of Chaijiagou Mining is as follows:



After completion of the equity purchase pursuant to the Chaijiagou Mining Equity Purchase Agreement, the shareholding structure of Chaijiagou Mining will be as follows:



The following financial information is extracted from the consolidated financial statements of Chaijiagou Mining prepared for this acquisition.

	31 December 2009	**30 June 2010**	**30 September 2010**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(Audited)	(Audited)	(Audited)
Total assets	347,474	378,252	433,254
Total liabilities	215,352	220,007	218,419
Equity attributable to owners of the company	120,955	152,025	208,786

	Year ended 31 December 2008 *(RMB'000)* (Unaudited)	Year ended 31 December 2009 *(RMB'000)* (Audited)	Six months period ended 30 June 2010 *(RMB'000)* (Audited)	Nine months period ended 30 September 2010 *(RMB'000)* (Audited)
Net profit (before taxation and extraordinary items)	81,544	110,052	32,195	98,643
Net profit attributable to owners of the company (after taxation and extraordinary items)	58,916	78,225	23,135	72,937

Chaijiagou Mining will become a subsidiary of the Company after completion of the subject acquisition.

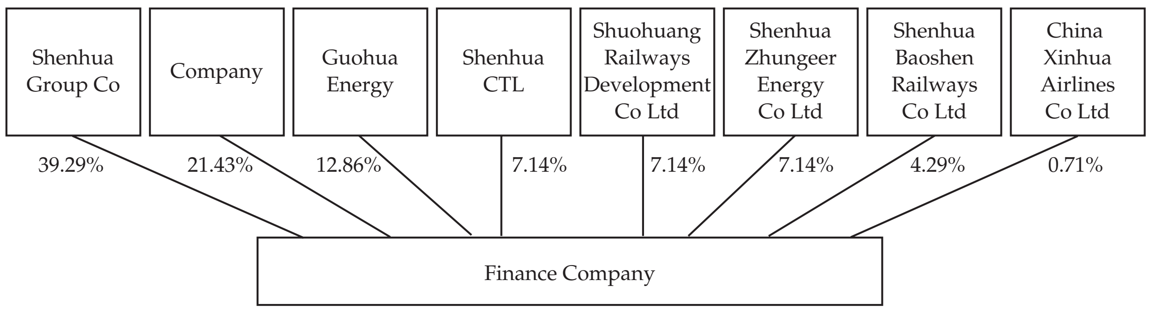
Guohua Energy and Jihua industry are initial shareholders of Chaijiagou Mining and have held the Chaijiagou Mining Equity Interest since the incorporation of Chaijiagou Mining.

To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Chaijiagou Mining as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

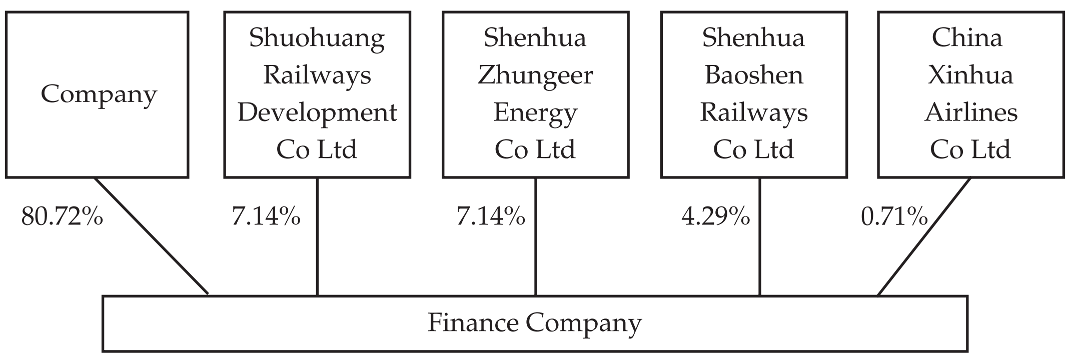
Finance Company

Finance Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Finance Company is RMB700,000,000.00. Finance Company is principally engaged in the provision of financial consultation services, credit appraisal and other related consultancy and agency services to members of Shenhua Group and the Group; assistance to members in the collection and payment of transaction amount; authorised insurance agency services; provision of guarantee between members; providing entrusted loans and entrusted investments between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement planning to members; accepting deposits from members; provision of loans and finance leasing to members; provision of inter-bank lending; authorised issue of bonds ; underwriting of corporate bonds of members; equity investments in financial institutions; investments in negotiable securities; provision of consumer credit facilities, buyers' credit and finance leasing.

As of the Latest Practicable Date, the shareholding structure of Finance Company is as follows:



After completion of the equity purchase pursuant to the Finance Company Equity Purchase Agreement, the shareholding structure of Finance Company will be as follows:



The following financial information is extracted from the financial statements of Finance Company prepared for this acquisition.

	31 December 2009	**30 June 2010**	**30 September 2010**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(Audited)	(Audited)	(Audited)
Total assets	12,861,517	17,109,222	21,098,928
Total liabilities	11,670,162	15,771,782	19,950,513
Owners' equity	1,191,356	1,337,439	1,148,415

	Year ended 31 December 2008	Year ended 31 December 2009	Six months period ended 30 June 2010	Nine months period ended 30 September 2010
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Net profit (before taxation and extraordinary items)	403,352	357,959	194,926	296,593
Net profit (after taxation and extraordinary items)	311,745	268,400	146,084	222,203

As of the Latest Practicable Date, the Company holds approximately 21.43% equity interest in Finance Company and such is reflected in the audited consolidated financial statements of the Company for the year ended 31 December 2009 as equity investment. Finance Company will become a subsidiary of the Company after completion of the subject acquisition.

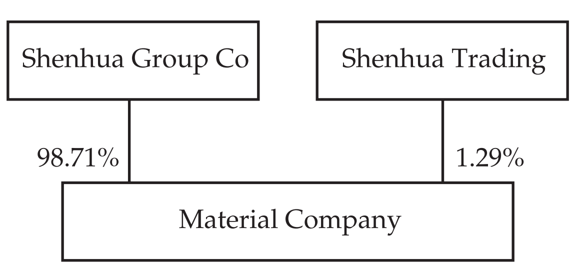
Shenhua Group Co, Guohua Energy and Shenhua CTL are initial shareholders of Finance Company and have held the Finance Company Equity Interest since the incorporation of Finance Company.

To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Finance Company as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

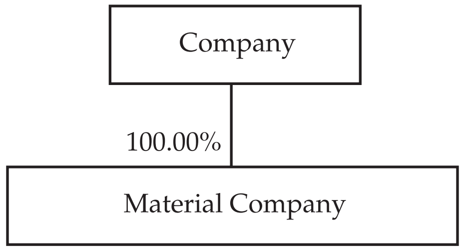
Material Company

Material Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Material Company is RMB248,547,437.82. Material Company is principally engaged in the business of sale of oil such as petroleum, diesel, kerosene and lubricating oil used in the transportation system as well as the sale of blasting equipment and mining vehicles. Its major customers are coal-production and transportation enterprises of the Group.

As of the Latest Practicable Date, the shareholding structure of Material Company is as follows:



After completion of the equity purchase pursuant to the Material Company Equity Purchase Agreement, the shareholding structure of Material Company will be as follows:



The following financial information is extracted from the consolidated financial statements of Material Company prepared for this acquisition.

	31 December 2009 *(RMB'000)* (Audited)	30 June 2010 *(RMB'000)* (Audited)	30 September 2010 *(RMB'000)* (Audited)
Total assets	1,677,417	1,517,436	1,607,283
Total liabilities	1,328,574	1,142,966	1,218,889
Equity attributable to owners of the company	337,418	360,220	372,468

	Year ended 31 December 2008 *(RMB'000)* (Unaudited)	Year ended 31 December 2009 *(RMB'000)* (Audited)	Six months period ended 30 June 2010 *(RMB'000)* (Audited)	Nine months period ended 30 September 2010 *(RMB'000)* (Audited)
Net profit (before taxation and extraordinary items)	60,393	49,610	36,322	55,829
Net profit attributable to owners of the company (after taxation and extraordinary items)	41,668	32,436	22,802	35,050

Material Company will become a subsidiary of the Company after completion of the subject acquisition.

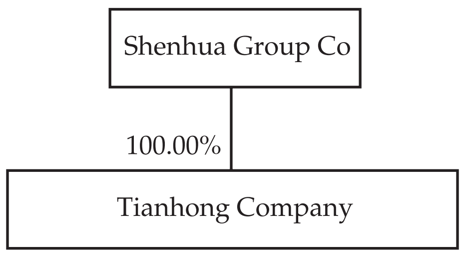
Shenhua Group Co and Shenhua Trading are initial shareholders of Material Company and have held the Material Company Equity Interest since the incorporation of Material Company.

To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Material Company as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

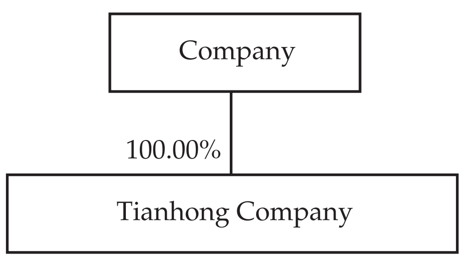
Tianhong Company

Tianhong Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Tianhong Company is RMB20,000,000.00. Tianhong Company is principally engaged in the business of wholesale and retail of coal; provision of certain coal reserve to Beijing for emergency use in winter; supply of uniforms, business attire, worker-protection items as well as office supplies and gifts to coal-production and transportation enterprises of Shenhua Group and the Group, such as the Company's Shenshuo Railway Branch and Shenhua Shendong Coal Group Co., Ltd.

As of the Latest Practicable Date, the shareholding structure of Tianhong Company is as follows:



After completion of the equity purchase pursuant to the Tianhong Company Equity Purchase Agreement, the shareholding structure of Tianhong Company will be as follows:



The following financial information is extracted from the consolidated financial statements of Tianhong Company prepared for this acquisition.

	31 December 2009	**30 June 2010**	**30 September 2010**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(Audited)	(Audited)	(Audited)[1]
Total assets	232,759	224,364	351,187
Total liabilities	144,691	181,007	306,899
Equity attributable to owners of the company	86,480	41,773	42,716

	Year ended 31 December 2008	Year ended 31 December 2009	Six months period ended 30 June 2010	Nine months period ended 30 September 2010
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Unaudited)	(Audited)	(Audited)	(Audited)[1]
Net profit (before taxation and extraordinary items)	21,571	11,935	286	1,743
Net profit/(loss) attributable to owners of the company (after taxation and extraordinary items)	21,873	7,975	(1,188)	(106)

Notes:

1. On 10 December 2010, 100% equity interest of Shenhua Jinfeng Coal Company Limited was transferred from Shenhua Group to Tianhong Company for nil consideration and Shenhua Jinfeng Coal Company Limited became a wholly-owned subsidiary of Tianhong Company. Based on information provided by Tianhong Company and Shenhua Jinfeng Coal Company Limited and as of the Latest Practicable Date, the Company is of the view that Shenhua Jinfeng Coal Company Limited is not financially material to the Tianhong Company.

Tianhong Company will become a subsidiary of the Company after completion of the subject acquisition.

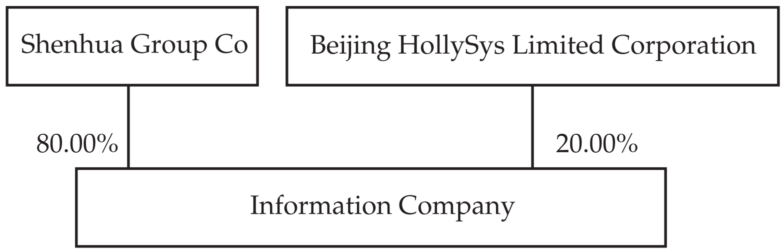
Shenhua Group Co is an initial shareholder of Tianhong Company and has held the Tianhong Company Equity Interest since the incorporation of Tianhong Company.

To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Tianhong Company as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

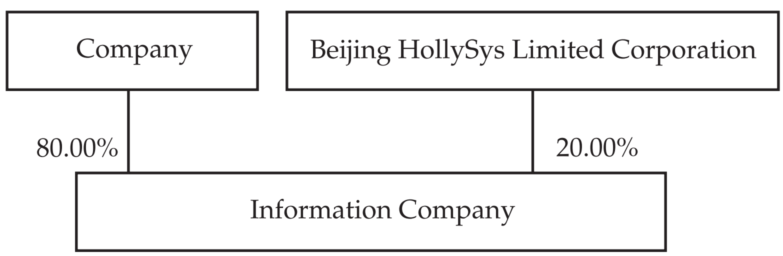
Information Company

Information Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Information Company is RMB52,500,000.00. Information Company is principally engaged in the business of providing comprehensive solutions on information systems, such as, IT infrastructure, integrated automated system, production management, operation management, decision making support and e-government administration, as well as ancillary services which include IT consultation and planning, system design, project implementation, system maintenance etc. It is currently responsible for informatisation and automation of the Shenhua Group and the Group.

As of the Latest Practicable Date, the shareholding structure of Information Company is as follows:



After completion of the equity purchase pursuant to the Information Company Equity Purchase Agreement, the shareholding structure of Information Company will be as follows:



The following financial information is extracted from the financial statements of Information Company prepared for this acquisition.

	31 December 2009 *(RMB'000)* (Audited)	**30 June 2010** *(RMB'000)* (Audited)	**30 September 2010** *(RMB'000)* (Audited)
Total assets	81,894	95,423	101,240
Total liabilities	24,225	42,788	49,695
Owners' equity	57,669	52,635	51,545

	Year ended 31 December 2008 *(RMB'000)* (Unaudited)	**Year ended 31 December 2009** *(RMB'000)* (Audited)	**Six months period ended 30 June 2010** *(RMB'000)* (Audited)	**Nine months period ended 30 September 2010** *(RMB'000)* (Audited)
Net profit/(loss) (before taxation and extraordinary items)	722	4,524	(5,035)	(6,125)
Net profit/(loss) (after taxation and extraordinary items)	722	4,524	(5,035)	(6,125)

Information Company will become a subsidiary of the Company after completion of the subject acquisition.

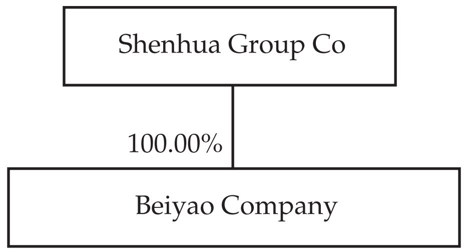
Upon the incorporation of Information Company, China Electrical Export Investment Co Ltd (the "Electrical Company"), a wholly-owned subsidiary of Shenhua Group Co, subscribed for 38.1% of the equity interest of Information Company in consideration of RMB20,000,000. In June 2006, Electrical Company purchased 12.9% equity interest of Information Company from Beijing Industrial Development Investment and Management Co Ltd in consideration of RMB7,215,800, and Electrical Company's shareholding in Information Company increased from 38.1% to 51% following such purchase. In January 2010, Electrical Company transferred its 51% equity interest of Information Company to Shenhua Group Co for nil consideration, and Shenhua Group Co held 51% equity interest of Information Company following such transfer. In July 2010, Shenhua Group Co acquired a further 29% equity interest in Information Company from Beijing HollySys Limited Corporation in consideration of RMB23,377,700 and following such acquisition, Shenhua Group Co holds 80% equity interest in Information Company.

To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Information Company as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

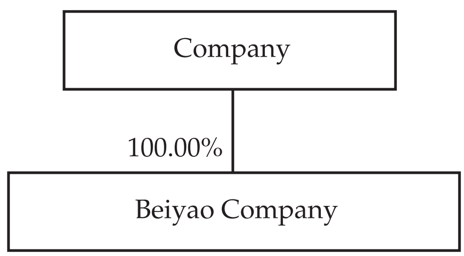
Beiyao Company

Beiyao Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Beiyao Company is RMB43,100,000.00. Beiyao Company is principally engaged in coalfield geology, mine geology and hydrogeology with emphasis on the development of high-end business of the aforesaid sectors; provision of technical support for the Shenhua Group and the Group; provision of services for various projects, including design for exploration projects, biding and budget review for exploration business, management and supervision of the exploration projects, review and assessment of exploration results, technical support and digitalisation of resources management. Meanwhile, it endeavours to develop new businesses, such as, gas drainage, drainage, hydrogeology exploration, and detection of safety-threatening goafs and ordovician limestone water. Beiyao Company has obtained Certificate of Surveying and Mapping Qualification (Class B) issued by the State Bureau of Surveying and Mapping, Qualification Certificate for Geological Exploration issued by the Ministry of Land and Resources, Qualification Certificate for Geologic Disaster Control Project Surveying issued by the Bureau of Land and Resources as well as Qualification Certification for Project Surveying (Class B) issued by the Beijing Municipal Commission of Urban Planning.

As of the Latest Practicable Date, the shareholding structure of Beiyao Company is as follows:



After completion of the equity purchase pursuant to the Beiyao Company Equity Purchase Agreement, the shareholding structure of Beiyao Company will be as follows:



The following financial information is extracted from the consolidated financial statements of Beiyao Company prepared for this acquisition.

	31 December 2009	**30 June 2010**	**30 September 2010**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(Audited)	(Audited)	(Audited)
Total assets	109,571	110,819	130,071
Total liabilities	122,395	110,592	135,658
Equity attributable to owners of the company	(12,589)	227	(5,588)

	Year ended 31 December 2008 (RMB'000) (Unaudited)	Year ended 31 December 2009 (RMB'000) (Audited)	Six months period ended 30 June 2010 (RMB'000) (Audited)	Nine months period ended 30 September 2010 (RMB'000) (Audited)
Net profit/(loss) (before taxation and extraordinary items)	1,804	(5,898)	(16,948)	(22,764)
Net profit/(loss) attributable to owners of the company (after taxation and extraordinary items)	1,920	(5,704)	(16,826)	(22,641)

Beiyao Company will become a subsidiary of the Company after completion of the subject acquisition.

In 1999, the sole shareholder of Beiyao Company, Zhonglian Economic-Technological Development Co Ltd ("Zhonglian Company"), was merged into Shenhua Group by administrative order and for nil consideration and became a wholly-owned subsidiary of Shenhua Group Co. In 2000, Zhonglian Company transferred 100% equity interest of Beiyao Company to Shenhua Group Co for nil consideration, and Shenhua Group Co held 100% equity interest of Beiyao Company following such transfer.

To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Beiyao Company as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

Information Relating to the Parties

Shenhua Group

Shenhua Group Co is a controlling shareholder and the sole promoter of the Company. Shenhua Group Co and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities.

Guohua Power

Guohua Power is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Guohua Power is principally engaged in the business of investment, development and operation of power projects; power generation; development, production and operation of new energy projects; consultation on power and energy projects.

Shenbao Company

Shenbao Company is a limited liability company incorporated under the laws of the PRC and is a subsidiary of Shenhua Group Co. Shenbao Company is principally engaged in the business of production, sales, transportation and loading of coal.

Shenhua Trading

Shenhua Trading is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Shenhua Trading is principally engaged in the business of despatch of foreign labour; civil engineering, exploration, design, implementation and supervision of constructions, import and export of general merchandize; sales of coke, coal products, chemical raw materials and chemical products.

Guohua Energy

Guohua Energy is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Guohua Energy is principally engaged in the business of investment in various sectors, i.e. energy, transport, finance, medicine and health, information, biology, electronics, environmental protection, new materials and real estate and development of new energy technology.

Jihua Industry

Jihua Industry is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Jihua Industry is principally engaged in the business of sales of coal and coal products, electric equipment, building materials and mineral products; investment consultation; development, and transfer of technology and related training.

Shenhua CTL

Shenhua CTL is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Shenhua CTL is principally engaged in the business of wholesale of petroleum, kerosene, diesel; development, operation, production and product sales of coal liquefaction.

ENTERING INTO ASSETS PURCHASE AGREEMENT

As disclosed in the announcement dated 20 December 2010 of the Company, the Company has on 20 December 2010 entered into the Assets Purchase Agreement with Baotou Mining, pursuant to which the Company conditionally agreed to purchase major operational assets and related liabilities from Baotou Mining, including the mining rights of Adaohai Mine, Shuiquan Opencast Mine, Lijiahao Mine and their related assets and liabilities.

The aggregate consideration for the acquisition of major operational assets and their related liabilities from Baotou Mining, including the mining rights of Adaohai Mine, Shuiquan Opencast Mine, Lijiahao Mine and their related assets and liabilities pursuant to the Assets Purchase Agreement is RMB3,069,399,800.

The major terms of the Assets Purchase Agreement are as follows:

Date

20 December 2010

Parties

Purchaser:	The Company
Vendor:	Baotou Mining

Assets to be acquired

Subject to the terms and conditions of the Assets Purchase Agreement, the Company has conditionally agreed to purchase major operational assets and related liabilities from Baotou Mining, including the mining rights of Adaohai Mine, Shuiquan Opencast Mine, Lijiahao Mine and their related assets and liabilities.

The subject assets of Baotou Mining involves an area with mining rights of approximately 83.06 sq. km, of which Adaohai Mine and Shuiquan Opencast Mine have been put into operation with raw coal output and sales volume reaching 2,555,000 tonnes and 4,770,700 million tonnes respectively in 2009. Baotou Mining acquired certain amount of coals from neighbouring coal mines, resulting in the sales volume exceeding output. Baotou Mining leverages on its own transportation and sales channels to sell both acquired and self-produced coals in order to gain from buy-sale price difference. Raw coal output from January to September 2010 amounted to 2,411,700 tonnes and sales volume reached 2,335,500 tonnes. Rail transport was utilized the most for external coal sales.

The transfer of the mining rights of Adaohai Mine, Shuiquan Opencast Mine and Lijiahao Mine pursuant to the Assets Purchase Agreement will be subject to the final approval of relevant land and resource authorities under the PRC laws.

As of the Latest Practicable Date, details of mining rights of the Lijiaohao Mine, Adaohai Mine and Shuiquan Opencast Mine to be purchased by the Company pursuant to the Assets Purchase Agreement are as follows:

Mines	Location	Type of Coal Produced	Area (square kilometres)	Mining Permit Certificate Number	Term of the Mining Permit
Adaohai Mine	Tumoteyou Qi, Baotou City, Inner Mongolia Autonomous Region	Coking coal	6.7099	C1500002009051120020302	31 May 2009 to 31 May 2011
Shuiquan Opencast Mine	Shiguai District, Baotou City, Inner Mongolia Autonomous Region	Weak caking coal	8.8033	C1500002009061120020893	3 June 2009 to 3 June 2019
Lijiaohao Mine	Shiguai District, Baotou City, Inner Mongolia Autonomous Region	Non-caking coal Long-flame coal	67.5453	C1000002010021110056343	9 February 2010 to 9 February 2040
Total			83.0585		

Mines	30 June 2010 Resources (10,000 tonnes) (PRC standard)[1]	30 June 2010 Recoverable Reserves (10,000 tonnes) (PRC standard)[1]	30 June 2010 Inferred Resources (10,000 tonnes) (JORC standard)[2]	30 June 2010 Indicated Resources (10,000 tonnes) (JORC standard)[2]	30 June 2010 Measured Resources (10,000 tonnes) (JORC standard)[2]	30 June 2010 Marketable Probable Reserve (10,000 tonnes) (JORC standard)[2]	30 June 2010 Marketable Proved Reserve (10,000 tonnes) (JORC standard)[2]	30 September 2010 Inferred Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Indicated Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Measured Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Probable Reserve (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Proved Reserve (10,000 tonnes) (JORC standard)[2]
Adaohai Mine	5,098.60	2,427.56	2,238	901	–	429	–	2,238	762	–	363	–
Shuiquan Opencast Mine	5,858.21	3,968.69	–	3,289	116	2,143	76	–	3,289	91	2,143	60
Lijiahao Mine	154,550	62,391	5,205	31,995	16,263	18,600	10,437	5,205	31,995	16,263	18,600	10,437
Total	165,506.81	68,787.25	7,443	36,185	16,379	21,172	10,513	7,443	36,046	16,354	21,106	10,497

Notes

1. These information are based on and extracted from the Assets Valuation Report prepared by the Valuer for the Company.

2. These information are based on and extracted from the coal reserves report prepared by John T. Boyd Company for the Company.

(1) Adaohai Mine

Adaohai Mine is located on the southernmost of the central part of Daqingshan Coalfield, Yin Mountains, which is under the jurisdiction of Tumoteyou Qi, Baotou City, Inner Mongolia Autonomous Region. According to the Mining Permit (No. C1500002009051120020302) issued by Department of Land and Resources of Inner Mongolia Autonomous Region and Bureau of Land and Resources of Baotou City, the mining rights to Adaohai Mine which occupies a mining area of 6.7099 sq. km are owned by Baotou Mining. The Mining Permit is valid from 31 May 2009 to 31 May 2011. Adaohai Mine was built in 1958. It primarily produces coking coal which has a low-sulphur, low-phosphorous, medium-ash content, low volatility and exceptionally high calorific value. Adaohai Mine has a current approved production capacity of 900,000 tonnes per year. Adaohai Mine has obtained the Coal Production Permit (No.101502211028) issued by NDRC, which is valid from 10 October 2007 to 31 December 2038. Adaohai Mine has also obtained the Safety Production Permit ((Meng)MK An Xu Zheng Zi [2008] No.BG001) issued by Bureau of Coal Mine Safety Supervision of Inner Mongolia Autonomous Region, which is valid from 26 March 2008 to 26 March 2011. The Company will, after the subject transfer and before expiration of the said Mining Permit and Safety Production Permit, apply for the extension of the Mining Permit and Safety Production Permit of Adaohai Mine. As of the Latest Practicable Date, based on information provided by Baotou Mining and current laws and regulations of the PRC, the Company does not foresee any difficulty in obtaining extension of the Mining Permit and Safety Production Permit of the Adaohai Mine.

Pursuant to the "Certificate of Review and Records on the Reserves of Mineral Resources for the Coal Resources Reserves Verification Report on Adaohai Mine, Adaohai Mining Area, Daqingshan Coalfield, Inner Mongolia Autonomous Region" (Nei Guo Tu Zi Chu Bei Zi [2008] No.107) issued by Department of Land and Resources of Inner Mongolia Autonomous Region and the "Appraisal Report on Mining Rights of Shenhua Group Baotou Mining Co Ltd Adaohai Coal Mine" (CEA Appraisal Report [2010] No.555-01-3) issued by the Valuer, the reserves of retained resources of Adaohai Mine amounted to 54,810,000 tonnes as at 31 December 2006; total reserves of used resources were 3,824,000 tonnes from 2007 to June 2010; as at 30 June 2010, the reserves of retained resources amounted to 50,986,000 tonnes, the recoverable retained reserves amounted to 24,275,600 tonnes while the evaluated exploitable recoverable reserves amounted to 24,275,600 tonnes with an evaluated mine life for utilization agreed by the Company of 19.27 years.

Baotou Mining has paid the consideration for the mining rights of Adaohai Mine, royalties on the mining rights, mineral resources compensation, resources tax and other related taxes and fees in accordance with relevant laws and regulations. The transfer of the mining rights of Adaohai Mine is subject to the approval of Department of Land and Resources of Inner Mongolia Autonomous Region.

(2) Shuiquan Opencast Mine

Shuiquan Opencast Mine is located in the mid-east of the General Exploration Area of Shuiquan, Daqingshan Coalfield, Inner Mongolia Autonomous Region, which is under the jurisdiction of Tumoteyou Qi, Baotou City, Inner Mongolia Autonomous Region. According to the Mining Permit (No.C1500002009061120020893) issued by Department of Land and Resources of Inner Mongolia Autonomous Region and Bureau of Land and Resources of Baotou City, the mining rights to Shuiquan Opencast Mine which occupies a mining area of 8.8033 sq. km are owned by Baotou Mining. The Mining Permit is valid from 3 June 2009 to 3 June 2019. Shuiquan Opencast Mine was built and put into production in 2008. It primarily produces weak caking coal which has a low-sulphur, low-phosphorous, medium-ash content, and medium to high calorific value. Shuiquan Opencast Mine has a current approved production capacity of 1,200,000 tonnes per year. Shuiquan Opencast Mine has obtained the Coal Production Permit issued by Bureau of Coal Industry of Inner Mongolia Autonomous Region (No.201502010340), which is valid from 4 September 2008 to 4 November 2029. Shuiquan Opencast Mine has also obtained the Safety Production Permit ((Meng)MK An Xu Zheng Zi [2008] No.BG002) issued by Bureau of Coal Mine Safety Supervision of Inner Mongolia Autonomous Region, which is valid from 22 August 2008 to 22 August 2011. The Company will, after the subject transfer and before expiration of the said Safety Production Permit, apply for the extension of the Safety Production Permit of Shuiquan Opencast Mine. As of the Latest Practicable Date, based on information provided by Baotou Mining and current rules and regulations of the PRC, the Company does not foresee any difficulty in obtaining extension of the Safety Production Permit of the Shuiquan Opencast Mine.

According to the "Certificate of Review and Records on the Reserves of Mineral Resources for the Coal Exploration Report on Shuiquan Heituba Opencast Area, Daqingshan Coalfield, Inner Mongolia Autonomous Region" (Nei Guo Tu Zi Chu Bei Zi [2006] No.224) issued by Department of Land and Resources of Inner Mongolia Autonomous Region and the "Appraisal Report on Mining Rights of Shenhua Group Baotou Mining Co Ltd Shuiquan Opencast Coal Mine" (CEA Appraisal Report [2010] No.555-01-2) issued by the Valuer, the reserves of retained resources of Shuiquan Opencast Mine amounted to 63,580,000 tonnes as at 30 June 2006; total reserves of used resources were 4,997,900 tonnes from July 2006 to June 2010; as at 30 June 2010, the reserves of retained resources amounted to 58,582,100 tonnes, the recoverable retained reserves amounted to 39,686,900 tonnes while the evaluated exploitable recoverable reserves amounted to 22,546,900 tonnes with an evaluated mine life for utilization agreed by the Company of 17.08 years.

Baotou Mining has paid the consideration for the mining rights of Shuiquan Opencast Mine, royalties on the mining rights, mineral resources compensation, resources tax and other related taxes and fees in accordance with relevant laws and regulations. The transfer of the mining rights of Shuiquan Opencast Mine is subject to the approval of Department of Land and Resources of Inner Mongolia Autonomous Region.

(3) Lijiahao Mine

Lijiahao Mine is located in Dongsheng District, Erduosi City, Inner Mongolia Autonomous Region, which is under the jurisdiction of Tongjiang Town, Dongsheng District. According to the Mining Permit (No. C1000002010021110056343) issued by MLR, the mining rights to Lijiahao Mine which occupies a mining area of 67.5453 sq. km are owned by Baotou Mining. The Mining Permit is valid from 9 February 2010 to 9 February 2040. Lijiahao Mine is still under construction and scheduled to be put into operation by March 2011. It primarily produces non-caking coal, and long-flame coal with medium water content, low sulphur content, particularly low phosphorous content, particularly low to low ash content and high calorific value. The construction project of Lijiahao Mine involves initial planned investment of approximately RMB2,820,000,000 with a designed production capacity of 6,000,000 tonnes per year. The project has obtained the "Reply on the Approval of Lijiahao Mine Project of Wanli Mines in Inner Mongolia Autonomous Region" (Fa Gai Neng Yuan [2008] No.2890) issued by NDRC and the "Reply on the Environmental Impact Report on Lijiahao Mine Construction Project of Shenhua Group Baotou Mining Co Ltd" (Huan Shen [2006] No.294) issued by the former State Environmental Protection Administration.

Pursuant to the "Certificate of Review and Records on the Reserves of Mineral Resources for the Coal Exploration Report on Lijiahao Mine, Dongsheng Coalfield, Inner Mongolia Autonomous Region" (Guo Tu Zi Chu Bei Zi [2007] No.024) issued by MLR and the "Appraisal Report on Mining Rights of Shenhua Group Baotou Mining Co Ltd Lijiahao Coal Mine" (CEA Appraisal Report [2010] No.555-01-1) issued by the Valuer, the reserves of retained resources of Lijiahao Mine as at 31 December 2005 amounted to 1,545,500,000 tonnes and no resources reserves were used from January 2006 to June 2010. The reserves of retained resources as at 30 June 2010 amounted to 1,545,500,000 tonnes and the recoverable retained reserves amounted to 623,910,000 tonnes while the evaluated exploitable recoverable reserves amounted to 192,400,000 tonnes with an evaluated mine life for utilization agreed by the Company of 22.90 years.

The exploration rights to Lijiahao Mine are owned by Shenhua Group. Shenhua Group has paid the consideration and relevant fees for exploration rights of Lijiahao Mine in compliance with the relevant laws and regulations. In processing the application for mining rights to Lijiahao Mine, Shenhua Group had applied to MLR for the change of registration and issuance of a new permit in the name of Baotou Mining and obtained the "Reply on the Application for the Change of the Registered Owner of Mining Rights of Lijiahao Mine" (Guo Tu Zi Kuang Han [2008] No.73) from MLR. As the consideration for the mining rights of Lijiahao Mine has been settled when obtaining the exploration rights, Baotou Mining is not required to pay any consideration for obtaining the mining rights of Lijiahao Mine. The transfer of the mining rights of Lijiahao Mine is subject to the approval from MLR.

Consideration

The aggregate consideration for the acquisition of the Assets is RMB3,069,399,800 which will be paid in cash by the Company. Since the Assets are PRC state-owned assets, such consideration is subject to the final agreement and record of the Assets Valuation Report by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No.11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As of the Latest Practicable Date, no decision on consideration adjustment has been made by Shenhua Group Co In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

The consideration was determined by the parties following arm's length negotiations by reference to, inter alia, the appraised value of the Assets of RMB3,069,399,800 as at the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC, based on both asset-based approach and discounted cash flow approach and discounted cash flow approach was used only for the appraisal of the Adaohai Mine, Shuiquan Opencast Mine and Lijiahao Mine.

Given the appraisal of the Adaohai Mine, Shuiquan Opencast Mine and Lijiahao Mine involve the use of discounted cash flow approach, such valuation is regarded as a profit forecast ("Assets Profit Forecast") under Rule 14.61 of the Hong Kong Listing Rules and the Company has fully complied with Rule 14.62 of the Hong Kong Listing Rules. The principal assumptions of the Assets Profit Forecast are set out in Appendix VI. The auditors of the Company, KPMG, have confirmed that they have reviewed the calculations for the forecast contained in the Assets Valuation Report. A report from KPMG related to such forecast is contained in Appendix VII. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry and a report from the Joint Financial Advisers related to such forecast is contained in Appendix VIII. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Valuer is a third party independent of the Group and its connected persons.

The following financial information is extracted from the financial statements of the Assets of Baotou Mining prepared for this acquisition:

	31 December 2009	**30 June 2010**	**30 September 2010**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*
	(Audited)	(Audited)	(Audited)
Total assets	1,977,186	2,924,321	3,022,781
Total liabilities	1,322,297	1,911,192	1,967,630
Net assets	654,889	1,013,129	1,055,152

	Year ended 31 December 2008	**Year ended 31 December 2009**	**Six months period ended 30 June 2010**	**Nine months ended 30 September 2010**
	(RMB'000)	*(RMB'000)*	*(RMB'000)*	*(RMB'000)*
	(Unaudited)	(Audited)	(Audited)	(Audited)
Net profit (before taxation and extraordinary items)	68,832	35,795	58,165	104,321
Net profit (after taxation and extraordinary items)	76,094	22,792	43,403	77,154

Of the Assets, the mining rights of Adaohai Mine, Shuiquan Opencast Mine and Lijiahao Mine were acquired by Baotou Mining. The original acquisition costs, being the costs paid to the relevant PRC governmental authorities by Baotou Mining and/or the Shenhua Group for the aforesaid mining rights, are RMB142,183,900, RMB57,759,600 and RMB309,860,300 respectively.

To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of the Assets as at 31 October 2010. The valuation report prepared by the Property Valuer is included in Appendix I of this circular.

Conditions precedent

The Assets Purchase Agreement is conditional and shall take effect upon the following:

(1) the Assets Purchase Agreement having been duly sealed and executed by the legal representatives or authorised persons of the parties;

(2) all necessary consents or approvals in relation to the Assets Purchase Agreement and the transfer of Assets therein having been obtained, including:

(a) the obtaining of approval from Shenhua Group Co in relation to the transfer of Assets pursuant to the Assets Purchase Agreement;

(b) the agreement and record of the Assets Valuation Report by Shenhua Group Co;

(c) the obtaining of approval from the board of directors, or if required the shareholders in general meeting, of the vendor Baotou Mining;

(d) the obtaining of approval from the board of directors of the Company; and

(e) the compliance by the Company of announcement and other applicable requirements of the listing rules of the jurisdictions where the Company's shares are listed in relation to the subject transaction and the obtaining of approval from the Independent Shareholders on the subject transaction in a general meeting of the Company.

The parties agreed to procure that the above conditions precedent be fulfilled as soon as practicable.

Connected Transaction and Hong Kong Listing Rules Implications

Shenhua Group Co is a controlling shareholder and the sole promoter of the Company and is therefore a connected person of the Company under the Hong Kong Listing Rules. Baotou Mining is a subsidiary of Shenhua Group Co and is therefore also a connected person of the Company under the Hong Kong Listing Rules.

Therefore, the Assets Purchase Agreement and the transactions contemplated thereunder constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

Since the applicable percentage ratios of the transactions contemplated under the Equity Purchase Agreements and the Assets Purchase Agreement (on an aggregated basis) exceed 5% but are less than 25%, these transactions constitute a discloseable transaction for the purposes of, and are subject to the reporting and announcement requirements under, Chapter 14 of the Hong Kong Listing Rules.

Since the applicable percentage ratios of the transactions contemplated under the Equity Purchase Agreements and the Assets Purchase Agreement (on an aggregated basis) exceed 5%, these transactions are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction entered into between the Group and the Shenhua Group within a 12-month period from the date of this circular or otherwise related, which would, together with transactions under the Equity Purchase Agreements and the Assets Purchase Agreement, be regarded as a series of transactions and treated as if they are one transaction under Rule 14A.25 of the Hong Kong Listing Rules.

General

The Directors consider that the terms of the Assets Purchase Agreement are on normal commercial terms, fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

The Board has resolved and approved the Assets Purchase Agreement and the transactions contemplated thereunder on 20 December 2010. Of the Directors attending the board meeting, the Abstained Directors were considered to have material interests in the transactions contemplated under the Assets Purchase Agreement by virtue of being employed by Shenhua Group Co, and had thus abstained from voting on the board resolution(s) in respect of the foregoing transactions.

Information Relating to the Parties

The Group

The Group operates an integrated coal-based energy business in the PRC, including coal production, transportation and sales as well as power generation. The Group also purchases thermal coal and purchases coal from third parties for coal blending and resale.

Baotou Mining

Baotou Mining is a limited liability company incorporated under the laws of the PRC and is a subsidiary of Shenhua Group Co. Baotou Mining is principally engaged in the business of the mining, selection, gasification and coking of coal; the storage and transportation and sales of coal products.

REASONS FOR ENTERING INTO THE EQUITY PURCHASE AGREEMENTS AND THE ASSETS PURCHASE AGREEMENT AND THEIR BENEFITS TO THE COMPANY

(1) Expanding coal resource reserves, lifting the Company's operational scale and building up the strength and capacity in coal business

The Company will be able to obtain the coal resources of Adaohai Mine, Shuiquan Opencast Mine and Lijiahao Mine through this acquisition; the coal resources of Chaijiagou Mine by holding 95% interest of Chaijiagou Mining; and the coal resources of Baoyan Mine, Opencast Mine, Opencast Mine Continuation Area and Mine 3 Continuation Area by holding 56.61% interest of Shenbao Company. The move is in line with the Company's business strategy of maintaining and expanding massive reserves of quality coal resources through selective acquisitions of commercially attractive assets and coal resources, so as to sustain the continued long-term growth of its coal business. Upon the completion of this acquisition and as of 30 June 2010, the recoverable coal reserves under the PRC standard will increase by 20.98% from 11.573 billion tonnes to 14.001 billion tonnes; the marketable reserve (being the aggregated amount of marketable proved reserve and marketable probable reserve) under JORC standard will increase by 23.72% from 7.394 billion tonnes to 9.148 billion tonnes.

By capitalizing on the synergy in coal production of the Company, Adaohai Mine, Shuiquan Opencast Mine, Chaijiagou Mine, Lijiahao Mine, Opencast Mine, Opencast Mine Continuation Area, Baoyan Mine and Mine 3 Continuation Area under this acquisition will be able to lift their operational efficiency, reduce their operational cost, and further expand the Company's coal output and increase the Company's sales revenue. Furthermore, through this acquisition, the Company will expand its business into the regions where the above-mentioned coal mines are situated, which is conducive for the Company to continue obtaining and consolidating coal resources in such regions and create the greatest values for the shareholders of the Company.

(2) Continue to fully leverage on the integrated strengths of coal and power businesses, synergy effects between companies and optimize resource allocation

Upon two sets of 600,000 KW domestic supercritical coalfired air-cooling generating units for Phase I of Hudian Company and the project on quality advancement of lignite of Clean Coal Company are put into operation, the synergy effects in the coal and power business among Shenbao Company, Hudian Company and Clean Coal Company will be fully leveraged. Coal resources required by Clean Coal Company will be entirely provided by Shenbao Company while Hudian Company's two power plants for the Phase I with a capacity of 600,000 KW are proximate to the mouth of Opencast Mine of Shenbao Company. Coal required for power generation by such power plants will be entirely derived from the lignite produced by Shenbao Company, which will be directly transported into the mine-mouth power plants through conveyor belts. On the one hand, this approach could firmly secure the coal resources required by Clean Coal Company and Hudian Company, reduce the investments into, and expenditure on, the construction of coal mines, shorten the transportation distance, conserve transportation resources and enjoy a competitive edge in terms of the prices for coal procurement. On the other hand, the approach could also boost the development of lignite business for Shenbao Company, secure its long-term clients, reduce external sales pressure, enhance the quality of lignite, expand the applications of lignite, and promote the upgrading of coal business.

The mode of synergistic operation between Shenbao Company and Hudian Company is in line with the Company's business model to integrate coal and power business. Meanwhile, the cooperation among Shenbao Company, Hudian Company and Clean Coal Company will fully leverage on the synergy effects in the resources and lower the administrative cost of the parties, and will also generate additional revenue for the Company upon the completion of this acquisition and the commencement of operations of related projects.

(3) Reduce and avoid potential competitions between the Company and Shenhua Group Co, our controlling shareholder, vividly demonstrating the full support of Shenhua Group Co to the development of the Company

Through the acquisition of equity interest and assets of thermal coal enterprises and equity interest of electricity enterprises under Shenhua Group Co, potential competitions between operating coal mines and the Company's coal business, as well as the potential competitions between coal mines under constructions, coal mines intended to be constructed and power plant projects upon the commencement of operations and the Company's coal and power businesses in the future could be reduced.

Shenhua Group Co, our controlling shareholder adopted the "Step-by-step injection of mature assets" approach and progressively completed the listing of all the assets under coal and power business when the Company conducted the initial public offering. Besides, the options and the rights of first refusal in the enterprises under Shenhua Group and related competing business were also vested in the Company. Shenhua Group Co has been proactively conducting the reorganisation and consolidation of the reserved coal and power business so as to pave the way for the injection into the Company. The injection of the equity interest and assets of the companies providing coal, power and related businesses which have completed the reorganisation and consolidation with appropriate ownership, at assessed values by Shenhua Group Co is a significant milestone for Shenhua Group to realize the listing undertaking and vividly demonstrates the full support of Shenhua Group Co to the long-term stable development of the Company.

ENTERING INTO FINANCIAL SERVICES AGREEMENT

The Company has on 20 December 2010 entered into the Finance Company Equity Purchase Agreement with Shenhua Group Co, Guohua Energy and Shenhua CTL pursuant to which the Company has agreed to acquire the Finance Company Equity Interest. After completion of the Finance Company Equity Interest acquisition pursuant to the Finance Company Equity Purchase Agreement, Finance Company will become a subsidiary of the Company.

With a view to regulating transactions between Finance Company, the Group and the Shenhua Group and associates of Shenhua Group Co, and as disclosed in the announcement dated 20 December 2010 of the Company, the Company has on 20 December 2010 entered into the Financial Services Agreement with Shenhua Group Co. Pursuant to the Financial Services Agreement, (1) the Company has conditionally agreed to provide, through Finance Company, financial services to the Shenhua Group and associates of Shenhua Group Co, (2) the Shenhua Group has conditionally agreed to provide, at the request of the Group and through Finance Company, entrustment loans to the Group.

The major terms of the Financial Services Agreement are as follows:

Date

20 December 2010

Parties

The Company and Shenhua Group Co

Conditions Precedent

The Financial Services Agreement shall be conditional and take effect upon (1) completion of the Finance Company Equity Interest acquisition by the Company pursuant to the Finance Company Equity Purchase Agreement, and (2) full compliance by the Company with all announcement and/or (where applicable) independent shareholders approval requirements under the Hong Kong Listing Rules.

The term of the Financial Services Agreement shall commence from 1 January 2011 until 31 December 2013;

Financial Services

Pursuant to the Financial Services Agreement, the services to be provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co shall be as follows:-

(1) providing financial consultation, credit appraisal and other relevant advice and agency services to Shenhua Group and associates of Shenhua Group Co;

(2) providing assistance in receiving transaction proceeds to Shenhua Group and associates of Shenhua Group Co;

(3) providing guarantee to or for the benefit of Shenhua Group and associates of Shenhua Group Co;

(4) providing entrustment investments between members of the Shenhua Group and associates of Shenhua Group Co;

(5) providing bill acceptance and discount services to Shenhua Group and associates of Shenhua Group Co;

(6) providing internal settlement and settlement planning services between members of the Shenhua Group and associates of Shenhua Group Co;

(7) accepting deposits from the Shenhua Group and associates of Shenhua Group Co;

(8) providing loans, consumer credit facilities, buyer's credit and finance leasing to Shenhua Group and associates of Shenhua Group Co;

(9) providing entrustment loan services between members of the Shenhua Group and associates of Shenhua Group Co; and

(10) underwriting corporate bonds for Shenhua Group and associates of Shenhua Group Co.

Pursuant to the Financial Services Agreement, the Shenhua Group may, at the request of the Group, provide entrustment loans through Finance Company to the Group on the conditions that any such entrustment loans must be granted on normal commercial terms and with no security being given on assets of the Group.

Other Major Terms

- Subject to compliance with the terms and conditions of the Financial Services Agreement, Finance Company shall be appointed as one of the financial institutions to provide financial services to the Shenhua Group and associates of Shenhua Group Co. Shenhua Group and associates of Shenhua Group Co may obtain financial services from other financial institutions in addition to or instead of Finance Company, as it sees fit;

- the interest rate for deposits with Finance Company shall not be lower than the lowest rate allowed by the PBOC for the same type of deposit and, subject to the above, the interest rate payable shall be determined by reference to the rate payable by normal commercial banks in the PRC for comparable deposits and shall be determined on normal commercial terms;

- the interest rate for loans provided by Finance Company shall not be higher than the highest rate allowed by the PBOC for the same type of loan (as of the Latest Practicable Date, the highest interest rate allowed by PBOC is 5.85% per annum) and, subject to the above, the interest rate charged on the loans to the Shenhua Group and associates of Shenhua Group Co shall be determined by reference the rate charged by normal commercial banks in the PRC for comparable loans and shall be determined on normal commercial terms; and

- the fees charged by Finance Company for the provision of other financial services shall be fixed according to the rate of fees fixed by the PBOC or the CBRC and, subject to the above principle, the fees chargeable shall be determined by reference to the rate charged by normal commercial banks in the PRC for the same type of financial services and shall be determined on normal commercial terms. As of the Latest Practicable Date, the highest fee charged by Finance Company for provision of guarantee by Finance Company to or for the benefit of the Shenhua Group and associates of Shenhua Group Co is 1% of the amount of guarantee provided. Further, bill acceptance services provided by Finance Company involves accepting bills at a discount without subsequent recourse after acceptance.

Implementation Agreements

Members of the Shenhua Group and associates of Shenhua Group Co may, from time to time and as necessary, enter into separate implementation agreements for each specific transaction contemplated under the Financial Services Agreement with Finance Company and/or the Group. Each implementation agreement will set out the specifications for the transaction. The implementation agreements provide for the services and transactions as contemplated by the Financial Services Agreement, and as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Financial Services Agreement and the annual caps.

Past Transactions

Information on past financial services provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co for the two years ended 31 December 2008 and 31 December 2009 and for the period from 1 January 2010 to 30 September 2010 are set out as follows:–

	Year ended 31 December 2008 *(RMB million)*	**Year ended 31 December 2009** *(RMB million)*	**Period from 1 January 2010 to 30 September 2010** *(RMB million)*
Amount of guarantee provided by Finance Company to or for the benefit of the Shenhua Group and associates of Shenhua Group Co	nil	nil	nil
Amount of bill acceptance and discount services provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co	nil	nil	nil
Maximum daily balance (including interests accrued thereon) of deposits placed by the Shenhua Group and associates of Shenhua Group Co with Finance Company	Approximately 20,551.54	Approximately 22,763.05	Approximately 23,640.81
Maximum balance of loans, consumer credit facilities, buyer's credit and finance leasing (including interests accrued thereon) provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co at any one point of time	Approximately 4,157.70	Approximately 4,196.61	Approximately 5,830.00
Maximum balance of entrustment loan (including interests accrued thereon) between members of the Shenhua Group and associates of Shenhua Group Co handled by Finance Company at any one point of time	Approximately 6,921.44	Approximately 34,417.00	Approximately 45,940.81

Proposed Caps

Based on (i) historical transaction amounts of financial services provided by the Finance Company, and (ii) future business development plans of Finance Company, the Company proposes that the caps for the three years ending on 31 December 2011, 31 December 2012 and 31 December 2013, respectively, be set as follows:

	Year ending 31 December 2011 *(RMB million)*	**Year ending 31 December 2012** *(RMB million)*	**Year ending 31 December 2013** *(RMB million)*
Annual cap on amount of guarantee provided by Finance Company to or for the benefit of the Shenhua Group and associates of Shenhua Group Co	2,500	2,500	2,500
Annual cap on amount of bill acceptance and discount services provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co	9,000	12,000	15,000
Maximum daily balance (including interests accrued thereon) of deposits placed by the Shenhua Group and associates of Shenhua Group Co with Finance Company	35,000	40,000	45,000
Cap on balance of loans, consumer credit facilities, buyer's credit and finance leasing (including interests accrued thereon) provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co at any one point of time	24,000	28,000	28,000
Cap on balance of entrustment loan (including interests accrued thereon) between members of the Shenhua Group and associates of Shenhua Group Co handled by Finance Company at any one point of time	80,000	100,000	100,000

In respect of the Shenhua Group providing, through Finance Company, entrustment loans to the Group on normal commercial terms, it would amount to a provision of financial assistance by a connected person for the benefit of the Group and would therefore be exempt under Rule 14A.65(4) of the Hong Kong Listing Rules from all reporting, announcement and independent shareholders' approval requirements since no security over the assets of the Group will be granted in respect of the loans. Nevertheless, the Company is required to propose and set annual caps on interest payable by the Group to the Shenhua Group in respect of such entrustment loans pursuant to the listing rules of the Shanghai Stock Exchange and the Company proposes that the caps for the three years ending on 31 December 2011, 31 December 2012 and 31 December 2013, respectively, be set as follows:

	Year ending 31 December 2011 *(RMB million)*	**Year ending 31 December 2012** *(RMB million)*	**Year ending 31 December 2013** *(RMB million)*
Annual cap on amount of interest payable by the Group to the Shenhua Group in respect of entrustment loans advanced by the Shenhua Group to the Group through Finance Company	70	70	70

General

The Directors, including the independent non-executive directors, believe that the transactions under the Financial Services Agreement will be conducted on normal commercial terms, or on terms no less favorable than those available to independent third parties under prevailing local market conditions, are in the interests of the Shareholders as a whole and the terms of the Financial Services Agreement and the proposed caps thereof are fair and reasonable.

The Board has resolved and approved the Financial Services Agreement and the transactions contemplated thereunder on 20 December 2010. Of the Directors attending the board meeting, the Abstained Directors were considered to have material interests in the transactions contemplated under the Financial Services Agreement by virtue of being employed by Shenhua Group Co, and had thus abstained from voting on the board resolution(s) in respect of the foregoing transactions.

Reasons for and Benefits of Entering into the Financial Services Agreement

Finance Company provides financial services to the Shenhua Group and associates of Shenhua Group co on normal commercial terms and receives payment and generates revenue in return. Therefore, the Financial Services Agreement is in line with the business of the Group and the interest of the Group.

Hong Kong Listing Rules Implications

Shenhua Group Co is the controlling shareholder of the Company and is a connected person of the Company. Therefore, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed caps for the provision of guarantee, provision of bill acceptance and discount services, acceptance of deposits, provision of loans, consumer credit facilities, buyer's credit and finance leasing and provision of entrustment loan services under the Financial Services Agreement, the relevant percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) exceed 5%. Therefore, the Financial Services Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In relation to the provision of other financial services (other than the provision of guarantee, provision of bill acceptance and discount services, acceptance of deposits, provision of loans, consumer credit facilities, buyer's credit and finance leasing and provision of entrustment loan services) by Finance Company to the Shenhua Group and associates of Shenhua Group Co under the Financial Services Agreement, it is expected that, based on current information and plan of the Company, the transaction amount involved will be relatively low and the percentage ratios associated thereof will be below the 0.1% de minimis threshold set out in Rule 14A.33 of the Hong Kong Listing Rules. As such, no cap has been proposed or set for such other financial services.

In respect of the Shenhua Group providing, through Finance Company, entrustment loans to the Group on normal commercial terms, it would amount to a provision of financial assistance by a connected person for the benefit of the Group and would therefore be exempt under Rule 14A.65(4) of the Hong Kong Listing Rules from all reporting, announcement and independent shareholders' approval requirements since no security over the assets of the Group will be granted in respect of the loans.

In respect of the provision of guarantee and provision of loans, consumer credit facilities, buyers' credit and finance leasing by Finance Company to and/or for the benefit of the Shenhua Group and associates of Shenhua Group Co, these services constitute financial assistance under Chapter 14 of the Hong Kong Listing Rules. Given the relevant percentage ratios exceed 5% but are less than 25%, such services constitute discloseable transaction and are subject to announcement requirement pursuant to Chapter 14 of the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction entered into between the Group and the Shenhua Group within a 12-month period from the date of this circular or otherwise related, which would, together with transactions under the Financial Services Agreement, be regarded as a series of transactions and treated as if they are one transaction under Rule 14A.25 of the Hong Kong Listing Rules.

Information Relating to the Parties

The Group

The Group operates an integrated coal-based energy business in the PRC, including coal production, transportation and sales as well as power generation. The Group also purchases thermal coal and purchases coal from third parties for coal blending and resale.

Shenhua Group

Shenhua Group Co is a controlling shareholder and the sole promoter of the Company. Shenhua Group Co and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND AMENDMENTS TO THE RULES OF PROCEDURE OF GENERAL MEETING

The Company proposes to make certain amendments to the Articles of Association and the Rules of Procedure of General Meeting, which are consistent with and necessary for the business development of the Company and are in the best interests of the Company and the Shareholders as a whole.

Pursuant to the requirement under Rule 2.07A of the Hong Kong Listing Rules, corporate communications may be made available to H shareholders by the Company by means of publication on the Company's website, subject to the provisions set out in the rule. In order to reduce operating costs, promote effective communications between the Company and the Shareholders in an environmental friendly manner and to standardise the means of corporate communications, the Company proposes that the Articles of Association and the Rules of Procedure of General Meeting be amended as follows.

Proposed Amendments to the Articles of Association

1. **The Company proposes that Article 72 of the Articles of Association be amended as follows:**

   The current Article 72 is as follows:

   "When the company convenes a general meeting of shareholders, written notices of the meeting shall be provided no less than forty-five days prior to the date of the meeting (excluding the date of the meeting) notifying all registered shareholders matters to be considered at the meeting, and the date and venue of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning his attendance to the company no less than twenty days prior to the date of the meeting.

A general meeting of shareholders of the company may be convened at the registered office of the company, the place where the company's shares are listed or any other place which the company considers appropriate."

The Company proposes that the current Article 72 be deleted in its entirety and be replaced by the following:

"When the company convenes a general meeting of shareholders, written notices of the meeting shall be provided no less than forty-five days prior to the date of the meeting (excluding the date of the meeting) notifying all registered shareholders matters to be considered at the meeting, and the date and venue of the meeting. A shareholder who intends to attend the meeting shall deliver his written reply concerning his attendance to the company no less than twenty days prior to the date of the meeting.

A general meeting of shareholders of the company may be convened at the registered office of the company, the place where the company's shares are listed or any other place which the company considers appropriate.

For holders of overseas listed foreign shares, the notice of general meeting may also be despatched or served by other means as stipulated in Article 234 of the Articles of Association subject to the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed."

2. The Company proposes that Article 76 of the Articles of Association be amended as follows:

The current Article 76 is as follows:

"Notice of a general meeting shall satisfy the following criterion:

(1) be in the form of writing;

(2) with designated address, duration, date and time of the meeting;

(3) specify the matters to be considered at the meeting;

(4) provide shareholders with such information and explanation required for them to make sensible decisions on the matters to be considered. These principles include (but not limited to) the provision of the specific conditions and contracts of the contemplated transactions (if any) in the event of a proposed merger, repurchase of shares, reorganisation of share capital or other restructuring by the company, and give due accounts of the cause and effect of such proposal;

(5) disclose the nature and extent of the material interests of any director, supervisor, president and other senior management members in the matters to be considered; in case that the impact of the matters to be considered on such director, supervisor, president and other senior management members in their capacity as shareholders is different from that on other shareholders of the same class, such difference shall be specified;

(6) set out the full text of any special resolution to be proposed at the meeting for approval;

(7) contain a clear statement specifying that all shareholders are entitled to attend the general meeting of shareholders, that a shareholder eligible for attending and voting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf, and that such proxy does not need to be a member of the company;

(8) specify the time and venue for lodging a proxy form for the meeting;

(9) specify the record date for shareholders who are entitled to attend the general meeting;

(10) specify the name and telephone number of the contact person for the meeting."

The Company proposes that the current Article 76 be deleted in its entirety and be replaced by the following:

"Notice of a general meeting shall satisfy the following criterion:

(1) be in the form of writing;

(2) with designated address, duration, date and time of the meeting;

(3) specify the matters to be considered at the meeting;

(4) provide shareholders with such information and explanation required for them to make sensible decisions on the matters to be considered. These principles include (but not limited to) the provision of the specific conditions and contracts of the contemplated transactions (if any) in the event of a proposed merger, repurchase of shares, reorganisation of share capital or other restructuring by the company, and give due accounts of the cause and effect of such proposal;

(5) disclose the nature and extent of the material interests of any director, supervisor, president and other senior management members in the matters to be considered; in case that the impact of the matters to be considered on such director, supervisor, president and other senior management members in their capacity as shareholders is different from that on other shareholders of the same class, such difference shall be specified;

(6) set out the full text of any special resolution to be proposed at the meeting for approval;

(7) contain a clear statement specifying that all shareholders are entitled to attend the general meeting of shareholders, that a shareholder eligible for attending and voting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf, and that such proxy does not need to be a member of the company;

(8) specify the time and venue for lodging a proxy form for the meeting;

(9) specify the record date for shareholders who are entitled to attend the general meeting;

(10) specify the name and telephone number of the contact person for the meeting."

For holders of overseas listed foreign shares, the notice of general meeting may also be despatched or served by other means as stipulated in Article 234 of the Articles of Association subject to the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed."

3. The Company proposes that Article 77 of the Articles of Association be amended as follows:

The current Article 77 is as follows:

"Notice of a general meeting shall be served to the shareholders (whether or not entitled to vote at the meeting) by hand or prepaid mail to the registered address of such shareholders as appeared in the register of members. For holders of domestic shares, notice of a general meeting may also be made by way of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more nationwide newspapers designated by the securities regulatory authority under the State Council within the interval between 45 days and 50 days prior to the date of the meeting; upon the publication of such announcement, all holders of domestic shares shall be deemed to have received the notice of the relevant general meeting."

The Company proposes that the current Article 77 be deleted in its entirety and be replaced by the following:

"Notice of a general meeting shall be served to the shareholders (whether or not entitled to vote at the meeting) by hand or prepaid mail to the registered address of such shareholders as appeared in the register of members. For holders of domestic shares, notice of a general meeting may also be made by way of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more nationwide newspapers designated by the securities regulatory authority under the State Council within the interval between 45 days and 50 days prior to the date of the meeting; upon the publication of such announcement, all holders of domestic shares shall be deemed to have received the notice of the relevant general meeting.

For holders of overseas listed foreign shares, the notice of general meeting may also be despatched or served by other means as stipulated in Article 234 of the Articles of Association subject to the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed."

4. The Company proposes that Article 187 of the Articles of Association be amended as follows:

The current Article 187 is as follows:

"The company's financial reports shall be made available for shareholders' inspection at the company twenty days before the date of an annual general meeting. Each shareholder of the company shall be entitled to obtain the financial reports referred to herein.

Printed copies of reports of the board of directors, together with balance sheets (including all the documents required to be attached by laws and regulations) and income statements or summary of financials, shall be served to all holders of overseas listed foreign shares by prepaid mail 21 days prior to the date of convening the general meeting to the registered addresses of such shareholders as appeared in the register of members."

The Company proposes that the current Article 187 be deleted in its entirety and be replaced by the following:

"The company's financial reports shall be made available for shareholders' inspection at the company twenty days before the date of an annual general meeting. Each shareholder of the company shall be entitled to obtain the financial reports referred to herein.

Printed copies of reports of the board of directors, together with balance sheets (including all the documents required to be attached by laws and regulations) and income statements or summary of financials, shall be served to all holders of overseas listed foreign shares by prepaid mail 21 days prior to the date of convening the general meeting to the registered addresses of such shareholders as appeared in the register of members."

For holders of overseas listed foreign shares, the company may despatch or serve the aforementioned materials concerning a general meeting by other means as stipulated in Article 234 of the Articles of Association subject to the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed."

5. The Company proposes that Article 209 of the Articles of Association be amended as follows:

The current Article 209 is as follows:

"Prior to the removal or the non-renewal of the appointment of the accountant, notice of such removal or non-renewal shall be given 30 days in advance to the accountant who shall be entitled to make representation at the general meeting. If the accountant considers that the reasons given by the company for its removal or non-renewal of the appointment are inappropriate, it may lodge an appeal with the securities regulatory authority under the State Council and the Chinese Institute of Certified Public Accountants. Where the accountant resigns, it shall state at the general meeting of shareholders whether or not there are any irregularities in the company.

The accountant may tender resignation by delivering a written notice concerning its resignation to the company's registered address. The notice shall become effective on the date of such delivery or on such later date as stipulated in the notice. The notice shall include the following statements:

1. a statement to the effect that there are no circumstances relating to its resignation which it considers should be brought to the attention of the shareholders or creditors of the company; or

2. a statement of any such circumstances which should be brought to attention.

The company shall, within fourteen days after the receipt of the written notice as mentioned in the preceding paragraph, serve a copy of the notice on the relevant competent authorities. If the notice contains the statement as mentioned in sub-clause 2 of the preceding paragraph, a copy of such statement shall be placed at the domicile of the company for shareholders' inspection. The company shall also send a copy of such statement by prepaid post to all holders of overseas listed foreign shares at the registered addresses as appeared in the register of members.

When the notice of resignation of the accountant contains a statement of any such circumstances which should be brought to attention, the accountant may require the board of directors to convene an extraordinary general meeting for the purpose of hearing its explanation of the circumstances in connection with its resignation."

The Company proposes that the current Article 209 be deleted in its entirety and be replaced by the following:

"Prior to the removal or the non-renewal of the appointment of the accountant, notice of such removal or non-renewal shall be given 30 days in advance to the accountant, who shall be entitled to make representation at the general meeting. If the accountant considers that the reasons given by the company for its removal or non-renewal of the appointment are inappropriate, it may lodge an appeal with the securities regulatory authority under the State Council and China Registered Accountants Association. Where the accountant resigns, it shall state at the shareholders' meeting whether or not there are any irregularities in the company.

The accountant may tender resignation by delivering a written notice concerning its resignation to the company's registered address. The notice shall become effective on the date of such delivery or on such later date as stipulated in the notice. The notice shall include the following statements:

1. a statement to the effect that there are no circumstances relating to its resignation which it considers should be brought to the attention of the shareholders or creditors of the company; or

2. a statement of any such circumstances which should be brought to attention.

The company shall, within fourteen days after the receipt of the written notice as mentioned in the preceding paragraph, serve a copy of the notice on the relevant competent authorities. If the notice contains the statement as mentioned in sub-clause 2 of the preceding paragraph, a copy of such statement shall be placed at the domicile of the company for shareholders' inspection. The company shall also send a copy of such statement by prepaid post to all holders of overseas listed foreign shares at the registered addresses as appeared in the register of members.

When the notice of resignation of the accountant contains a statement of any such circumstances which should be brought to attention, the accountant may require the board of directors to convene an extraordinary general meeting for the purpose of hearing its explanation of the circumstances in connection with its resignation.

For holders of overseas listed foreign shares, the company may despatch or serve the copies of the aforementioned statements by other means as stipulated in Article 234 of the Articles of Association subject to the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed."

6. The Company proposes that Article 216 of the Articles of Association be amended as follows:

The current Article 216 is as follows:

"In the event of any merger or division of the company, the board of directors shall submit proposals to be approved in accordance with the procedures as stipulated in the Articles of Association, before going through the relevant examination and approval procedures as required by laws. Shareholders who object to the proposal of merger or division are entitled to request the company or shareholders who agree to the proposal to purchase their shares at a fair price. Resolutions on merger or division shall be recorded as a special document for shareholders' inspection.

The aforesaid document shall also be sent by mail to holders of overseas listed foreign shares at their registered addresses as appeared in the register of members."

The Company proposes that the current Article 216 be deleted in its entirety and be replaced by the following:

"In the event of any merger or division of the company, the board of directors shall submit proposals to be approved in accordance with the procedures as stipulated in the Articles of Association, before going through the relevant examination and approval procedures as required by laws. Shareholders who object to the proposal of merger or division are entitled to request the company or shareholders who agree to the proposal to purchase their shares at a fair price. Resolutions on merger or division shall be recorded as a special document for shareholders' inspection.

The aforesaid document shall also be sent by mail to holders of overseas listed foreign shares at their registered addresses as appeared in the register of members. The company may despatch or serve the aforesaid documents by other means as stipulated in Article 234 of the Articles of Association subject to the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed."

7. The Company proposes that Article 234 of the Articles of Association be amended as follows:

The current Article 234 is as follows:

"Unless otherwise specified, any notice or report required or permitted to be issued or delivered by the company in the form of announcement shall be published in at least one nationwide newspaper as designated by the securities regulatory authority under the State Council, and under practicable circumstances such notice shall be published pursuant to the regulatory requirements of the jurisdictions where the company's shares are listed. If the company's shares are also listed in Hong Kong, such notice shall be published in both Chinese and English in one major local English newspaper and one major local Chinese newspaper respectively on the same day as required by local listing rules."

The Company proposes that the current Article 234 be deleted in its entirety and be replaced by the following:

"Subject to the laws and administrative regulations and the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed, corporate communications can be disseminated in the following manner:

(1) delivery in person;

(2) by mail;

(3) by facsimile or email;

(4) by way of publication on the websites designated by the company and any stock exchange;

(5) by way of publication in the form of an announcement in nationwide newspapers as approved by the securities regulatory authority under the State Council or other designated medium;

(6) in a manner permitted by the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed.

Notwithstanding the requirements otherwise provided in the Articles of Association in relation to the form of dissemination or notification of any document, announcement or other corporate communications, the company may, subject to the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed, opt for the form of notification as prescribed in item 4, provision 1 of this article when disseminating corporate communications, in lieu of distributing written documents to each holder of overseas listed foreign shares by delivery in person or by prepaid mail.

"Corporate Communications" means any documents issued or will be issued by the company to holders of any securities of the company for their reference or for their action, including but not limited to:

(1) reports of the board of directors, the company's annual accounts together with the auditor's reports and (if applicable) the company's financial summary;

(2) the company's interim reports and (if applicable) the company's summary of interim reports;

(3) notices of meetings of the company;

(4) listing documents of the company;

(5) the circulars of the company;

(6) proxy forms;

(7) other communications required under the laws and administrative regulations and the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed."

8. The Company proposes that Article 235 and 236 of the Articles of Association be amended as follows:

The current Article 235 is as follows:

"Unless otherwise specified in the Articles of Association, the notice, information or written statement issued by the company to holders of overseas listed foreign shares should be delivered to their registered addresses as appeared in the register of members in person or by mail.

Notice made by the company to holders of its domestic shares shall be published by way of announcement in one or more newspapers designated by the securities regulatory authority under the State Council; upon the publication of such an announcement, all holders of domestic shares shall be deemed to have received the relevant notice."

The current Article 236 is as follows:

"When a notice is delivered by mail, it shall be delivered to the extent that the envelope is properly addressed, the postage is prepaid, and the notice is contained in the envelope. The notice shall be deemed as having been delivered five days upon the posting."

The Company proposes that the current Article 235 and Article 236 be deleted in their entirety and be replaced by the following as the new Article 235:

"If the company delivers the notice by hand, the person on whom the notice is served shall sign (or affix the seal) on the receipt and the date of service shall be the date on which such person is served.

If the notice is given by way of announcement, it shall be deemed as having been delivered on the date of first issue of the announcement.

If the notice is given by electronic means, it shall be deemed as having been delivered on the date of giving the notice.

Without contravening the laws and administrative regulations and the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed, notice made by the company on the website are delivered:

(1) on the date when the notice of the company issued to the intended recipients in compliance with the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed is received; or

(2) on the date of first issue of corporate communications on the website (if the corporate communications are publicized on the website after the delivery of the above notice).

When a notice is delivered by post, it shall be delivered to the extent that the envelope is properly addressed, the postage is prepaid, and the notice is contained in the envelope. The notice shall be deemed as having been delivered on the sixth day since posting the envelope containing the notice in a post office."

9. The Company proposes that if the serial numbering of the chapters and articles of the Articles of Association is changed due to the addition, deletion or re-arrangement of certain articles made in the amendment, the serial numbering of the chapters and articles of the Articles of Association as so amended shall be changed accordingly, including cross-references of the articles in the Articles of Association.

Proposed Amendments to the Rules of Procedure of General Meeting

1. The Company proposes that Rule 23 of the Rules of Procedure of General Meeting be amended as follows:

The current Rule 23 is as follows:

"Notice of the meeting shall be provided by the convener of the meeting no less than forty-five days prior to the date of the general meeting (excluding the date of the meeting) notifying all registered shareholders resolutions to be considered at the meeting, and the date and venue of the meeting. Notice of a general meeting shall be served to the shareholders (whether or not entitled to vote at the meeting) by hand or prepaid mail to the registered address of such shareholders as appeared in the register of members. For holders of domestic shares, notice of a general meeting may also be made by way of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority of the State Council within the interval between 45 days and 50 days prior to the date of the meeting; upon the publication of notice, the holders of domestic shares shall be deemed to have received the notice of the relevant general meeting. In the event that the company fails to give notice of the general meeting as scheduled such that the general meeting fails to convene for any reasons within six months since the end of the preceding accounting year, it shall promptly report the same to the stock exchange(s) on which the company's shares are listed to explain the reasons therefore and make an announcement relating thereto."

The Company proposes that the current Rule 23 be deleted in its entirety and be replaced by the following:

"Notice of the meeting shall be provided by the convener of the meeting no less than forty-five days prior to the date of the general meeting (excluding the date of the meeting) notifying all registered shareholders resolutions to be considered at the meeting, and the date and venue of the meeting. Notice of a general meeting shall be served to the shareholders (whether or not entitled to vote at the meeting) by hand or prepaid mail to the registered address of such shareholders as appeared in the register of members. For holders of domestic shares, notice of a general meeting may also be made by way of public announcement.

The public announcement referred to in the preceding paragraph shall be published in one or more newspapers designated by the securities regulatory authority of the State Council within the interval between 45 days and 50 days prior to the date of the meeting; upon the publication of notice, the holders of domestic shares shall be deemed to have received the notice of the relevant general meeting. In the event that the company fails to give notice of the general meeting as scheduled such that the general meeting fails to convene for any reasons within six months since the end of the preceding accounting year, it shall promptly report the same to the stock exchange(s) on which the company's shares are listed to explain the reasons therefore and make an announcement relating thereto.

Subject to the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed, the company may issue the notice of a general meeting by means of publication of notice on the websites designated by the company and the stock exchange(s) in substitution for serving the written document by hand or prepaid mail to each holder of overseas listed foreign shares."

2. The Company proposes that Rule 25 of the Rules of Procedure of General Meeting be amended as follows:

The current Rule 25 is as follows:

"Notice of a general meeting shall satisfy the following criterion:

(1) be in the form of writing;

(2) with designated address, duration, date and time of the meeting;

(3) specify the matters to be discussed at the meeting; and fully disclose the contents of the motions. If any alterations to the matters involved in the resolutions of the previous general meeting is required, all the details of the motion shall be covered instead of merely highlighting those to be altered. Matters set out as "Miscellaneous" without concrete details shall not be deemed as a motion and the same shall not be voted at a general meeting;

(4) provide shareholders with such information and explanation required for them to make sensible decisions on the matters to be considered. This principle includes (but not limited to) the provision of the specific conditions and contracts (if any) of the contemplated transactions in the event of a proposed merger, repurchase of shares, reorganisation of share capital or other restructuring by the company, and give due accounts of the cause and effect of such proposal;

(5) disclose the nature and extent of the material interests of any director, supervisor, president, vice president, chief financial officer and secretary to the board in the matters to be considered; in case that the impact of the matters to be considered on such director, supervisor, president, vice president, chief financial officer and secretary to the board in their capacity as shareholders is different from that on other shareholders of the same class, such difference shall be specified;

(6) set out the full text of any special resolution to be proposed at the meeting for approval;

(7) contain a clear statement specifying that all shareholders are entitled to attend the general meeting, that shareholder eligible for attending and voting is entitled to appoint one or more proxies to attend and vote at such meeting on his behalf, and that such proxy does not need to be a member of the company;

(8) specify the record date for shareholders who are entitled to attend the general meeting;

(9) specify the time and venue for lodging a proxy form for the meeting;

(10) specify the name and telephone number of the contact person for the meeting."

The Company proposes that the current Rule 25 be deleted in its entirety and be replaced by the following:

"Notice of a general meeting shall satisfy the following criterion:

(1) be in the form of writing;

(2) with designated address, duration, date and time of the meeting;

(3) specify the matters to be discussed at the meeting; and fully disclose the contents of the motions. If any alterations to the matters involved in the resolutions of the previous general meeting is required, all the details of the motion shall be covered instead of merely highlighting those to be altered. Matters set out as "Miscellaneous" without concrete details shall not be deemed as a motion and the same shall not be voted at a general meeting;

(4) provide shareholders with such information and explanation required for them to make sensible decisions on the matters to be considered. This principle includes (but not limited to) the provision of the specific conditions and contracts (if any) of the contemplated transactions in the event of a proposed merger, repurchase of shares, reorganisation of share capital or other restructuring by the company, and give due accounts of the cause and effect of such proposal;

(5) disclose the nature and extent of the material interests of any director, supervisor, president, vice president, chief financial officer and secretary to the board in the matters to be considered; in case that the impact of the matters to be considered on such director, supervisor, president, vice president, chief financial officer and secretary to the board in their capacity as shareholders is different from that on other shareholders of the same class, such difference shall be specified;

(6) set out the full text of any special resolution to be proposed at the meeting for approval;

(7) contain a clear statement specifying that all shareholders are entitled to attend the general meeting, that a shareholder eligible for attending and voting is entitled to appoint one or more authorised proxies to attend and vote at such meeting on his behalf, and that such authorised proxy does not need to be a member of the company;

(8) specify the record date for shareholders who are entitled to attend the general meeting;

(9) specify the time and venue for lodging a proxy form for the meeting;

(10) specify the name and telephone number of the contact person for the meeting.

Subject to the securities regulatory requirements and the listing rules of the jurisdictions where the company's shares are listed, the company may issue the notice of a general meeting by means of publication of notice on the websites designated by the company and the stock exchange(s) in substitution for serving the written document by hand or prepaid mail to each holder of overseas listed foreign shares."

The proposed amendments to the Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the EGM and the proposed amendments to the Rules of Procedure of General Meeting are subject to the approval of the Shareholders by way of an ordinary resolution at the EGM.

THE EXTRAORDINARY GENERAL MEETING

An EGM will be convened and held for the purpose of, inter alia, (1) considering and approving by the Independent Shareholders, and by way of ordinary resolution(s), the Equity Purchase Agreements, the Assets Purchase Agreement and the Financial Services Agreement and the proposed caps of the Financial Services Agreement, (2) considering and approving by the Shareholders, by way of ordinary resolution(s), the proposed amendments to the Rules of Procedure of General Meeting of the Company, and (3) considering and approving by the Shareholders, by way of special resolution(s), the proposed amendments to the Articles of Association of the Company.

Votes for all resolution(s) at the EGM shall be taken by way of poll.

Pursuant to the Hong Kong Listing Rules, Shenhua Group Co and its associates will abstain from voting on all resolution relating to the Equity Purchase Agreements, Assets Purchase Agreement and Financial Services Agreement to be proposed, considered and voted on at the EGM. As of the Latest Practicable Date, Shenhua Group Co and its associates hold in aggregate 14,511,037,955 shares of the Company, which amounts to approximately 72.96% of total issued shares of the Company.

Other than set out above and as of the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no connected person of the Company, Shareholder and their respective associates (other than Shenhua Group Co and its associates) with a material interest in the transactions to be proposed, considered and approved at the EGM required to abstain from voting at the EGM.

Notice convening the EGM to be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China on Friday, 25 February 2011 at 9:30 a.m. is set out on pages 208 to 214 of this circular.

Reply slip and form of proxy for use at the EGM are enclosed herewith. Shareholders who intend to attend the EGM shall complete and return the reply slip in accordance with the instructions printed thereon before Friday, 4 February 2011. Shareholders who intend to appoint a proxy to attend the EGM are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the said meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the meeting or any adjournment thereof should you so wish.

RECOMMENDATION

Based on the relevant information disclosed herein, the Directors, including all the independent non-executive Directors, believe that (1) the Equity Purchase Agreements, Assets Purchase Agreement and the terms of and transactions contemplated under the Equity Purchase Agreements and the Assets Purchase Agreement, (2) the Financial Services Agreement, the terms of and the transactions contemplated under the Financial Services Agreement and the proposed caps of the Financial Services Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole, and (3) the proposed amendments to the Articles of Association and the Rules of Procedure of General Meeting of the Company are in the interest of the Company and its Shareholders as a whole.

Accordingly, the Board recommends that the Shareholders vote in favour of and approve all resolution(s) in relation to the Equity Purchase Agreements, Assets Purchase Agreement and the Financial Services Agreement and the proposed amendments to the Articles of Association and the Rules of Procedure of General Meeting of the Company to be proposed at the EGM.

Having considered the advices given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their advices, the Independent Board Committee is of the opinion that (1) the Equity Purchase Agreements, Assets Purchase Agreement and the terms of and transactions contemplated under the Equity Purchase Agreements and the Assets Purchase Agreement, and (2) the Financial Services Agreement, the terms of and the transactions contemplated under the Financial Services Agreement and the proposed caps of the Financial Services Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

Accordingly, the Independent Board Committee recommends that the Shareholders vote in favour of and approve all resolution(s) in relation to the Equity Purchase Agreements, Assets Purchase Agreement and the Financial Services Agreement to be proposed at the EGM.

The Equity Purchase Agreements, Assets Purchase Agreement, the Financial Services Agreement and the transactions contemplated thereunder will be proposed and put forwarded as one resolution for the Shareholders' consideration at the EGM.

Your attention is also drawn to the letter from the Independent Board Committee set out on page 86, the letter from the Independent Financial Adviser set out on pages 87 to 119 and the other information set out in the appendices to this circular.

Yours faithfully,
By order of the Board
Huang Qing
Secretary to the Board of Directors

中国神华
CHINA SHENHUA
中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1088)

29 December 2010

To the Independent Shareholders

Dear Sir or Madam,

ENTERING INTO EQUITY PURCHASE AGREEMENTS
ENTERING INTO ASSETS PURCHASE AGREEMENT
AND
ENTERING INTO FINANCIAL SERVICES AGREEMENT

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, (1) the Equity Purchase Agreements, Assets Purchase Agreement and the terms of and transactions contemplated under the Equity Purchase Agreements and the Assets Purchase Agreement, and (2) the Financial Services Agreement, the terms of and the transactions contemplated under the Financial Services Agreement and the proposed caps of the Financial Services Agreement, details of which are set out in the letter from the Board contained in the circular, are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole.

Having considered the above and the advice of the Independent Financial Adviser in relation thereto as set out on pages 87 to 119 of this circular, we are of the opinion that (1) the Equity Purchase Agreements, Assets Purchase Agreement and the terms of and transactions contemplated under the Equity Purchase Agreements and the Assets Purchase Agreement, and (2) the Financial Services Agreement, the terms of and the transactions contemplated under the Financial Services Agreement and the proposed caps of the Financial Services Agreement are fair and reasonable, on normal commercial terms and in the interest of the Company and its shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of and approve all resolution(s) in relation to the Equity Purchase Agreements, Assets Purchase Agreement and the Financial Services Agreement to be considered and voted on at the EGM.

Yours faithfully,
For and on behalf of the Independent Board Committee

Fan Hsu Lai Tai	**Gong Huazhang**	**Guo Peizhang**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.

招商證券(香港)有限公司
CHINA MERCHANTS SECURITIES (HK) CO., LTD.

48th Floor,
One Exchange Square,
Central,
Hong Kong

29 December 2010

China Shenhua Energy Company Limited
Shenhua Tower
22 Andingmen Xibinhe Road
Dongcheng District
Beijing, PRC

To the Independent Board Committee and the Independent Shareholders

Dear Sirs,

ENTERING INTO EQUITY PURCHASE AGREEMENTS ENTERING INTO ASSETS PURCHASE AGREEMENT AND ENTERING INTO FINANCIAL SERVICES AGREEMENT

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the entering into the Equity Purchase Agreements, the Assets Purchase Agreement and the Financial Services Agreement, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular dated 29 December 2010 (the "**Circular**") issued by the Company to the Shareholders, of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the transactions contemplated under the Equity Purchase Agreements and the Assets Purchase Agreement (the "**Acquisition Transactions**") are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; (ii) the provision of guarantee, provision of bill acceptance and discount services, acceptance of deposits, provision of loans, consumer credit facilities, buyer's credit and finance leasing and provision of entrustment loan services (the "**Financial Services**") under the Financial Services Agreement (the "**Continuing Connected Transactions**") are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; (iii) the proposed annual caps in respect of the Financial Services under the Financial Services Agreement for the three years ending 31 December 2013 (the "**Annual Caps**") are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iv) the Independent Shareholders should vote in favour of the resolutions to approve the Acquisition Transactions and the Continuing Connected Transactions at the EGM.

BASIS OF OUR OPINION

In formulating our advice and recommendations, we have relied on the accuracy of the information and facts supplied, and the opinions expressed by the Company, its Directors and its management to us. We have assumed that all statements of belief and intention made by the Directors and the management of the Company in the Circular were made after due enquiry. We have also assumed that all information, representations and opinion made or referred to in the Circular were true, accurate and complete at the time they were made and continued to be true at the date of the EGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, its Directors and its management, and have been advised by the Directors and the management of the Company that no material facts have been omitted from the information provided and referred to in the Circular.

In rendering our opinions, we have researched, analysed and relied on information from independent third party sources. We have assumed such information to be accurate and reliable and have not carried out any independent verification on the accuracy of such information. Such relevant information provides us with a basis on which we have been able to formulate our independent opinion.

We consider that we have reviewed sufficient information to reach an informed view, to justify our reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted any form of in-depth investigation into the business affairs, financial position or future prospects of the Group or the counterparties of the Equity Purchase Agreements, the Assets Purchase Agreement and the Financial Services Agreement and the transactions contemplated thereunder, nor carried out any independent verification of the information supplied, representations made or opinions expressed by the Company, its Directors and its management.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

I. Background

1. Background on the Group

As set out in the Letter from the Board, the Group operates an integrated coal-based energy business in the PRC, including coal production, transportation and sales as well as power generation. The Group also purchases thermal coal and purchases coal from third parties for coal blending and resale.

Certain financial information of the Group (prepared in accordance with International Financial Reporting Standards) for the six months ended 30 June 2009 and 30 June 2010 and the two years ended 31 December 2009, as extracted from the interim report of the Company for the six months ended 30 June 2010 (the "**2010 Interim Report**") and the annual report of the Company for the year ended 31 December 2009 (the "**2009 Annual Report**") accordingly, are set out below:

	Six months ended 30 June		**Year ended 31 December**	
	2010	**2009**	**2009**	**2008**
	(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*
	(Unaudited)	*(Unaudited)*	*(Audited)*	*(Audited)*
Operating revenue	69,731	57,083	121,312	107,133
Profit from operations	29,136	24,732	47,108	39,675
Profit before taxation	28,217	24,184	45,812	36,975
Profit attributable to equity Shareholders	19,272	16,920	31,706	26,641

As calculated from the above table, the Group's operating revenue increased by approximately 22.18% for the six months ended 30 June 2010 as compared with that for the six months ended 30 June 2009. The Group's operating revenue increased by approximately 13.23% for the year ended 31 December 2009 as compared with that for the year ended 31 December 2008.

Set out below is the revenue breakdown of the Group for the six months ended 30 June 2009 and 30 June 2010 and the two years ended 31 December 2009, as extracted from the 2010 Interim Report and the 2009 Annual Report accordingly:

	Six months ended 30 June			
	2010		**2009**	
	(RMB million) (Unaudited)	*% to total revenue*	*(RMB million) (Unaudited)*	*% to total revenue*
Coal	46,774	67.1%	42,175	73.9%
Power	21,372	30.6%	13,526	23.7%
Other	1,585	2.3%	1,382	2.4%
Total	69,731	100.0%	57,083	100.0%

	Year ended 31 December			
	2009		**2008**	
	(RMB million) (audited)	*% to total revenue*	*(RMB million) (audited)*	*% to total revenue*
Coal	84,618	69.7%	74,572	69.6%
Power	33,157	27.3%	29,393	27.4%
Other	3,537	3.0%	3,168	3.0%
Total	121,312	100.0%	107,133	100.0%

The Group's revenue derived from coal sector amounted to approximately RMB42,175 million and RMB46,774 million for the six months ended 30 June 2009 and 30 June 2010 respectively, representing an increase of approximately 10.90%. The Group's revenue derived from coal sector amounted to approximately RMB74,572 million and RMB84,618 million for the two years ended 31 December 2008 respectively, representing an increase of approximately 13.47%.

The Group's revenue derived from power sector amounted to approximately RMB13,526 million and RMB21,372 million for the six months ended 30 June 2009 and 30 June 2010 respectively, representing an increase of approximately 58.00%. The Group's revenue derived from power sector amounted to approximately RMB29,393 million and RMB33,157 million for the two years ended 31 December 2008 respectively, representing an increase of approximately 12.81%.

2. *Background on Shenbao Company*

Shenbao Company is principally engaged in the business of production, sales, transportation and loading of coal.

As at the Latest Practicable Date, Shenbao Company owned the mining rights of a total mining area of 65.46 square kilometers with a raw coal output reaching approximately 13,302,400 tonnes and a sales volume amounting to approximately 13,115,400 tonnes in 2009. Raw coal output from January to September 2010 amounted to approximately 11,927,900 tonnes and sales volume reached approximately 12,000,100 tonnes. Rail transport was utilized the most for external coal sales.

As at the Latest Practicable date, Shenbao Company had mining rights of the Opencast Mine, Opencast Mine Continuation Area and Baoyan Mine, and was applying for the mining rights of Mine 3 Continuation Area, the details of which are as follows:

Mines	Location	Type of Coal produced	Area (square kilometres)	Mining Permit Certificate Number	Term of the Mining Permit	30 June 2010 Resources (10,000 tonnes) (PRC standard)[1]	30 June 2010 Recoverable Resources (10,000 tonnes) (PRC standard)[1]	30 September 2010 Inferred Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Indicated Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Measured Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Probable Reserves (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Proved Reserves (10,000 tonnes) (JORC standard)[2]
Opencast Mine	Chenbaerhu Qi of Hulunbeier City in the Inner Mongolia	Lignite	7.9208	1500000820517	16 October 2008 to 16 October 2013	5,008.42	137,235.56 (being the combined recoverable reserves for 1,345 Opencast Mine, Opencast Mine Continuation Area and Baoyan Mine)	–	4,682	598	4,309	553
Opencast Mine Continuation Area	Chenbaerhu Qi of Hulunbeier City in the Inner Mongolia	Lignite	43.7151	C1000002008 091120001320	5 September 2008 to 5 September 2038	152,429		8,929	114,627	32,381	106,313	30,410
Baoyan Mine	Chenbaerhu Qi of Hulunbeier City in the Inner Mongolia	Lignite	0.8851	1500000510535	July 2005 to July 2013	1,345		–	353	934	339	868
Mine 3 Continuation Area	Chenbaerhu Qi of Hulunbeier City in the Inner Mongolia	Lignite	12.9406	N/A	N/A	44,871.60	36,110.69	46,716	495	–	453	–
Total			65.4616			203,654.02	173,346.25	55,645	120,157	33,913	111,414	31,831

Notes:

1. These information are based on and extracted from the valuation reports of the mines listed above prepared by the Valuer for the Company.

2. These information are based on and extracted from the coal reserves report prepared by John T. Boyd Company for the Company.

The following table summarises certain financial information of Shenbao Company (prepared in accordance with the PRC accounting standards) for the year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of Shenbao Company:

	For the year ended 31 December 2009 *(RMB'000)* *(Audited)*	**For the nine months ended 30 September 2010** *(RMB'000)* *(Audited)*
Operating revenue	1,721,984	1,476,449
Net profit before taxation and extraordinary items	394,905	158,343
Net profit after taxation and extraordinary items	328,993	145,321

3. *Background on Hudian Company*

Hudian Company is principally engaged in the business of installation, testing and maintenance of thermal and power equipment; multiple utilization of thermal coal ashes; provision of consultancy and other relevant services in electric technology and power generation.

Hudian Company's power plant is situated in Chenbaerhu Qi of Hulunbeier City in Inner Mongolia Autonomous Region of the PRC. The power plant will be completed by two phases. The Phase I consists of the construction of two sets of 600,000 KW domestic supercritical coal-fired air-cooling generating unit ("**Phase I Project**") and the simultaneous installation of Flue Gas Desulfurization and de-NOx systems. The total funding for the preliminary design plan of the Phase I Project is approximately RMB4,765,990,000, with a designed production capacity of 6.6 billion KWh per year, and annual utilization hours to reach 5,500 hours. The coal for power generation used by the plant is lignite produced by Shenbao Company and will amount to approximately 3,700,000 tonnes per year. Coal ash and cinder produced by the plant will be collected and utilized while the mined-out areas of Opencast Mine of Shenbao Company will satisfy the ash storage requirement of the plant. As at the Latest Practicable Date, two sets of generating unit of Phase I Project have undergone testings and have commenced production in December 2010. The project has been approved by NDRC by virtue of the "Reply on the Approval of the Inner Mongolia Guohua Hulunbeier Power Plant Project" (Fa Gai Neng Yuan [2008] No.1991) and MEP by virtue of "Reply on the Environmental Impact Report of the construction of two sets of 600,000 KW generating unit under Inner Mongolia Guohua Hulunbeier Power Project" (Huan Shen [2008] No.195). As at the Latest Practicable Date, the construction of two sets of 600,000 KW domestic supercritical coal-fired air-cooling generating unit for Phase II was undergoing pre-feasibility studies and other relevant works.

The following table summarises certain financial information of Hudian Company (prepared in accordance with the PRC accounting standards) for the year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of Hudian Company:

	For the year ended 31 December 2009 *(RMB'000)* *(Audited)*	For the nine months ended 30 September 2010 *(RMB'000)* *(Audited)*
Operating revenue	–	–
Net loss before taxation and extraordinary items	32,186	19,689
Net loss after taxation and extraordinary items	24,140	19,689

4. *Background on Clean Coal Company*

Clean Coal Company is principally engaged in the business of quality advancement and processing of lignite.

Clean Coal Company has a project on quality advancement of lignite consisting of two sets of coal unit with an annual capacity of 500,000 tonnes, which is the first major industrialized testing project of lignite in the PRC. As at the Latest Practicable Date, the project was under system reconfiguration and pilot production. The total investment of the project is RMB318,090,000 and the coal resources required upon the commencement of operation will be wholly provided by Shenbao Company. The project has been approved by the Development and Reform Commission of Inner Mongolia Autonomous Region by virtue of the "Notice on the Approval of the Filing of the Testing Project on Quality Advancement of Lignite of Shenhua Baorixile Energy Co Ltd" (Nei Fa Gai Neng Yuan Zi [2008] No.1041) and the Bureau of Environmental Protection of Inner Mongolia Autonomous Region by virtue of the "Reply on the Approval of Environmental Impact Report on Industrial Testing of the Project of Quality Advancement of Lignite of Shenhua Baorixile" (Nei Huan Shen [2008] No. 194).

The following table summarises certain financial information of Clean Coal Company (prepared in accordance with the PRC accounting standards) for the year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of Clean Coal Company:

	For the year ended 31 December 2009 *(RMB'000)* *(Audited)*	**For the nine months ended 30 September 2010** *(RMB'000)* *(Audited)*
Operating revenue	–	–
Net loss before taxation and extraordinary items	2,865	4,340
Net loss after taxation and extraordinary items	2,865	4,340

5. ***Background on Chaijiagou Mining***

Chaijiagou Mining is principally engaged in the business of mining and sales of raw coal and owns the mining right of Chaijiagou Mine.

Chaijiagou Mining had a raw coal output reaching approximately 959,800 tonnes and a sales volume amounting to approximately 1,029,100 tonnes for year 2009. Raw coal output from January to September 2010 amounted to approximately 745,000 tonnes and sales volume reached approximately 671,300 tonnes.

As at the Latest Practicable Date, Chaijiagou Mining had mining rights of the Chaijiagou Mine. Details of the Chaijiagou Mine are as follows:

Mines	Location	Type of coal produced	Area (square kilometres)	Mining Permit Certificate Number	Term of the Mining Permit	30 June 2010 Resources (10,000 tonnes) (PRC standard)[1]	30 June 2010 Recoverable Reserves (10,000 tonnes) (PRC standard)[1]	30 September 2010 Inferred Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Indicated Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Measured Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Probable Reserves (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Proved Reserves (10,000 tonnes) (JORC standard)[2]
Chaijiagou Mine	Yijun County, Shaanxi Province	Long-flame coal	4.868	6100000830274	10 September 2008 to 10 September 2011	1,200.94	699.64	508	–	595	–	369

Notes:

1. These information are based on and extracted from the Chaijiagou Mining Valuation Report prepared by the Valuer for the Company.

2. These information are based on and extracted from the coal reserves report prepared by John T. Boyd Company for the Company.

The following table summarises certain financial information of Chaijiagou Mining (prepared in accordance with the PRC accounting standards) for the year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of Chaijiagou Mining:

	For the year ended 31 December 2009	For the nine months ended 30 September 2010
	(RMB'000)	*(RMB'000)*
	(Audited)	*(Audited)*
Operating revenue	318,302	251,886
Net profit before taxation and extraordinary items	110,052	98,643
Net profit after taxation and extraordinary items	83,618	72,220

6. Background on Finance Company

Finance Company is principally engaged in the provision of financial consultation services, credit appraisal and other related consultancy and agency services to members of Shenhua Group and the Group; assistance to members in the collection and payment of transaction amount; authorised insurance agency services; provision of guarantee between members; providing entrusted loans and entrusted investments between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement planning to members; accepting deposits from members; provision of loans and finance leasing to members; provision of inter-bank lending; authorised issue of bonds; underwriting of corporate bonds of members; equity investments in financial institutions; investments in negotiable securities; provision of consumer credit facilities, buyers' credit and finance leasing.

The following table summarises certain financial information of Finance Company (prepared in accordance with the PRC accounting standards) for the year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of Finance Company:

	For the year ended 31 December 2009 *(RMB'000)* *(Audited)*	**For the nine months ended 30 September 2010** *(RMB'000)* *(Audited)*
Operating revenue	414,298	337,578
Net profit before taxation and extraordinary items	357,959	296,593
Net profit after taxation and extraordinary items	268,400	222,203

7. ***Background on Material Company***

Material Company is principally engaged in the sale of oil such as petroleum, diesel, kerosene and lubricating oil used in the transportation system as well as the sale of blasting equipment and mining vehicles. Its major customers are coal-production and transportation enterprises of the Group.

The following table summarises certain financial information of Material Company (prepared in accordance with the PRC accounting standards) for the year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of Material Company:

	For the year ended 31 December 2009 *(RMB'000)* *(Audited)*	**For the nine months ended 30 September 2010** *(RMB'000)* *(Audited)*
Operating revenue	1,659,643	1,332,392
Net profit before taxation and extraordinary items	49,610	55,829
Net profit after taxation and extraordinary items	32,210	39,551

8. *Background on Tianhong Company*

Tianhong Company is principally engaged in the business of wholesale and retail of coal; provision of certain coal reserve to Beijing for emergency use in winter; supply of uniforms, business attire, worker-protection items as well as office supplies and gifts to coal-production and transportation enterprises of Shenhua Group and the Group, such as the Company's Shenshuo Railway Branch and Shenhua Shendong Coal Group Co., Ltd.

The following table summarises certain financial information of Tianhong Company (prepared in accordance with the PRC accounting standards) for the year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of Tianhong Company:

	For the year ended 31 December 2009 *(RMB'000)* *(Audited)*	**For the nine months ended 30 September 2010** *(RMB'000)* *(Audited)*
Operating revenue	573,025	352,841
Net profit before taxation and extraordinary items	11,935	1,743
Net profit/(loss) after taxation and extraordinary items	8,016	(123)

9. *Background on Information Company*

Information Company is principally engaged in the business of providing comprehensive solutions on information systems, such as, IT infrastructure, integrated automated system, production management, operation management, decision making support and e-government administration, as well as ancillary services which include IT consultation and planning, system design, project implementation, system maintenance etc. As at the Latest Practicable Date, it was responsible for informatisation and automation of the Shenhua Group and the Group.

The following table summarises certain financial information of Information Company (prepared in accordance with the PRC accounting standards) for the year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of Information Company:

	For the year ended 31 December 2009	**For the nine months ended 30 September 2010**
	(RMB'000)	*(RMB'000)*
	(Audited)	*(Audited)*
Operating revenue	80,384	54,717
Net profit/(loss) before taxation and extraordinary items	4,524	(6,125)
Net profit/(loss) after taxation and extraordinary items	4,524	(6,125)

10. Background on Beiyao Company

Beiyao Company is principally engaged in coalfield geology, mine geology and hydrogeology with emphasis on the development of high-end business of the aforesaid sectors; provision of technical support for the Shenhua Group and the Group; provision of services for various projects, including design for exploration projects, biding and budget review for exploration business, management and supervision of the exploration projects, review and assessment of exploration results, technical support and digitalisation of resources management. Meanwhile, it endeavours to develop new businesses, such as, gas drainage, drainage, hydrogeology exploration, and detection of safety-threatening goafs and ordovician limestone water. Beiyao Company has obtained Certificate of Surveying and Mapping Qualification (Class B) issued by the State Bureau of Surveying and Mapping, Qualification Certificate for Geological Exploration issued by the Ministry of Land and Resources, Qualification Certificate for Geologic Disaster Control Project Surveying issued by the Bureau of Land and Resources as well as Qualification Certification for Project Surveying (Class B) issued by the Beijing Municipal Commission of Urban Planning.

The following table summarises certain financial information of Beiyao Company (prepared in accordance with the PRC accounting standards) for the year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of Beiyao Company:

	For the year ended 31 December 2009 *(RMB'000)* *(Audited)*	For the nine months ended 30 September 2010 *(RMB'000)* *(Audited)*
Operating revenue	122,668	62,168
Net loss before taxation and extraordinary items	5,898	22,764
Net loss after taxation and extraordinary items	5,898	22,764

11. Background on the three coal mines under the Assets Purchase Agreement

As set out in the Letter from the Board, details of the three coal mines to be purchased from Baotou Mining are set out below:

Adaohai Mine

As stated in the Letter from the Board, Adaohai Mine is located on the southernmost of the central part of Daqingshan Coalfield, Yin Mountains, which is under the jurisdiction of Tumoteyou Qi, Baotou City, Inner Mongolia Autonomous Region. According to the Mining Permit (No. C1500002009051120020302) issued by Department of Land and Resources of Inner Mongolia Autonomous Region and Bureau of Land and Resources of Baotou City, the mining rights to Adaohai Mine which occupies a mining area of 6.7099 sq. km are owned by Baotou Mining. The Mining Permit is valid from 31 May 2009 to 30 May 2011. Adaohai Mine was built in 1958. It primarily produces coking coal which has a low-sulphur, low-phosphorous, medium-ash content, low volatility and exceptionally high calorific value. Adaohai Mine has a current approved production capacity of 900,000 tonnes per year. Adaohai Mine has obtained the Coal Production Permit (No.101502211028) issued by NDRC, which is valid from 10 October 2007 to 31 December 2038. Adaohai Mine has also obtained the Safety Production Permit ((Meng)MK An Xu Zheng Zi [2008]No.BG001) issued by Bureau of Coal Mine Safety Supervision of Inner Mongolia Autonomous Region, which is valid from 26 March 2008 to 26 March 2011. The Company will, after the subject transfer and before expiration of the said Mining Permit and Safety Production Permit, apply for the extension of the Mining Permit and Safety Production Permit of Adaohai Mine. As at the Latest Practicable Date, based on information provided by Baotou Mining and current laws and regulations of the PRC, the Company did not foresee any difficulty in obtaining extension of the Mining Permit and Safety Production Permit of the Adaohai Mine.

Shuiquan Opencast Mine

As stated in the Letter from the Board, Shuiquan Opencast Mine is located in the mid-east of the General Exploration Area of Shuiquan, Daqingshan Coalfield, Inner Mongolia Autonomous Region, which is under the jurisdiction of Tumoteyou Qi, Baotou City, Inner Mongolia Autonomous Region. According to the Mining Permit (No.C1500002009061120020893) issued by Department of Land and Resources of Inner Mongolia Autonomous Region and Bureau of Land and Resources of Baotou City, the mining rights to Shuiquan Opencast Mine which occupies a mining area of 8.8033 sq. km are owned by Baotou Mining. The Mining Permit is valid from 3 June 2009 to 3 June 2019. Shuiquan Opencast Mine was built and put into production in 2008. It primarily produces weak caking coal which has a low-sulphur, low-phosphorous, medium-ash content, and medium to high calorific value. Shuiquan Opencast Mine has a current approved production capacity of 1,200,000 tonnes per year. Shuiquan Opencast Mine has obtained the Coal Production Permit issued by Bureau of Coal Industry of Inner Mongolia Autonomous Region (No.201502010340), which is valid from 4 September 2008 to 4 November 2029. Shuiquan Opencast Mine has also obtained the Safety Production Permit ((Meng)MK An Xu Zheng Zi [2008] No.BG002) issued by Bureau of Coal Mine Safety Supervision of Inner Mongolia Autonomous Region, which is valid from 22 August 2008 to 22 August 2011. The Company will, after the subject transfer and before expiration of the said Safety Production Permit, apply for the extension of the Safety Production Permit of Shuiquan Opencast Mine. As at the Latest Practicable Date, based on information provided by Baotou Mining and current rules and regulations of the PRC, the Company did not foresee any difficulty in obtaining extension of the Safety Production Permit of the Shuiquan Opencast Mine.

As stated in the Letter from the Board, Baotou Mining has paid the consideration for the mining rights of Shuiquan Opencast Mine, royalties on the mining rights, mineral resources compensation, resources tax and other related taxes and fees in accordance with relevant laws and regulations. The transfer of the mining rights of Shuiquan Opencast Mine is subject to the approval of Department of Land and Resources of Inner Mongolia Autonomous Region.

Lijiahao Mine

As stated in the Letter from the Board, Lijiahao Mine is located in Dongsheng District, Erduosi City, Inner Mongolia Autonomous Region, which is under the jurisdiction of Tongjiang Town, Dongsheng District. According to the Mining Permit (No. C1000002010021110056343) issued by MLR, the mining rights to Lijiahao Mine which occupies a mining area of 67.5453 sq. km are owned by Baotou Mining. The Mining Permit is valid from 9 February 2010 to 9 February 2040. Lijiahao Mine is still under construction and scheduled to be put into operation by March 2011. It primarily produces non-caking coal, and long-flame coal with medium water content, low sulphur content, particularly low phosphorous content, particularly low to low ash content and high calorific value. The construction project of Lijiahao Mine involves initial planned investment of approximately RMB2,820,000,000 with a designed production capacity of 6,000,000 tonnes per year. The project has obtained the "Reply on the Approval of Lijiahao Mine Project of Wanli Mines in Inner Mongolia Autonomous Region" (Fa Gai Neng Yuan [2008] No.2890) issued by NDRC and the "Reply on the Environmental Impact Report on Lijiahao Mine Construction Project of Shenhua Group Baotou Mining Co Ltd" (Huan Shen [2006] No.294) issued by the former State Environmental Protection Administration.

As stated in the Letter from the Board, the exploration rights to Lijiahao Mine are owned by Shenhua Group. Shenhua Group has paid the consideration and relevant fees for exploration rights of Lijiahao Mine in compliance with the relevant laws and regulations. In processing the application for mining rights to Lijiahao Mine, Shenhua Group had applied to MLR for the change of registration and issuance of a new permit in the name of Baotou Mining and obtained the "Reply on the Application for the Change of the Registered Owner of Mining Rights of Lijiahao Mine" (Guo Tu Zi Kuang Han [2008] No.73) from MLR. As the consideration for the mining rights of Lijiahao Mine has been settled when obtaining the exploration rights, Baotou Mining is not required to pay any consideration for obtaining the mining rights of Lijiahao Mine. The transfer of the mining rights of Lijiahao Mine is subject to the approval from MLR.

Details of the three coal mines to be purchased from Baotou Mining are set out below:

Mines	Location	Type of Coal Produced	Area (square kilometres)	Mining Permit Certificate Number	Term of the Mining Permit	30 June 2010 Resources (10,000 tonnes) (PRC standard)1	30 June 2010 Recoverable Reserves (10,000 tonnes) (PRC standard)[1]	30 September 2010 Inferred Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Indicated Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Measured Resources (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Probable Reserves (10,000 tonnes) (JORC standard)[2]	30 September 2010 Marketable Proved Reserves (10,000 tonnes) (JORC standard)[2]
Adaohai Mine	Tumoteyou Qi, Baotou City, Inner Mongolia, Autonomous Region	Coking coal	6.7099	C150000200905 1120020302	31 May 2009 to 31 May 2011	5,098.60	2,427.56	2,238	762	–	363	–
Shuiquan Opencast Mine	Shiguai District, Baotou City, Inner Mongolia, Autonomous Region	Weak caking coal	8.8033	C150000200906 1120020893	3 June 2009 to 3 June 2019	5858.21	3,968.69	–	3,289	91	2,143	60
Lijiaohao Mine	Shiguai District, Baotou City, Inner Mongolia, Autonomous Region	Non-caking coal; Long-flame coal	67.5453	C100000201002 1110056343	9 February 2010 to 9 February 2040	154,550	62,391	5,205	31,995	16,263	18,600	10,437
Total			83.0585			165,506.81	68,787.25	7,443	36,046	16,354	21,106	10,497

Notes:

1. These information are based on and extracted from the Assets Valuation Report prepared by the Valuer for the Company.

2. These information are based on and extracted from the coal reserves report prepared by John T. Boyd Company for the Company.

The following table summarises certain financial information of the three coal mines to be purchased from Baotou Mining (prepared in accordance with the PRC accounting standards) for the two year ended 31 December 2009 and for the nine months ended 30 September 2010 as extracted from the audited accounts of the Assets of Baotou Mining:

	For the year ended 31 December 2009 *(RMB'000)* *(Audited)*	**For the nine months ended 30 September 2010** *(RMB'000)* *(Audited)*
Operating revenue	1,700,981	1,163,781
Net profit before taxation and extraordinary items	35,795	104,321
Net profit after taxation and extraordinary items	22,792	77,154

12. Background on the counterparties to the Equity Purchase Agreements, the Assets Purchase Agreement and the Financial Services Agreement

As set out in the Letter from the Board, Shenhua Group Co is a controlling shareholder and the sole promoter of the Company. Shenhua Group Co and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities.

As set out in the Letter from the Board, Guohua Power is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Guohua Power is principally engaged in the business of investment, development and operation of power projects; power generation; development, production and operation of new energy projects; consultation on power and energy projects.

As set out in the Letter from the Board, Shenbao Company is a limited liability company incorporated under the laws of the PRC and is a subsidiary of Shenhua Group Co. Shenbao Company is principally engaged in the business of production, sales, transportation and loading of coal.

As set out in the Letter from the Board, Shenhua Trading is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Shenhua Trading is principally engaged in the business of despatch of foreign labour; civil engineering, exploration, design, implementation and supervision of constructions, import and export of general merchandize; sales of coke, coal products, chemical raw materials and chemical products.

As set out in the Letter from the Board, Guohua Energy is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Guohua Energy is principally engaged in the business of investment in various sectors, i.e. energy, transport, finance, medicine and health, information, biology, electronics, environmental protection, new materials and real estate and development of new energy technology.

As set out in the Letter from the Board, Jihua Industry is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Jihua Industry is principally engaged in the business of sales of coal and coal products, electric equipment, building materials and mineral products; investment consultation; development, and transfer of technology and related training.

As set out in the Letter from the Board, Shenhua CTL is a limited liability company incorporated in the PRC and is a subsidiary of Shenhua Group Co. Shenhua CTL is principally engaged in the business of wholesale of petroleum, kerosene, diesel; development, operation, production and product sales of coal liquefaction.

As set out in the Letter from the Board, Baotou Mining is a limited liability company incorporated under the laws of the PRC and is a subsidiary of Shenhua Group Co. Baotou Mining is principally engaged in the business of the mining, selection, gasification and coking of coal; the storage and transportation and sales of coal products.

II. Overview of the Economy of the PRC and the Coal Industry in the PRC

1. *Economy of the PRC*

Set out below is the gross domestic product ("**GDP**") of the PRC from 2005 to 2009:

	2005 *(RMB billion)*	**2006** *(RMB billion)*	**2007** *(RMB billion)*	**2008** *(RMB billion)*	**2009** *(RMB billion)*	**CAGR** *(2005-2009)*
GDP	18,493.74	21,631.44	26,581.03	31,404.54	34,050.69	16.5%

Source: China Statistical Yearbook 2009

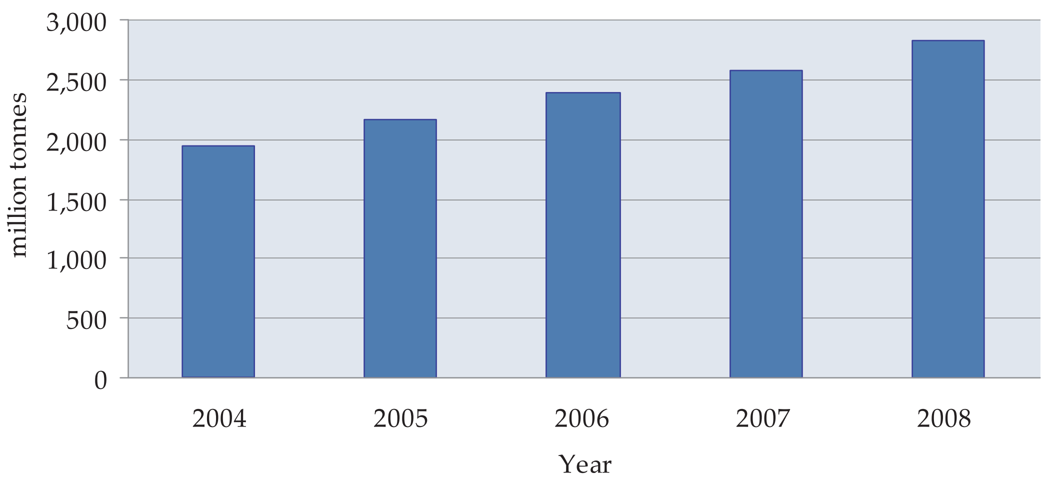
As set out in the above table, GDP of the PRC grew from approximately RMB18,493.7 billion in 2005 to approximately RMB34,050.7 billion in 2009, representing a CAGR of approximately 16.5%.

According to a press release namely《2010年中國經濟預測》(Forecast on the PRC Economy 2010) dated 6 February 2010 published by 中國科學院預測科學研究中心 (Center for Forecasting Science, CAS), it is forecasted that the economy of the PRC will show a moderately increasing trend in 2010 and the growth rate of GDP in 2010 is expected to remain as approximately 10%.

2. *Coal consumption in the PRC*

Set out below is the consumption of coal in the PRC from 2004 to 2008:

Consumption of coal in the PRC from 2004 to 2008



Source: *China Statistical Yearbook 2007, China Statistical Yearbook 2009 and China Statistical Yearbook 2010*

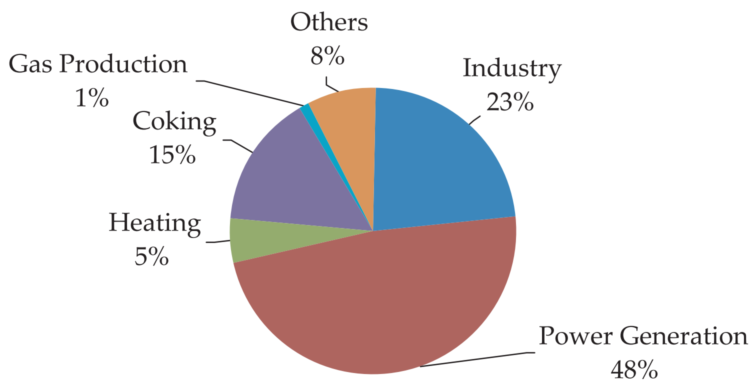
Based on China Statistical Yearbook 2007, China Statistical Yearbook 2009 and China Statistical Yearbook 2010, the consumption of coal in the PRC increased from approximately 1,936.0 million tons in 2004 to approximately 2,810.9 million tons in 2008, representing a CAGR of approximately 9.8% per annum.

According to an article namely 《2010年煤炭行業展望》(Coal Industry Outlook 2010) dated 31 December 2009 posted on 國際煤炭網 (the website of international coal), it is expected that the increase in coal demand in the PRC in 2010 will at the range of 4% to 6%.

3. *Coal consumption by usage and demand for electricity in the PRC*

Set out below is the coal consumption by usage in the PRC for 2008:

Coal consumption by usage in the PRC for 2008



Source: China Statistical Yearbook 2010

Based on the diagram above, power generation is the major consumer of the national coal demand in the PRC, which accounts for approximately 50% of the total coal consumption in 2008. We noted that the remaining coal consumption are mainly derived from four other usages, such as industry, coking, heating and gas production.

According to an article namely 《中電聯發佈全國電力供需與合會經濟運行形勢分析預測報告)》(China Electricity Council announced the report on analysis and forecast on demand and supply of electricity with the economy in the PRC) dated 28 January 2010 posted on the website of 中國電力企業聯合會 (China Electricity Council), it was mentioned that according to 《全國電力供需與經濟運行形勢分析預測報告(2009-2010年度)》(Report on analysis and forecast on demand and supply of electricity with the economy in the PRC, 2009-2010), the consumption of electricity in the PRC has been growing in 2009 and it is estimated that the growth in consumption of electricity in the PRC in 2010 will exceed that in 2009. It is estimated that the consumption in electricity in the PRC will increase approximately 9% in 2010 as compared with that in 2009.

4. *Coal price*

According to an article namely 《能源局：2010年煤炭業整合不影響供應》 (National Energy Administration: consolidation of the coal industry in 2010 will not affect the supply) dated 6 January 2010 posted on 中國證券報 (China Securities Journal), it was mentioned that according to the information released during the press briefing held by the National Development and Reform Commission, the National Energy Administration and the Shanxi Government, the coal supply in the PRC in 2010 will not be affected by the consolidation of the coal industry while the increase in coal price in 2010 will remain at a range of 5% to 8%.

5. *Government policy towards the coal industry in the PRC*

According to《煤炭工業發展"十一五"規劃》 (Eleventh Five-Year Plan on the Development of Coal Industry) (the "**Plan**") issued by 中華人民共和國國家發展和改革委員會 (National Development and Reform Commission) in January 2007, the PRC is the world's largest producer of coal, accounting for approximately 37% of the global coal production volume. Coal is the major source of energy in the PRC, accounting for approximately 76% and 69% respectively of total primary energy production and consumption in the PRC. It is expected that coal will remain as a major and important source of energy in the PRC in the foreseeable future.

According to the Plan, the future development of the coal industry in the PRC is regulating coal production, constructing large coal mining bases, developing large scale coal enterprises, integrating and renovating small to medium-sized coal mines, closing down small coal mines with poor safety conditions, enhancing technology level and improving coal mining safety.

During the tenth five-year period, the coal production volume recorded an average growth of approximately 11% per year and the coal production volume amounted to approximately 2.2 billion tonnes in 2005.

According to the statistics in the Plan, mines with a total capacity of approximately 456 million tonnes are expected to be newly constructed during the eleventh five-year period. Moreover, mines with a total capacity of approximately 620 million tonnes will be in operation during the eleventh five-year period, of which mines with a total capacity of approximately 369 million tonnes is constructed during the ten five-year period and mines with a total capacity of approximately 251 million tonnes will be constructed during the eleventh five-year period.

III. The Equity Purchase Agreements and the Assets Purchase Agreement

1. *Background of entering into the Equity Purchase Agreements and the Assets Purchase Agreement*

As disclosed in the Letter from the Board, the Company has on 20 December 2010 entered into the following Equity Purchase Agreements:

(i) the Shenbao Company Equity Purchase Agreement with Shenhua Group Co, pursuant to which the Company conditionally agreed to purchase 56.61% equity interest in Shenbao Company from Shenhua Group Co;

(ii) the Hudian Company Equity Purchase Agreement with Guohua Power, pursuant to which the Company conditionally agreed to purchase 80% equity interest in Hudian Company from Guohua Power;

(iii) the Clean Coal Company Equity Purchase Agreement with Shenhua Trading and Shenbao Company, pursuant to which the Company conditionally agreed to purchase 39.1% and 21% equity interest in Clean Coal Company from Shenhua Trading and Shenbao Company respectively;

(iv) the Chaijiagou Mining Equity Purchase Agreement with Guohua Energy and Jihua Industry, pursuant to which the Company conditionally agreed to purchase 80% and 15% equity interest in Chaijiagou Mining from Guohua Energy and Jihua Industry respectively;

(v) the Finance Company Equity Purchase Agreement with Shenhua Group Co, Guohua Energy and Shenhua CTL, pursuant to which the Company conditionally agreed to purchase 39.29%, 12.86% and 7.14% equity interest in Finance Company from Shenhua Group Co, Guohua Energy and Shenhua CTL respectively;

(vi) the Material Company Equity Purchase Agreement with Shenhua Group Co and Shenhua Trading, pursuant to which the Company conditionally agreed to purchase 98.71% and 1.29% equity interest in Material Company from Shenhua Group Co and Shenhua Trading respectively;

(vii) the Tianhong Company Equity Purchase Agreement with Shenhua Group Co, pursuant to which the Company conditionally agreed to purchase 100% equity interest in Tianhong Company from Shenhua Group Co;

(viii) the Information Company Equity Purchase Agreement with Shenhua Group Co, pursuant to which the Company conditionally agreed to purchase 80% equity interest in Information Company from Shenhua Group Co; and

(ix) the Beiyao Company Equity Purchase Agreement with Shenhua Group Co, pursuant to which the Company conditionally agreed to purchase 100% equity interest in Beiyao Company from Shenhua Group Co.

As disclosed in the Letter from the Board, the Company has on 20 December 2010 entered into the Assets Purchase Agreement with Baotou Mining, pursuant to which the Company conditionally agreed to purchase major operational assets and related liabilities from Baotou Mining, including the mining rights of Adaohai Mine, Shuiquan Opencast Mine, Lijiahao Mine and their related assets and liabilities.

As set out in the Letter from the Board, each of the counterparties to the Equity Purchase Agreements and the Assets Purchase Agreement is Shenhua Group Co or the subsidiary of Shenhua Group Co (the sole promoter and a controlling shareholder of the Company) and as such, is a connected person of the Company under the Hong Kong Listing Rules. Therefore, the Acquisition Transactions constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

Since the applicable percentage ratios of the Acquisition Transactions (on an aggregated basis) exceed 5%, the Acquisition Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

2. *Reasons for entering into of the Equity Purchase Agreements and the Assets Purchase Agreement*

The Group operates an integrated coal-based energy business in the PRC, including coal production, transportation and sales as well as power generation. The Group also purchases thermal Coal and purchases Coal from third parties for coal blending and resale. The Board is of the view that the Acquisition Transactions will enable the Group to further develop its coal and power business and enhance the Group's position as a whole. The Board considers that the terms of the Equity Purchase Agreements and the Assets Purchase Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole for the following reasons:

In line with the Company's long-term development strategy and strengthen the core business of the Company

As stated in the prospectus of the Company dated 2 June 2005, one of the Company's business strategies is to seek sustainable growth of its coal business. As stated in the section headed "Overview of the economy of the PRC and the coal industry in the PRC" above, power generation accounted for the major consumer of the national coal demand in the PRC in 2008. As the primary power generation fuel source in the PRC, coal is widely used in the manufacturing of steel and other industrial applications.

The Directors believed that in the advancement of the PRC's industrialization, urbanization and modernization, the PRC's demand for energy, in particular for coal and power, would see a continuous rise.

As mentioned in the section headed "Overview of the economy of the PRC and the coal industry in the PRC" above, coal consumption in the PRC recorded a CAGR of approximately 9.8% per annum from 2004 to 2008. Coal consumption shows an increasing trend during the past few years.

As mentioned in the paragraph headed "Reasons for entering into the Equity Purchase Agreements and the Assets Purchase Agreement and their benefits to the Company" in the Letter from the Board, upon completion of the Equity Purchase Agreements and the Assets Purchase Agreement, upon the completion of the Acquisition Transactions and as of 30 June 2010, the coal recoverable reserve under PRC standard will increase by approximately 20.98% from approximately 11.573 billion tonness to approximately 14.001 billion tonnes; the marketable reserve (being the aggregated amount of marketable proved reserve and marketable probable reserve) under JORC standard will increase by approximately 23.72% from approximately 7.394 billion tonnes to approximately 9.148 billion tonnes.

The entering into the Equity Purchase Agreements and the Assets Purchase Agreement are in line with the sustainable long-term coal business growth strategy of the Company through selective acquisition of commercially attractive assets and coal resources, so as to so as to sustain the continued long-term growth of its coal business.

Continue to fully leverage on the integrated strengths of coal and power businesses, synergy effects between companies and optimize resource allocation

Through the Acquisition Transactions, the Company will fully leverage on the synergy effects in the coal and power resources among Shenbao Company, Hudian Company and Clean Coal Company. Coal resources required by Clean Coal Company will be entirely provided by Shenbao Company while Hudian Company's two power plants for Phase I with a capacity of 600,000 KW are proximity to the mouth of Opencast Mine of Shenbao Company. Coal required for power generation by the power plants will be entirely derived from the lignite produced by Shenbao Company which, will be directly transported into the mine-mouth power plants through conveyor belts. On one hand, this approach could firmly secure the coal resources required by Clean Coal Company and Hudian Company, reduce the investments into, and expenditures on, the construction of coal mines, shorten the transportation distance, conserve transportation resources and enjoying a competitive edge in terms of the price for coal procurement. On the other hand, the approach could also boost the development of lignite business for Shenbao Company, secure its long-term clients, reduce external sales pressure, enhance the quality of lignite, expand the applications of lignite and promote the upgrading of coal business. The collaboration represents a reduction in administrative costs for all parties.

Reduce and avoid potential competitions between the Company and Shenhua Group Co, the controlling shareholder of the Company, vividly demonstrating the full support of Shenhua Group Co to the development of the Company

Through the acquisition of equity interest and assets of thermal coal enterprises and equity interest of electricity enterprises under Shenhua Group Co, potential competitions between operating coal mines and the Company's coal business, as well as the potential competitions between coal mines under constructions, coal mines intended to be constructed and power plant projects upon the commencement of operations and the Company's coal and power businesses in the future could be reduced.

Shenhua Group Co adopted the "Step-by-step injection of mature assets" approach and progressively completed the listing of all the assets under coal and power business when the Company conducted the initial public offering. Besides, the options and the rights of first refusal in the enterprises under Shenhua Group and related competing business were also vested in the Company. Shenhua Group Co has been proactively conducting the reorganisation and consolidation of the reserved coal and power business so as to pave the way for the injection into the Company. The injection of the equity interest and assets of the companies providing coal, power and related businesses which have completed the reorganisation and consolidation with appropriate ownership, at assessed values by Shenhua Group Co is a significant milestone for Shenhua Group to realize the listing undertaking and vividly demonstrates the full support of Shenhua Group Co to the long-term stable development of the Company.

Provide support assurance for the Company's future expansion

As mentioned in the paragraph headed "Reasons for and benefits of the Equity Purchase Agreements and the Assets Purchase Agreement" in the Letter from the Board, Material Company is principally engaged in the business of sale of oil such as petroleum, diesel, kerosene and lubricating oil used in the transportation system as well as the sale of blasting equipment and mining vehicles. Its major customers are coal-production and transportation enterprises of the Group. Tianhong Company is principally engaged in the business of wholesale and retail of coal; provision of certain coal reserve to Beijing for emergency use in winter; supply of uniforms, business attire, worker-protection items as well as office supplies and gifts to coal-production and transportation enterprises of Shenhua Group and the Group, such as the Company's Shenshuo Railway Branch and Shenhua Shendong Coal Group Co., Ltd. Acquiring such assets related to the ancillary services provided to the Company's affiliated mining sites and railways will not only benefit the daily management of the mining sites, but also provide support assurance for the Company's future expansion.

Having considered that the Acquisition Transactions (i) are in line with the Company's long-term development strategy and strengthen the core business of the Company; (ii) continue to fully leverage on the integrated strengths of coal and power businesses synergy effects between companies and optimize resource allocation; (iii) reduce and avoid potential competitions between the Company and Shenhua Group Co, the controlling shareholder of the Company, vividly demonstrating the full support of Shenhua Group Co to the development of the Company; and (iv) provide support assurance for the Company's future expansion as mentioned above, we are of the view that the Acquisition Transactions are in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independent Shareholders as a whole.

3. Consideration of the Equity Transfer Agreements and Assets Purchase Agreement

Since each of the equity interest of the target company under the Equity Purchase Agreements is PRC state-owned assets, the consideration for each of the Equity Purchase Agreements is subject to the final agreement and record of the valuation reports (the "**Valuation Reports**") of each target company under the Equity

Purchase Agreements by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No. 11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As at the Latest Practicable Date, no decision on consideration adjustment had been made by Shenhua Group Co. In the event that upward adjustment to the aforesaid consideration is beyond 5%, the Company will make further announcement on such upward adjustment and will, where such upward adjustment takes place after the EGM, re-comply with the Independent Shareholders' approval requirement under the Hong Kong Listing Rules.

The consideration for each of the Equity Purchase Agreements was determined by the relevant parties following arm's length negotiations by reference to, inter alia, (i) the net asset value and financial information and performance of the target company under the Equity Purchase Agreements; (ii) the appraised value of the subject matter under the Equity Purchase Agreements as at the Valuation Date; and (iii) the subsequent declaration and payment of dividend by the target company under the Equity Purchase Agreements after the Valuation Date, if applicable. The Hudian Company Valuation Report only values 77.46% equity interest in Hudian Company as at the Valuation Date without taking into accounts of the registered capital increase of Hudian Company from approximately RMB631 million to approximately RMB922 million (the "**Registered Capital Increase**") pursuant to an agreement between Hudian Company and its shareholders reached in October 2010, which was happened after the Valuation Date. In determining the consideration for the acquisition of 80% equity interest in Hudian Company, the parties to the Hudian Company Equity Purchase Agreement have also considered the payment of approximately RMB249 million by Guohua Power in the Registered Capital Increase according to the registered capital of the Hudian Company in respect of (i) the proportional capital contribution of approximately RMB226 million in respect of 77.46% equity interest in Hudian Company held by Guohua Power in the Registered Capital Increase; and (ii) the additional capital contribution of approximately RMB23 million in respect of 2.54% equity interest in Hudian Company by Guohua Power in the Registered Capital Increase. Thus we are of the view that the consideration for the Hudian Company Equity Purchase Agreement, which is determined with reference to the Hudian Company Valuation Report and the payment of approximately RMB249 million by Guohua Power in the Registered Capital Increase, is fair and reasonable.

The consideration for the Assets Purchase Agreement was determined by the parties following arm's length negotiations by reference to, inter alia, the appraised value of the Assets as at the Valuation Date. Such appraisal was prepared by the Valuer, an independent firm of valuer qualified in the PRC.

In assessing the fairness and reasonableness of the appraisal, we have reviewed the assumptions, valuation methodologies and the conclusions stated in the Valuation Reports prepared by the Valuer. As stated in the Valuation Reports, (i) the appraisals of the Hudian Company Equity Interest, the Clean Coal Company Equity Interest, the Material Company Equity Interest, the Tianhong Company Equity Interest and the Beiyao Company Equity Interest are based on the asset-based approach; (ii) the appraisals of the Shenbao Company Equity Interest, the Chaijiagou Mining Equity Interest, and the Assets are based on both the asset-based approach and the discounted cash flow approach. The discounted cash flow approach was used only for (a) the appraisals of the Opencast Mine, Opencast Mine Continuation Area, Baoyan Mine and Mine 3 Continuation Area under the Shenbao Company Equity Interest appraisal; (b) the appraisal of the Chaijiagou Mine under the Chaijiagou Mining Equity Interest appraisal; and (c) the appraisal of the Adaohai Mine, Shuiquan Opencast Mine and Lijiaohao Mine under the Assets appraisal; and (iii) the appraisals of the Finance Company Equity Interest and the Information Company Equity Interest are based on the discounted cash flow approach.

As stated in the Valuation Reports, the appraisals of the Shenbao Company Equity Interest, the Hudian Company Equity Interest, the Clean Coal Company Equity Interest, the Chaijiagou Mining Equity Interest, the Finance Company Equity Interest, the Material Company Equity Interest, the Tianhong Company Equity Interest, the Information Company Equity Interest, the Beiyao Company Equity Interest and the Assets (the "**Targets**") were conducted in accordance with the relevant rules and regulations regarding asset valuation in the PRC.

We have discussed with the Valuer on the methodologies adopted and assumptions used in arriving at its appraisals of the Targets in the Valuation Reports. In the course of our discussions with the Valuer, we understand that the approaches used by the Valuer are considered the best method in appraising the value of each of the Targets. No material issue has come to our attention that would lead us to believe that the appraisals of the Valuer were not prepared on a reasonable basis nor reflect the methodologies and assumptions which have been adopted and arrived at after due and careful consideration. We have no reason to doubt the fairness and appropriateness of the methodologies adopted and assumptions used by the Valuer in arriving at the appraisals of the Targets.

There are three internationally recognized appraisal methodologies namely, (i) market approach; (ii) the asset-based approach; and (iii) the discounted cash flow approach. Under the asset-based approach, the value of a business enterprise was determined by assuming the value of such business enterprise is equal to the current cost of reproduction or replacement of such business enterprise less deductions for physical deterioration and all relevant forms of obsolescence and optimization in appraisal. Discounted cash flow approach determines the value of a business enterprise by discounting its future cash flow. Market comparison approach is a method of determining the value of a business by comparing to similar businesses that have been sold.

The Valuer is of the view that the market approach is not appropriate for the appraisals of the Shenbao Company Equity Interest, the Hudian Company Equity Interest, the Clean Coal Company Equity Interest, the Chaijiagou Mining Equity Interest, the Finance Company Equity Interest, the Material Company Equity Interest, the Tianhong Company Equity Interest, the Beiyao Company Equity Interest and the Assets due to their size and location, it is difficult to make a direct comparison with other companies/assets in the market.

We concur with the Valuer that the asset-based approach is the most appropriate approach in evaluating the fair values of the Shenbao Company Equity Interest (except the Opencast Mine, Opencast Mine Continuation Area, Baoyan Mine and Mine 3 Continuation Area), the Hudian Company Equity Interest, the Clean Coal Company Equity Interest, the Chaijiagou Mining Equity Interest (except the Chaijiagou Mine), the Material Company Equity Interest, the Tianhong Company Equity Interest, the Beiyao Company Equity Interest and the Assets (except the Adaohai Mine, Shuiquan Opencast Mine and Lijiaohao Mine) as compared with the discounted cash flow approach given the income projection under the discounted cash flow approach would be difficult to ascertain as it is subject to several uncertainties, such as (i) the expected future operation cost due to the early stage of operation of some companies; (ii) macroeconomic factors, which will highly affect the prices of coal and electricity; and (iii) the PRC government policies which may not truly reflect the fair market values of the companies to be acquired.

We also concur with the Valuer that the discounted cash flow approach is the most appropriate approach in evaluating the fair value of (i) the Finance Company; (ii) the Information Company; (iii) the Opencast Mine, Opencast Mine Continuation Area, Baoyan Mine, Mine 3 Continuation Area, the Chaijiagou Mine, the Adaohai Mine, Shuiquan Opencast Mine and Lijiaohao Mine (the "**Mines**") as compared with the asset-based approach given the assets of the Finance Company, the Information Company and the Mines are mainly derived from intangible assets such as mining rights, enterprise skills, management and networking which may not truly reflect the fair value of its assets, therefore the discounted cash flow approach shall represent more accurately on the enterprise value and the shareholder's equity of the Company, and is also commonly used to assess the fair value of a company in an equity transfer.

As advised by the Directors, pursuant to 企業國有產權轉讓管理暫行辦法 (the Provisional Measures on the Management of Acquisition of the State-owned Property Rights of Enterprises) effective from 1 February 2004, the consideration for the acquisition of State-owned assets shall be referenced to the value appraised by a qualified valuer endorsed by or filed with the relevant PRC government regulatory bodies. In the event the consideration of the State-owned assets is lower than 90%, the transaction can not be proceed until the consent of the relevant regulatory bodies. As mentioned above, the consideration for each of the Equity Purchase Agreements is subject to the final agreement and record of the Valuation Reports of each target company under the Equity Purchase Agreements by Shenhua Group Co who exercises such power and rights on behalf of the SASAC pursuant to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" promulgated by the SASAC on 26 January 2010 (Guo Zi Fa Chan Quan [2010] No. 11), and may adjust such consideration upwards or downwards within 5%. Shenhua Group Co will exercise such adjustment power and rights strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations". As at the Latest Practicable Date, no decision on consideration adjustment had been made by Shenhua Group Co. Given (i) upon adjustment, the consideration for each of the Equity Purchase Agreements will not be lower than 95% of the appraised values in the Valuation Reports; (ii) Shenhua Group Co will exercise the adjustment power and rights of strictly in accordance with requirements set out in PRC laws and regulations, including but not limited to the "Notice on Matters related to Transfer of the State-owned Property Rights Agreement of Central Enterprises" and the "State-owned Assets Valuation Administrative Regulations" for the adjustment of consideration upwards or downwards within 5%; and (iii) the Valuer is a qualified valuer endorsed by or filed with the relevant PRC government regulatory bodies, we consider that the consideration of the Targets, which is based on the appraised value, are in line with our understanding of the above PRC regulation.

After considering (i) the determination for the consideration of the acquisition of a State-owned asset is required to be based on and not lower than the value appraised by a qualified valuer endorsed by or filed with the relevant PRC government regulatory bodies; (ii) the advice of the Directors that the Valuer is a qualified valuer endorsed by or filed with the relevant PRC government regulatory bodies; and (iii) the Valuation Reports prepared by the Valuer were prepared in accordance with the relevant rules and regulations in the PRC, we concur with the Directors' (including the independent non-executive Directors) view that the each of the Equity Purchase Agreements and the Assets Purchase Agreement is determined on normal commercial terms, fair and reasonable so far as the independent Shareholders are concerned, and the entering into of the Equity Purchase Agreements and the Assets Purchase Agreement are in the interests of the Company and the Independent Shareholders as a whole.

4. Financial effect of the Acquisition Transactions

Set out below are the financial effects of the Acquisition Transactions on the Group:

(a) Earnings

With the positive prospect of the coal market as mentioned in the paragraph headed "Overview of the economy of the PRC and the coal industry in the PRC" above and the historical performance of the companies to be acquired under the Equity Purchase Agreements and the Assets Purchase Agreement, we concur with the view of the Board that, assuming that there is no material change in the economic or market conditions in the PRC, the profitability of the Group will be enhanced after completion of the Acquisition Transactions.

(b) Net assets value

As the consideration of the Acquisition Transactions will be satisfied by internal resources of the Group, we concur with the Directors' view that the Equity Purchase Agreements and the Assets Purchase Agreement will have no material effect on the consolidated net asset value of the Group upon completion of the Acquisition Transactions.

(c) Gearing

As mentioned in the above paragraph, since the payment for the consideration of the Acquisition Transactions will be satisfied by internal resources of the Group, there will be no material effect on the gearing ratio (calculated as to total liabilities divided by total assets) of the Group as a result of the Equity Purchase Agreements and the Assets Purchase Agreement.

IV. The Financial Services Agreement

1. Background of entering into the Financial Services Agreement

As disclosed in the Letter from the Board, after completion of the Finance Company Equity Interest acquisition pursuant to the Finance Company Equity Purchase Agreement, Finance Company will become a subsidiary of the Company. With a view to regulating transactions between Finance Company, the Group and the Shenhua Group and associates of Shenhua Group Co, the Company has on 20 December 2010 entered into the Financial Services Agreement with Shenhua Group Co. Pursuant to the Financial Services Agreement, (i) the Company has conditionally agreed to provide, through Finance Company, financial services to the Shenhua Group and associates of Shenhua Group Co; and (ii) the Shenhua Group has conditionally agreed to provide, at the request of the Group and through Finance Company, entrustment loans to the Group.

Shenhua Group Co is the controlling shareholder of the Company and is a connected person of the Company. Therefore, the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed caps for the provision of guarantee, provision of bill acceptance and discount services, acceptance of deposits, provision of loans, consumer credit facilities, buyer 's credit and finance leasing and provision of entrustment loan services under the Financial Services Agreement, the relevant percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) exceed 5%. Therefore, the Financial Services Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In relation to the provision of other financial services (other than the provision of guarantee, provision of bill acceptance and discount services, acceptance of deposits, provision of loans, consumer credit facilities, buyer 's credit and finance leasing and provision of entrustment loan services) by Finance Company to the Shenhua Group and associates of Shenhua Group Co under the Financial Services Agreement, it is expected that, based on current information and plan of the Company, the transaction amount involved will be relatively low and the percentage ratios associated thereof will be below the 0.1% de minimis threshold set out in Rule 14A.33 of the Hong Kong Listing Rules. As such, no cap has been proposed or set for such other financial services.

2. *Reasons for entering into the Financial Services Agreement*

In view of (i) the past cooperation between Finance Company and the Shenhua Group and associates of the Shenhua Group Co; (ii) the accepting deposits from the Shenhua Group and associates of the Shenhua Group Co under the Financial Services Agreement will provide funding to Finance Company; and (iii) the provision of services under the Financial Services Agreement will generate revenue to Finance Company, we concur with the Directors' view that the Financial Services Agreement is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

3. *Basis of price determination of the Financial Services Agreement*

Details of the price determination of the Financial Services Agreement are set out in the Letter from the Board.

The management of the Group advised that the interest rate or fee under the Financial Services Agreement should be governed by CBRC.

Based on the above, we are of the view that the price basis under the Financial Services Agreement is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

4. *Basis of determining the Annual Caps*

The Annual Caps are set out below:

	Year ending 31 December 2011 *(RMB million)*	Year ending 31 December 2012 *(RMB million)*	Year ending 31 December 2013 *(RMB million)*
Annual cap on amount of guarantee provided by Finance Company to or for the benefit of the Shenhua Group and associates of Shenhua Group Co	2,500	2,500	2,500
Annual cap on amount of bill acceptance and discount services provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co	9,000	12,000	15,000
Maximum daily balance (including interests accrued thereon) of deposits placed by the Shenhua Group and associates of Shenhua Group Co with Finance Company	35,000	40,000	45,000
Cap on balance of loans, consumer credit facilities, buyer's credit and finance leasing (including interests accrued thereon) provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co at any one point of time	24,000	28,000	28,000
Cap on balance of entrustment loan (including interests accrued thereon) between members of the Shenhua Group and associates of Shenhua Group Co handled by Finance Company at any one point of time	80,000	100,000	100,000

As set out in the Letter from the Board, the Annual Caps were based on (i) historical transaction amounts of financial services provided by the Finance Company; and (ii) future business development plans of Finance Company.

We have reviewed and discussed with the management of the Group the historical transaction amounts of Financial Services provided by Finance Company. As shown in the Letter from the Board, the maximum daily balance (including interests accrued thereon) of deposits placed by the Shenhua Group and associates of Shenhua Group Co with Finance Company for the year ended 31 December 2009 increased approximately 10% as compared with that of year ended 31 December 2008. Thus the management of the Group expects that the maximum daily balance (including interests accrued thereon) of deposits placed by the Shenhua Group and associates of Shenhua Group Co with Finance Company for the three years ending 31 December 2013 will also increase at a rate of approximately 10% per annum. The expected new annual caps for the three years ending 31 December 2013 in respect of (i) amount of guarantee provided by Finance Company to or for the benefit of the Shenhua Group and associates of Shenhua Group Co; and (ii) amount of bill acceptance and discount services provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co, and the increase in the annual caps for the three years ending 31 December 2013 in respect of (i) balance of loans, consumer credit facilities, buyer 's credit and finance leasing (including interests accrued thereon) provided by Finance Company to the Shenhua Group and associates of Shenhua Group Co at any one point of time; and (ii) balance of entrustment loan (including interests accrued thereon) between members of the Shenhua Group and associates of Shenhua Group Co handled by Finance Company at any one point of time were due to the increase of companies of the Shenhua Group and associates of Shenhua Group Co receiving financial services from the Finance Company from 2011.

We have also discussed with the management of the Group and reviewed the business development plans of the Financial Services to be provided by Finance Company to Shenhua Group and associates of Shenhua Group Co. The management of the Group advised that in determining the above plans, they have referenced to the investment and development plans of the members of the Shenhua Group and associates of Shenhua Group Co which will use the Financial Services provided by the Finance Company.

As mentioned in the section headed "Overview of the economy of the PRC and the coal industry in the PRC" above, coal consumption in the PRC recorded a CAGR of approximately 9.8% per annum from 2004 to 2008. Coal consumption shows an increasing trend during the past few years. Thus the management of the Group expects that the Shenhua Group and associates of Shenhua Group Co will increase their investment for the three years ending 31 December 2013 to cater for the increase in coal consumption in the future. Thus the transaction amount for the provision of the Financial Services under the Financial Services Agreement will increase accordingly.

Based on the above, we consider the basis of determining the Annual Caps is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION AND CONCLUSION

Having considered the above principal factors and reasons, we are of the opinion that (i) the Acquisition Transactions are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; (ii) the Continuing Connected Transactions are on normal commercial terms, in the ordinary and usual course of business (except for the provision of guarantee and provision of loans, consumer credit facilities, buyer 's credit and finance leasing), fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Acquisition Transactions and the Continuing Connected Transactions at the EGM. We also recommend the Independent Shareholders to vote in favour of the Acquisition Transactions and the Continuing Connected Transactions at the EGM.

Yours faithfully,
For and on behalf of
China Merchants Securities (HK) Co., Limited
Tony Wu
Managing Director and
Head of Investment Banking Department

* *In this letter, the English names of the PRC laws and entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.*

The following is the text of a letter, summary of values and valuation certificates prepared for the purpose of incorporation in this circular received from Jones Lang LaSalle Sallmanns Limited, an independent valuer, in connection with its valuation as at 31 October 2010 of the property interests of the Target Group.

JONES LANG LASALLE® SALLMANNS

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Licence No: C-030171

29 December 2010

The Board of Directors
China Shenhua Energy Company Limited
22 Andingmen Xibinhe Road
Dongcheng District
Beijing
the People's Republic of China (the "PRC")

Dear Sirs,

China Shenhua Energy Company Limited (the "Company") intends to acquire the major operational assets, related liabilities and equity interests from Shenhua Group Corporation Limited ("Shenhua Group Co.") and its subsidiaries which include:

1. the major operational assets and related liabilities of Shenhua Group Baotou Mining Co., Ltd. ("Baotou Mining");

2. 56.61% equity interest in Shenhua Baorixile Energy Co., Ltd. ("Shenbao Company");

3. 80% equity interest in Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd. ("Hudian Company");

4. 60.1% equity interest in Hulunbeier Shenhua Clean Coal Co., Ltd. ("Clean Coal Company");

5. 95% equity interest in Shaanxi Jihua Chaijiagou Mining Co., Ltd. ("Chaijiagou Mining");

6. 59.29% equity interest in Shenhua Finance Co., Ltd. ("Finance Company");

7. 100% equity interest in Shenhua Material Trading Co., Ltd. ("Material Company");

8. 100% equity interest in Shenhua Tianhong Trading Co., Ltd. ("Tianhong Company");

9. 80% equity interest in Beijing Hollysys Information Technology Co., Ltd. ("Information Company"); and

10. 100% equity interest in Shenhua (Beijing) Remote Sensing Exploration Co., Ltd. ("Beiyao Company").

The above companies and their subsidiaries are referred hereinafter as the "Target Group".

In accordance with your instructions to value the properties in which the Target Group has interests in the PRC and Hong Kong, we confirm that we have carried out inspections, made relevant enquiries and searches and obtained such further information as we consider necessary for the purpose of providing you with our opinion of the capital values of the property interests as at 31 October 2010 (the "date of valuation").

The concept of freehold and leasehold land does not exist in China. Private land ownership in China was abolished in the collectivization movement during the 1950's. Since then, the only form of ownership in land has been "socialist public ownership" of which there are two generic types: state-owned and collectively-owned. Land was "allocated" free of charge by the state to the designated users (commonly state-owned enterprises) for an indefinite period ("allocated land"). The users in return could not in any way transfer the land to other parties. Normally, when dealing with the valuation of such land, we will deem it to have "no commercial value".

In January 1995, the "PRC, Administration of Urban Real Property Law" came into effect, reinforcing previous legislation and establishing land as a commodity. By possessing "land use rights" users, including state-owned enterprises, could assign, lease or mortgage land. Normally, to obtain such land use rights, a premium have to be paid whereupon the allocated land could be reclassified as "granted" land. The land is granted by the state and the premium is based upon the standard land prices (which are periodically reviewed) set by the Land Administration Bureau. Such land can be valued by reference to the standard land prices in each locality and prices paid in the market for it.

Where, due to the nature of the buildings and structures of the property nos. 1, 2, 4, 9, 12 to 17, 19 to 21, 23 to 25, 28 and 29 in Group I and the particular locations in which they are situated, there are unlikely to be relevant market comparable sales readily available, the property interests have therefore been valued on the basis of their depreciated replacement cost.

Depreciated replacement cost is defined as "the current cost of replacing an asset with its modern equivalent asset less deductions for physical deterioration and all relevant forms of obsolescence and optimization." It is based on an estimate of the market value for the existing use of the land, plus the current cost of replacing the improvements, less deductions for physical deterioration and all relevant forms of obsolescence and optimization. The depreciated replacement cost of the property interest is subject to adequate potential profitability of the concerned business.

We have valued the property interests of property nos. 3, 5 to 8, 10, 11, 18, 22, 26 and 27 in Group I, 34 in Group III, 35 and 36 in Group IV and 37 in Group V by the direct comparison approach assuming sale of the property interests in their existing state with the benefit of immediate vacant possession and by making reference to comparable sales transactions as available in the relevant market.

In valuing the property interests of portions of property no.24 in Group I and Group II which are currently under development, we have assumed that they will be developed and completed in accordance with the latest development proposal provided to us by the Company and the Target Group. In arriving at our opinion of value, we have taken into account the construction costs and professional fees relevant to the stage of construction as at the date of valuation and the remainder of the costs and fees to be expended to complete the developments.

We have valued the property interest of property no. 33 in Group III by the income approach by taking into account the net rental income of the property derived from the existing lease and/or achievable in the existing market with due allowance for the reversionary income potential of the lease, which has been then capitalized to determine the market value at an appropriate capitalization rate. Where appropriate, reference has also been made to the comparable sale transactions as available in the relevant market.

Our valuation has been made on the assumption that the seller sells the property interests in the market without the benefit of a deferred term contract, leaseback, joint venture, management agreement or any similar arrangement, which could serve to affect the values of the property interests.

No allowance has been made in our report for any charge, mortgage or amount owing on any of the property interests valued nor for any expense or taxation which may be incurred in effecting a sale. Unless otherwise stated, it is assumed that the properties are free from encumbrances, restrictions and outgoings of an onerous nature, which could affect their values.

In valuing the property interests, we have complied with all requirements contained in Chapter 5 and Practice Note 12 of the Rules Governing the Listing of Securities issued by The Stock Exchange of Hong Kong Limited; the RICS Valuation Standards published by the Royal Institution of Chartered Surveyors; the HKIS Valuation Standards published by the Hong Kong Institute of Surveyors; and the International Valuation Standards published by the International Valuation Standards Council.

We have relied to a very considerable extent on the information given by the Company and the Target Group and have accepted advice given to us on such matters as tenure, planning approvals, statutory notices, easements, particulars of occupancy, lettings, and all other relevant matters.

We have been provided with copies of title documents relating to the property interests and have caused searches to be made at the Hong Kong Land Registry. However, we have not searched the original documents to verify the ownership or to ascertain any amendment.

We have been shown copies of various title documents including State-owned Land Use Rights Certificates, Building Ownership Certificates and official plans relating to the property interests and have made relevant enquiries. Where possible, we have examined the original documents to verify the existing title to the property interests in the PRC and any material encumbrance that might be attached to the property interests or any tenancy amendment. We have relied considerably on the advice given by the Company's PRC legal advisers – De Heng Law Firm, concerning the validity of the property interests in the PRC.

We have not carried out detailed measurements to verify the correctness of the areas in respect of the properties but have assumed that the areas shown on the title documents and official site plans handed to us are correct. All documents and contracts have been used as reference only and all dimensions, measurements and areas are approximations. No on-site measurement has been taken.

We have inspected the exterior and, where possible, the interior of the properties. However, we have not carried out investigation to determine the suitability of the ground conditions and services for any development thereon. Our valuation has been prepared on the assumption that these aspects are satisfactory and that no unexpected cost and delay will be incurred during construction. Moreover, no structural survey has been made, but in the course of our inspection, we did not note any serious defect. We are not, however, able to report whether the properties are free of rot, infestation or any other structural defect. No tests were carried out on any of the services.

We have had no reason to doubt the truth and accuracy of the information provided to us by the Company and the Target Group. We have also sought confirmation from the Company and the Target Group that no material factors have been omitted from the information supplied. We consider that we have been provided with sufficient information to arrive an informed view, and we have no reason to suspect that any material information has been withheld.

Unless otherwise stated, all monetary figures stated in this report are in Renminbi (RMB). The exchange rate adopted in our valuation is approximately HKD1 = RMB0.8604 which was approximately the prevailing exchange rate as at the date of valuation.

Our valuation is summarized below and the valuation certificates are attached.

Yours faithfully,
for and on behalf of
Jones Lang LaSalle Sallmanns Limited
Paul L. Brown
B.Sc. FRICS FHKIS
Director

Note: *Paul L. Brown is a Chartered Surveyor who has 27 years' experience in the valuation of properties in the PRC and 30 years of property valuation experience in Hong Kong, the United Kingdom and the Asia-Pacific region.*

SUMMARY OF VALUES

Group I – Property interests held and occupied by the Target Group in the PRC

No.	**Property**	**Capital value in existing state as at 31 October 2010** *RMB*
1.	2 parcels of land, 11 buildings and 2 structures located at Yuhua Road Yijun County Tongchuan City Shaanxi Province The PRC	2,436,000
2.	3 parcels of land, 62 buildings and various structures located at Mafang Village Tai'an Town Yijun County Tongchuan City Shaanxi Province The PRC	68,935,000
3.	Units 21801 to 21806 and 11310 on Levels 13 and 18 Xi'an Wanda Square No.8 Yanta Road Beilin District Xi'an City Shaanxi Province The PRC	No commercial value
4.	3 buildings located at Shendong Community Daliuta Town Shenmu County Yulin City Shaanxi Province The PRC	No commercial value
5.	Unit 1202 on Level 12 Zhong Jing Hao Ting No.12 Ande Road Dongcheng District Beijing The PRC	12,694,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*
6.	Level 3 and Level 6 of a 6-storey building located at Shangdi 4th Street Haidian District Beijing The PRC	28,420,000
7.	Unit 801 on Level 8 of a 26-storey building No.287 Wei Fang Xin Cun Street Pudong New District Shanghai The PRC	3,445,000
8.	Levels 4 to 6 of Block B8, Units 209, 609, 610, 709 and 710 of Block E6 and Units 613 to 615 and 713 to 715 of Block A9 of Hengfeng Industrial Park located at Xixiang Town Bao'an District Shenzhen City Guangdong Province The PRC	9,325,000
9.	A parcel of land and 5 buildings No.17 Yimei Road Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	No commercial value
10.	2 buildings No.6 Donghuan Road Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	24,869,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*
11.	A car parking space No.1 Jilaoqing South Road Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	No commercial value
12.	An office building No.37 Yixi Street Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	No commercial value
13.	2 buildings and various structures located at the Railway Station Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	No commercial value
14.	8 buildings and various structures located at Shendong Mine Shangwan Town Yijinhuoluo Banner Erdos City Inner Mongolia Autonomous Region The PRC	No commercial value
15.	5 buildings and various structures located at Haerwusu Open-pit Mine Xuejiawan Town Zhungeer Banner Erdos City Inner Mongolia Autonomous Region The PRC	No commercial value

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*
16.	A commercial building No.17 Shaoxian Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	30,696,000
17.	A parcel of land and 7 buildings located at A'erding Square Kun District Baotou City Inner Mongolia Autonomous Region The PRC	160,010,000
18.	137 retail units locate at the western side of Shifudong Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	140,893,000
19.	3 parcels of land, 34 buildings and various structures located at the southern side of 110 National Road Goumen Town Tumote Right Banner Baotou City Inner Mongolia Autonomous Region The PRC	100,635,000
20.	A parcel of land and 2 buildings located at the southern side of Zhenhua Street Salaqi Town Baotou City Inner Mongolia Autonomous Region The PRC	7,002,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*
21.	7 parcels of land, 27 buildings and various structures located at the Adaohai Valley Tumote Right Banner Baotou City Inner Mongolia Autonomous Region The PRC	23,298,000
22.	Levels 3 to 4 of a 6-storey office building and a garage No.9 Qingnian Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	5,141,000
23.	18 buildings and various structures located at the Shuiquan Mine Tumote Right Banner Baotou City Inner Mongolia Autonomous Region The PRC	No commercial value
24.	42 parcels of land, 256 buildings and various structures, 3 buildings and various structures under construction located at Baorixile Town Chenbaerhu Banner Hulunbeier City Inner Mongolia Autonomous Region The PRC	905,570,000
25.	3 parcels of land and 26 buildings located at Hailar District Hulunbeier City Inner Mongolia Autonomous Region The PRC	2,003,000
26.	A unit on Level 2 of Coal Office located at Caishenmiao Street Xincheng District Hohhot City Inner Mongolia Autonomous Region The PRC	1,136,000

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*
27.	A unit of a 9-storey building No.363 Gongbin Road Xiangfang District Harbin City Heilongjiang Province The PRC	2,761,000
28.	2 parcels of land and 7 buildings located at Xiaozhuang Village Diyiguan Town Shanhaiguan District Qinhuangdao City Hebei Province The PRC	No commercial value
29.	A parcel of land and 3 buildings No.17 Shaoxian Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	222,461,000
	Sub-total:	**1,751,730,000**

Group II – Property interests held under development by the Target Group in the PRC

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*
30.	A parcel of land, various buildings and structures under construction located at Budunhushuo Gazha Baorixile Town Chenbaerhu Banner Hulunbeier City Inner Mongolia Autonomous Region The PRC	No commercial value
31.	9 buildings and various structures under construction located at Surface Mine Baorixile Town Chenbaerhu Banner Hulunbeier City Inner Mongolia Autonomous Region The PRC	No commercial value
32.	23 buildings and various structures under construction located at Huoshatu Gou Chagan Village Hantai Town Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	No commercial value
	Sub-total:	**Nil**

Group III – Property interests held for investment by the Target Group in the PRC

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*
33.	A parcel of land, 7 buildings and various structures located at the western side of Huma Road Wulanmulun Town Yi Banner Erdos City Inner Mongolia Autonomous Region The PRC	20,620,000
34.	An office building located at Yingbin Avenue Tiexi New District Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	No commercial value
	Sub-total:	**20,620,000**

Group IV – Property interests contracted to be acquired by the Target Group in the PRC

No.	Property	Capital value in existing state as at 31 October 2010 *RMB*
35.	A parcel of land located at New District Hulunbeier City Inner Mongolia Autonomous Region The PRC	No commercial value
36.	A parcel of land No.17 Shaoxian Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	No commercial value
	Sub-total:	**Nil**

Group V – Property interest owned and occupied by the Target Group in Hong Kong

No.	Property	Capital value in existing state as at 31 October 2010
		RMB
37.	Workshop A6 on Level 3 of Block A Hong Kong Industrial Centre Nos. 489-491 Castle Peak Road Kowloon Hong Kong 31/7700th shares of and in Section C, D and F of New Kowloon Inland Lot No.3515	14,000,000
	Sub-total:	**14,000,000**
	Grand total:	**1,786,350,000**

VALUATION CERTIFICATE

Group I – Property interests held and occupied by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
1.	2 parcels of land, 11 buildings and 2 structures located at Yuhua Road Yijun County Tongchuan City Shaanxi Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 6,666.7 sq.m., 11 buildings and 2 structures erected thereon which were completed in about 1999. The buildings have a total gross floor area of approximately 1,554.54 sq.m. The buildings comprise 3 office buildings, a dormitory, 2 car parking spaces and 5 ancillary buildings. The structures comprise a cistern and a gate. The land use rights of a parcel of land with a site area of approximately 3,097.50 sq.m. have been granted for a term of 50 years expiring on 25 October 2060 for commercial use; whilst the land use rights of the remaining one parcel of land with a site area of approximately 3,569.20 sq.m. have been allocated for residential and office uses.	The property is currently occupied by the Target Group for residential, office and ancillary purposes.	2,436,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Jun Guo Yong (98) Zi Di No.060, the land use rights of a parcel of land with a site area of approximately 3,569.20 sq.m. have been allocated to Chaijiagou Mining (a 95% owned subsidiary of Shenhua Group Co.) for residential and office uses.

2. Pursuant to a State-owned Land Use Rights Certificate – Jun Guo Yong (2010) Di No.029, the land use rights of a parcel of land with a site area of approximately 3,097.50 sq.m. have been granted to Chaijiagou Mining for a term of 50 years expiring on 25 October 2060 for commercial use.

3. Pursuant to 3 Building Ownership Certificates – Jun Fang Quan Zheng 2003 Zi Nos. 008, 009 and 014, 11 buildings with a total gross floor area of approximately 1,554.54 sq.m. are owned by Chaijiagou Mining.

4. 5 of the aforesaid 11 buildings with a total gross floor area approximately 406.50 sq.m. under the Building Ownership Certificate - Jun Fang Quan Zheng 2003 Zi No.014 are erected on the allocated land mentioned in note 1.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Chaijiagou Mining has legally owned the state-owned land use rights of the parcel of land mentioned in note 2 and the building ownership rights of 6 buildings with a total gross floor area of approximately 1,148.04 sq.m. of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the valid term and usage stipulated by the state-owned land use rights certificate;

   b. The aforesaid land use rights and building ownership rights are not subject to any mortgage or other rights restriction;

   c. Chaijiagou Mining needs to convert the allocated land mentioned in note 1 into granted land. Upon obtaining the granted land use rights certificate, Chaijiagou Mining will legally own the state-owned land use rights and will have the rights to occupy, use, lease, transfer, lease, mortgage or otherwise dispose of the land in accordance with the valid term and usage stipulated by the granted land use rights certificate; and

   d. For the allocated land mentioned in note 1 and 5 buildings mentioned in note 4, Shenhua Group Co. has undertaken that Chaijiagou Mining can continuously and normally use the land and the buildings and Shenhua Group Co. will compensate Chaijiagou Mining for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

6. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the 5 buildings mentioned in note 4 due to the nature of allocated land. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land element) as at the date of valuation would be RMB283,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
2.	3 parcels of land, 62 buildings and various structures located at Mafang Village Tai'an Town Yijun County Tongchuan City Shaanxi Province The PRC	The property comprises 3 parcels of land with a total site area of approximately 47,269.03 sq.m., 62 buildings and various structures erected thereon which were completed in various stages between 1999 and 2009. The buildings have a total gross floor area of approximately 30,807.17 sq.m. The buildings mainly include industrial buildings, office buildings and dormitories. The structures mainly include boundary fences, roads and coal storage yards. The land use rights of the property have been granted for terms of 50 years with the expiry dates on 12 March 2057 and 25 October 2060 respectively for industrial use.	The property is currently occupied by the Target Group for production, office, residential and ancillary purposes.	68,935,000

Notes:

1. Pursuant to 3 State-owned Land Use Rights Certificates – Jun Guo Yong (2007) Nos. 005 and 006 and Jun Guo Yong (2010) No.028, the land use rights of 3 parcels of land with a total site area of approximately 47,269.03 sq.m. have been granted to Chaijiagou Mining (a 95% owned subsidiary of Shenhua Group Co.) for terms of 50 years expiring on 12 March 2057 and 25 October 2060 respectively for industrial use.

2. Pursuant to 3 Building Ownership Certificates – Jun Fang Quan Zheng 2007 Zi No.049 and Jun Fang Quan Zheng 2010 Zi Nos. 100944 and 100945, 26 buildings with a total gross floor area of approximately 20,898.78 sq.m. are owned by Chaijiagou Mining.

3. For the remaining 36 buildings with a total gross floor area of approximately 9,908.39 sq.m., we have not been provided with any proper title certificates.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Chaijiagou Mining has legally owned the state-owned land use rights of the 3 parcels of land mentioned in note 1 and the building ownership rights of 26 buildings mentioned in note 2 and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the valid term and usage stipulated by the state-owned land use rights certificates;

   b. The aforesaid land use rights and building ownership rights are not subject to any mortgage or other rights restriction; and

   c. For the remaining 36 buildings mentioned in note 3, Chaijiagou Mining has the rights to occupy, use, lease and dispose of these buildings in practice. Shenhua Group Co. has undertaken to compensate Chaijiagou Mining for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the buildings mentioned in note 3. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land element) as at the date of valuation would be RMB9,226,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
3.	Units 21801 to 21806 and 11310 on Levels 13 and 18 Xi'an Wanda Square No.8 Yanta Road Beilin District Xi'an City Shaanxi Province The PRC	The property comprises 7 office units on Levels 13 and 18 of a 30-storey office building (known as Xi'an Wanda Square) completed in about 2008. The units have a total gross floor area of approximately 427.66 sq.m.	The property is currently occupied by the Target Group for residential, office and ancillary purposes.	No commercial value

Notes:

1. Pursuant to 7 Commodity Property Sale & Purchase Contracts dated 27 October 2007, 7 units with a total gross floor area of approximately 427.31 sq.m. were contracted to be sold to Chaijiagou Mining (a 95% owned subsidiary of Shenhua Group Co.) at a total consideration of RMB2,435,000.

2. We have not been provided with any building ownership certificate.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. There is no material legal impediment for Chaijiagou Mining to obtain the building ownership certificates of the property; and

   b. Upon obtaining the building ownership certificates of the property, Chaijiagou Mining will legally own the building ownership rights of the property and will have the rights to occupy, use, lease, transfer and otherwise dispose of the property.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB3,421,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
4.	3 buildings located at Shendong Community Daliuta Town Shenmu County Yulin City Shaanxi Province The PRC	The property comprises 3 buildings completed in 1998. The buildings have a total gross floor area of approximately 1,572.60 sq.m. The buildings comprise an office building, a warehouse and a car parking space.	The property is currently occupied by the Target Group for office and ancillary purposes.	No commercial value

Notes:

1. Pursuant to a Building Ownership Certificate – Shen Mu Xian Fang Quan Zheng Da Liu Ta Zi Di No.00981, 3 buildings with a total gross floor area of approximately 1,572.60 sq.m. are owned by Finance Company (a 59.29% owned subsidiary of Shenhua Group Co.).

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The property is erected on the land which has been granted to Shenhua Shendong Coal Group Company Limited (a subsidiary of the Company); and

   b. Shenhua Group Co. has undertaken that Finance Company can continuously and normally use the buildings of the property and Shenhua Group Co. will compensate Finance Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

3. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as at the date of valuation would be RMB1,542,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
5.	Unit 1202 on Level 12 Zhong Jing Hao Ting No.12 Ande Road Dongcheng District Beijing The PRC	The property comprises an office unit on Level 12 of a 23-storey office building completed in about 2003. The unit has a gross floor area of approximately 287.85 sq.m.	The property is currently occupied by the Target Group for office purpose.	12,694,000

Notes:

1. Pursuant to a Commodity Property Sale & Purchase Contract dated 20 December 2005, a unit with a gross floor area of approximately 287.85 sq.m. was contracted to be sold to Tianhong Company (a wholly-owned subsidiary of Shenhua Group Co.) at a total consideration of RMB3,620,861.

2. Pursuant to a Building Ownership Certificate – Jing Fang Quan Zheng Dong Ta Zi Di No.B11437, a unit with a gross floor area of approximately 287.85 sq.m. is owned by Tianhong Company.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

    a. Tianhong Company has legally owned the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property; and

    b. The building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
6.	Level 3 and Level 6 of a 6-storey building located at Shangdi 4th Street Haidian District Beijing The PRC	The property comprises Level 3 and Level 6 of a 6-storey building which was completed in 1993. The buildings have a total gross floor area of approximately 2,030 sq.m. The land use rights of the property have been granted for a term expiring on 2 June 2043 for industrial use.	The property is currently occupied by the Target Group for office purpose.	28,420,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Jing Shi Hai Guo Guo Yong 2007 Chu Di No.0003187 and Jing Shi Hai Qi Guo Yong 2007 Chu Di No.6021084, the land use rights of 2 parcels of land with a total apportioned area of approximately 939.8 sq.m. have been granted to Beiyao Company (a wholly-owned subsidiary of Shenhua Group Co.) for a term expiring on 2 June 2043 for industrial use.

2. Pursuant to 2 Building Ownership Certificates – Jing Fang Quan Zheng Shi Hai Guo Zi Di Nos. 1240046 and 1240052, 2 buildings with a total gross floor area of approximately 2,030 sq.m. are owned by Beiyao Company.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Beiyao Company has legally owned the state-owned land use rights and the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property in accordance with the valid term and usage stipulated by the state-owned land use rights certificates; and

   b. The land use rights and building ownership rights of the property are not subject to to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
7.	Unit 801 on Level 8 of a 26-storey building No.287 Wei Fang Xin Cun Street Pudong New District Shanghai The PRC	The property comprises an office unit on Level 8 of a 26-storey building which was completed in 1998. The property has a gross floor area of approximately 153.12 sq.m.	The property is currently occupied by the Target Group for office purpose.	3,445,000

Notes:

1. Pursuant to a Real Estate Title Certificate – Hu Fang Di Pu Zi 2009 Di No.015353, a unit with a gross floor area of approximately 153.12 sq.m. is owned by Material Company (a wholly-owned subsidiary of Shenhua Group Co.).

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Material Company has legally owned the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property; and

   b. The building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
8.	Levels 4 to 6 of Block B8, Units 209, 609, 610, 709 and 710 of Block E6 and Units 613 to 615 and 713 to 715 of Block A9 of Hengfeng Industrial Park located at Xixiang Town Bao'an District Shenzhen City Guangdong Province The PRC	The property comprises Levels 4 to 6 of a 6-storey industrial building and 11 residential units on Levels 2, 6 and 7 of two 8-storey staff-quarters completed in about 1993 and 1996. The property has a total gross floor area of approximately 3,956.02 sq.m. The land use rights of the property have been granted for a term of 50 years commencing from 8 October 1990 and expiring on 7 October 2040 for industrial use.	The property is currently occupied by the Target Group for production, storage and residential purposes except for Level 6 of Block B8 which is occupied by a third party for production purpose.	9,325,000

Notes:

1. Pursuant to 14 Real Estate Sales and Purchase Contracts all dated 21 December 2006 entered into between Shenzhen Huatongheng Trading Co., Ltd. (深圳市華通恒貿易有限公司, an independent third party) and Tianhong Company (a wholly-owned subsidiary of Shenhua Group Co.), the property with a total gross floor area of approximately 3,956.02 sq.m. was contracted to be acquired by Tianhong Company at a total consideration of RMB2,000,000.

2. Pursuant to 14 Real Estate Title Certificates – Shen Fang Di Zi Di Nos. 5000239729, 5000239734, 5000239736, 5000239738, 5000239740, 5000239742, 5000239743, 5000239745, 5000239748, 5000239750 and 5000239752 to 5000239755, the property with a total gross floor area of approximately 3,956.02 sq.m. are owned by Tianhong Company. The relevant land use rights of the property have been granted to Tianhong Company for a term of 50 years expiring on 7 October 2040 for industrial use.

3. According to a Tenancy Agreement, Level 6 of Block B8 of the property with a lettable area of approximately 1,070 sq.m. (the "Leased Portion") was leased to Shenzhen Gelinlai Electronic Technology Co., Ltd. (深圳市格林萊電子技術有限公司) (the "Lessee"), an independent third party, for a term of 2 years expiring on 8 May 2010 at a monthly rent of RMB14 per sq.m. exclusive of management fees, water and electricity charges. The aforesaid Tenancy Agreement has expired as at the date of valuation; however, the Leased Portion of the property was still occupied and used by the Lessee after the expiry date without renewing the Tenancy Agreement. As advised by the Tianhong Company, the Tenancy Agreement will be renewed in due course.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Tianhong Company has legally owned the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of property; and

   b. The building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
9.	A parcel of land and 5 buildings No.17 Yimei Road Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 2,983.71 sq.m. and 5 buildings erected thereon which were completed in 2000. The buildings have a total gross floor area of approximately 1,526.62 sq.m. The buildings comprise 2 office buildings, 2 warehouses and a car parking space. The land use rights of the property have been allocated for composite use.	The property is currently occupied by Target Group for office, storage and car parking purposes.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – E Guo Yong 2006 Di No.1697, the land use rights of a parcel of land with a site area of approximately 2,983.71 sq.m. have been allocated to Shenhua Group Jinfeng Coal Company Limited ("Jinfeng Company") for composite use.

2. Pursuant to a Building Ownership Certificate – E Fang Quan Zheng Chan Zi Di No.34591, 5 buildings with a total gross floor area of approximately 1,526.62 sq.m. are owned by Jinfeng Company.

3. Pursuant to a confirmation letter issued by Shenhua Group Co., the property has been transferred to Beiyao Company without any consideration.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Beiyao Company needs to convert the allocated land mentioned in note 1 into granted land and also change the legal owner from Jinfeng Company to Beiyao Company. Upon obtaining the granted land use rights certificate under the name of Beiyao Company, Beiyao Company will legally own the state-owned land use rights and will have the rights to occupy, use, lease, transfer, lease, mortgage or otherwise dispose of them in accordance with the valid term and usage stipulated by the granted land use rights certificate; and

   b. For the allocated land mentioned in note 1 and 5 buildings mentioned in note 2, Shenhua Group Co. has undertaken that Beiyao Company can continuously and normally use the land and buildings and Shenhua Group Co. will compensate Beiyao Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the 5 buildings mentioned in note 2. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as at the date of valuation would be RMB1,419,000 assuming all relevant title certificates have been obtained and these buildings could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
10.	2 buildings No.6 Donghuan Road Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises 2 office buildings which were completed in 2008. The buildings have a total gross floor area of approximately 2,964.58 sq.m.	The property is currently occupied by the Target Group for office purpose.	24,869,000

Notes:

1. Pursuant to a Commodity Property Sale & Purchase Contract dated 25 October 2008, a building with a gross floor area of approximately 2,617.70 sq.m. was contracted to be sold to Inner Mongolia Xinmeng Coal Company Limited ("Xinmeng Company", a wholly-owned subsidiary of Tianhong Company which is a wholly-owned subsidiary of Shenhua Group Co.) at a total consideration of RMB22,000,000.

2. Pursuant to a Building Ownership Certificate – E Fang Quan Zheng Dong Sheng Zi Di No.100622, a 4-storey building with a gross floor area of approximately 2,617.75 sq.m. is owned by Xinmeng Company.

3. For the remaining one building with a gross floor area of approximately 346.83 sq.m., we have not been provided with any title certificate.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Xinmeng Company has legally owned the building ownership rights of one building mentioned in note 2 and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the building;

   b. The aforesaid building ownership rights are not subject to any mortgage or other rights restriction; and

   c. For the remaining one building mentioned in note 3, Xinmeng Company has the rights to occupy, use, lease and also dispose of the building in practice. Shenhua Group Co. has undertaken to compensate Xinmeng Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the building mentioned in note 3. However, for reference purpose, we are of the opinion that the capital value of the building as at the date of valuation would be RMB408,000 assuming all relevant title certificates have been obtained and the building could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
11.	A car parking space No.1 Jilaoqing South Road Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises a car parking space on Level 1 of a 4-storey building which was completed in 1990. The property has a gross floor area of approximately 42.98 sq.m.	The property is currently occupied by the Target Group for car parking purpose.	No commercial value

Notes:

1. Pursuant to a Building Ownership Certificate – Dong Fang Quan Zheng Chan Zi Di No.6751, a car parking space with a gross floor area of approximately 42.98 sq.m. is owned by Finance Company (a wholly-owned subsidiary of Shenhua Group Co.).

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Finance Company has not obtained the land use rights certificate of the property; and

   b. Shenhua Group Co. has undertaken that Finance Company can continuously and normally use the property and Shenhua Group Co. will compensate Finance Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

3. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB398,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
12.	An office building No.37 Yixi Street Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises an office building completed in 1998. The property has a gross floor area of approximately 1,612 sq.m.	The property is currently occupied by the Target Group for office purpose.	No commercial value

Notes:

1. The property is currently occupied by Finance Company (a wholly-owned subsidiary of Shenhua Group Co.).

2. We have not been provided with any proper title certificate relating to the property.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Finance Company has the rights to occupy, use, lease and also dispose of the property in practice; and

   b. Shenhua Group Co. has undertaken to compensate Finance Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land element) as at the date of valuation would be RMB1,604,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
13.	2 buildings and various structures located at the Railway Station Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises 2 pump buildings and various ancillary structures completed in 2002. The buildings have a total gross floor area of approximately 303 sq.m. The structures mainly include boundary fences, roads and cisterns.	The property is currently occupied by the Target Group for industrial and ancillary purposes.	No commercial value

Notes:

1. The property is currently occupied by Material Company (a wholly-owned subsidiary of Shenhua Group Co.).

2. We have not been provided with any proper title certificates relating to the property.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Material Company has the rights to occupy, use, lease and also dispose of the property in practice; and

   b. Shenhua Group Co. has undertaken to compensate Material Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as at the date of valuation would be RMB1,076,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
14.	8 buildings and various structures located at Shendong Mine Shangwan Town Yijinhuoluo Banner Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises 8 buildings which were completed in 2005. The buildings have a total gross floor area of approximately 1,123.33 sq.m. The buildings mainly include pump buildings and office buildings. The structures mainly include boundary fences, roads and cisterns.	The property is currently occupied by the Target Group for industrial, office and ancillary purposes.	No commercial value

Notes:

1. The property is currently occupied by Material Company (a wholly-owned subsidiary of Shenhua Group Co.).

2. We have not been provided with any proper title certificate relating to the property.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Material Company has the rights to occupy, use, lease and also dispose of the property in practice; and

   b. Shenhua Group Co. has undertaken to compensate Material Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the property (excluding the land element) as at the date of valuation would be RMB8,390,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
15.	5 buildings and various structures located at Haerwusu Open-pit Mine Xuejiawan Town Zhungeer Banner Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises 5 buildings which were completed in 2009. The buildings have a total gross floor area of approximately 1,766.83 sq.m. The buildings comprise 3 pump buildings and 2 office buildings. The structures mainly include boundary fences, roads and cisterns.	The property is currently occupied by the Target Group for industrial and office purposes.	No commercial value

Notes:

1. The property is currently occupied by Material Company (a wholly-owned subsidiary of Shenhua Group Co.).

2. We have not been provided with any proper title certificate relating to the property.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Material Company has the rights to occupy, use, lease and also dispose of the property in practice; and

   b. Shenhua Group Co. has undertaken to compensate Material Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the property (excluding the land element) as at the date of valuation would be RMB41,501,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
16.	A commercial building No.17 Shaoxian Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises a 6-storey commercial building completed in 1994. The building has a gross floor area of approximately 10,298.95 sq.m.	The property is currently occupied by the Target Group as a department store.	30,696,000

Notes:

1. Pursuant to a Building Ownership Certificate – Bao Fang Quan Zheng Kun Zi Di No.434531, a building with a gross floor area of approximately 10,298.95 sq.m. is owned by Material Company (a wholly-owned subsidiary of Shenhua Group Co.).

2. The property is situated on a parcel of land under a State-owned Land Use Rights Certificate –Bao Guo Yong (2009) Di No.300139, the details of which please refer property no.29.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Material Company has legally owned the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property; and

   b. The building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
17.	A parcel of land and 7 buildings located at A'erding Square Kun District Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 17,819.9 sq.m. and 7 buildings erected thereon which were completed in about 1999 and 2007. The buildings have a total gross floor area of approximately 34,735.47 sq.m. The land use rights of the property have been granted for a term expiring on 2 March 2044 for commercial use.	The property is currently occupied by the Target Group for retail purpose.	160,010,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Bao Guo Yong (2009) Di No.300137, the land use rights of a parcel of land with a site area of approximately 17,819.9 sq.m. have been granted to Baotou Shenhua Real Estate Development Company Limited ("Baotou Real Estate Company", a wholly-owned subsidiary of Material Company which is a wholly-owned subsidiary of Shenhua Group Co.) for a term expiring on 2 March 2044 for commercial use.

2. Pursuant to a Building Ownership Certificate – Bao Fang Quan Zheng Kun Zi Di No.425966, 7 buildings with a total gross floor area of approximately 34,735.47 sq.m. are owned by Baotou Real Estate Company.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Baotou Real Estate Company has legally owned the state-owned land use rights and the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property in accordance with the valid term and usage stipulated by the state-owned land use rights certificate; and

   b. The land use rights and building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
18.	137 retail units located at the western side of Shifudong Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises 137 retail units of a 24-storey building completed in about 2006. The units have a total gross floor area of approximately 12,666 sq.m.	The property is currently occupied by the Target Group for retail purpose.	140,893,000

Notes:

1. Pursuant to 137 Building Ownership Certificates – Bao Fang Quan Zheng Kun Zi Di Nos. 350014-103 to 350014-114, 350014-117 to 350014-129, 350014-201 to 350014-256 and 350014-301 to 350014-356, 137 units with a total gross floor area of approximately 12,666 sq.m. are owned by Baotou Shenhua Real Estate Development Company Limited ("Baotou Real Estate Company", a wholly-owned subsidiary of Material Company which is a wholly-owned subsidiary of Shenhua Group Co.).

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Baotou Real Estate Company has legally owned the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property; and

   b. The building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
19.	3 parcels of land, 34 buildings and various structures located at the southern side of 110 National Road Goumen Town Tumote Right Banner Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises 3 parcels of land with a total site area of approximately 159,067.22 sq.m., 34 buildings and various structures erected thereon which were completed in various stages between 1980 and 2009. The buildings have a total gross floor area of approximately 20,833.91 sq.m. The buildings mainly include industrial buildings, office buildings and dormitories. The structures mainly include boundary fences, roads and coal bunkers. The land use rights of 2 parcels of land with a total site area of approximately 101,710.80 sq.m. have been granted for terms of 50 years with the expiry dates on 26 December 2056 and 4 May 2058 respectively for industrial use.	The property is currently occupied by the Target Group for production, office, residential and ancillary purposes.	100,635,000

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 5 May 2008 the land use rights of a parcel of land with a site area of approximately 41,168.60 sq.m. were contracted to Shenhua Group Baotou Mining Company Limited Adohai Coal Mine ("Adohai Mine", a branch company of Baotou Mining which is a wholly-owned subsidiary of Shenhua Group Co.) for a term of 50 years expiring on 4 May 2058 for industrial use. The land premium was RMB1,416,200.

2. Pursuant to a State-owned Land Use Rights Certificate – Tu Guo Yong (2008) No.116, the land use rights of the parcel of land mentioned in note 1 have been granted to Adohai Mine for a term of 50 years with the expiry date on 4 May 2058 for industrial use.

3. Pursuant to a State-owned Land Use Rights Certificate – Tu Guo Yong (2007) Zi No.227, the land use rights of a parcel of land with a site area of approximately 60,542.2 sq.m. have been granted to Adohai Mine for a term of 50 years with the expiry date on 26 December 2056 for industrial use.

4. For another parcel of land with a site area of approximately 57,356.42 sq.m., we have not been provided with any proper title certificate.

5. Pursuant to 18 Building Ownership Certificates – Meng Fang Quan Zheng Nei Meng Gu Zi Zhi Qu Zi Nos. 187011007485 and 187011007487 to 187011007503, 18 buildings with a total gross floor area of approximately 14,028.91 sq.m. are owned by Shenhua Group Baotou Mining Company Limited Shuiquan Coal Factory ("Shuiquan Factory", a branch company of Baotou Mining).

6. As confirmed by Shuiquan Factory, one of the aforesaid 18 buildings with a gross floor area of approximately 752.64 sq.m. is erected on the land mentioned in note 3.

7. Pursuant to 5 Building Ownership Certificates – Tu You Qi Fang Quan Zheng Gou Men Zhen Zi Nos. 103287 to 103289 and 103297 to 103298, 10 buildings with a total gross floor area of approximately 5,385.02 sq.m. are owned by Adohai Mine.

8. For the remaining 6 buildings with a total gross floor area of approximately 1,419.98 sq.m., we have not been provided with any proper title certificate.

9. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Baotou Mining has legally owned the state-owned land use rights of 2 parcels of land mentioned in notes 2 and 3 and the building ownership rights of 27 buildings with a total gross floor area of approximately 18,661.29 sq.m. of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the valid term and usage stipulated by the state-owned land use rights certificates;

   b. The aforesaid land use rights and building ownership rights are not subject to any mortgage or other rights restriction; and

   c. For the remaining one parcel of land mentioned in note 4, one building mentioned in note 6 and 6 buildings mentioned in note 8, Shenhua Group Co. has undertaken to compensate Baotou Mining for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

10. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the parcel of land mentioned in note 4 together with the building mentioned in note 6 and the structures erected thereon and 6 buildings mentioned in note 8. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land element) as at the date of valuation would be RMB10,124,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
20.	A parcel of land and 2 buildings located at the southern side of Zhenhua Street Salaqi Town Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 5,205.32 sq.m., 2 buildings erected thereon which were completed in 2007 and 2008. The buildings have a total gross floor area of approximately 3,911.78 sq.m. The buildings include an office building and an ancillary building. The land use rights of the property have been granted for a term expiring on 14 May 2057 for composite use.	The property is currently occupied by the Target Group for office and ancillary purposes.	7,002,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Tu Guo Yong (2007) Zi No.122, the land use rights of a parcel of land with a site area of approximately 5,205.32 sq.m. have been granted to Shenhua Group Baotou Mining Compnay Limited Adohai Coal Mine ("Adohai Mine", a branch company of Baotou Mining which is a wholly-owned subsidiary of Shenhua Group Co.) for a term expiring on 14 May 2057 for composite use.

2. Pursuant to a Building Ownership Certificate – Tu You Qi Fang Quan Zheng Sa La Qi Zhen Zi No.104980, a building with a gross floor area of approximately 3,774.37 sq.m. are owned by Adohai Mine.

3. For the remaining one building with a gross floor area of approximately 137.41 sq.m., we have not been provided with any proper title certificate.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Baotou Mining has legally owned the state-owned land use rights of the property and the building ownership rights of one building mentioned in note 2 and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the valid term and usage stipulated by the state-owned land use rights certificate;

   b. The aforesaid land use rights and building ownership rights are not subject to any mortgage or other rights restriction; and

   c. For the remaining one building mentioned in note 3, Baotou Mining has the rights to occupy, use, lease and also dispose of the property in practice. Shenhua Group Co. has undertaken to compensate Baotou Mining for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the building mentioned in note 3. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the building (excluding the land element), as at the date of valuation would be RMB196,000 assuming all relevant title certificates have been obtained and the building could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
21.	7 parcels of land, 27 buildings and various structures located at the Adaohai Valley Tumote Right Banner Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises 7 parcels of land with a total site area of approximately 69,131.50 sq.m., 27 buildings and various structures erected thereon which were completed in various stages between 1977 and 2009. The buildings have a total gross floor area of approximately 7,958.41 sq.m. The buildings mainly include industrial buildings and office buildings. The structures mainly include cisterns, roads and gates. The land use rights of the property have been granted for terms of 50 years with the expiry date on 4 May 2058 for industrial, office and education uses respectively.	The property is currently occupied by the Target Group for production, office and ancillary purposes.	23,298,000

Notes:

1. Pursuant to 7 State-owned Land Use Rights Grant Contracts dated 5 May 2008, the land use rights of 7 parcels of land with a total site area of approximately 69,131.50 sq.m. were contracted to Shenhua Group Baotou Mining Company Limited Adohai Coal Mine ("Adohai Mine", a branch company of Baotou Mining which is a wholly-owned subsidiary of Shenhua Group Co.) for terms of 50 years expiring on 4 May 2058 for industrial, office and education uses. The total land premium was RMB2,395,040.

2. Pursuant to 7 State-owned Land Use Rights Certificates – Tu Guo Yong (2008) Zi Nos. 114 and 117 to 122, the land use rights of 7 parcels of land with a total site area of approximately 69,131.50 sq.m. have been granted to Adohai Mine for terms of 50 years with the expiry dates on 4 May 2058 for industrial, office and education uses respectively.

3. Pursuant to 5 Building Ownership Certificates – Tu You Qi Fang Quan Zheng Sa La Qi Zhen Zi Nos. 103299 to 103303, 11 buildings with a total gross floor area of approximately 5,655.73 sq.m. are owned by Adohai Mine.

4. For the remaining 16 buildings with a total gross floor area of approximately 2,302.68 sq.m., we have not been provided with any proper title certificate.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Baotou Mining has legally owned the state-owned land use rights of the property and the building ownership rights of 11 buildings mentioned in note 3 and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the valid term and usage stipulated by the state-owned land use rights certificates;

   b. The aforesaid land use rights and building ownership rights are not subject to any mortgage or other rights restriction; and

   c. For the remaining 16 buildings mentioned in note 4, Baotou Mining has the rights to occupy, use, lease and also dispose of the property in practice. Shenhua Group Co. has undertaken to compensate Baotou Mining for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

6. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to 16 buildings mentioned in note 4. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings (excluding the land element) as at the date of valuation would be RMB3,169,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
22.	Levels 3 and 4 of a 6-storey office building and a garage located at No.9 Qingnian Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises Levels 3 and 4 of a 6-storey office building and a garage which were completed in about 2007. The property has a total gross floor area of approximately 1,071.04 sq.m. The land use rights of the property have been granted for a term expiring on 6 August 2049 for commercial and financial use.	The property is currently occupied by the Target Group for office and car parking purposes.	5,141,000

Notes:

1. Pursuant to 2 State-owned Land Use Rights Certificates – Bao Guo Yong (2010) Nos. 300023 and 300024, the land use rights of 2 parcels of land with a total apportioned area of approximately 889.80 sq.m. have been granted to Baotou Mining, a wholly-owned subsidiary of Shenhua Group Co., for a term expiring on 6 August 2049 for commercial and financial use.

2. Pursuant to 2 Building Ownership Certificates – Bao Fang Quan Zheng Kun Zi Nos. 435650 and 435651, the property with a total gross floor area of approximately 1,071.04 sq.m. are owned by Baotou Mining.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Baotou Mining has legally owned the state-owned land use rights and the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property in accordance with the valid term and usage stipulated by the state-owned land use rights certificates; and

   b. The land use rights and building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
23.	18 buildings and various structures located at the Shuiquan Mine Tumote Right Banner Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises 18 buildings and various structures which were completed in about 2007 and 2008. The buildings have a total gross floor area of approximately 6,043.09 sq.m. The buildings mainly include various industrial buildings and office buildings. The structures mainly include boundary fences, cisterns and roads.	The property is currently occupied by the Target Group for production, office and ancillary purposes.	No commercial value

Notes:

1. The property is currently occupied by Baotou Mining (a wholly-owned subsidiary of Shenhua Group Co.).

2. We have not been provided with any proper title certificate relating to the property.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Baotou Mining has the rights to occupy, use, lease and also dispose of the property in practice; and

   b. Shenhua Group Co. has undertaken to compensate Baotou Mining for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

4. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of these buildings and structures (excluding the land element) as at the date of valuation would be RMB98,577,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
24.	42 parcels of land, 256 buildings and various structures, 3 buildings and various structures under construction located at Baorixile Town Chenbaerhu Banner Hulunbeier City Inner Mongolia Autonomous Region The PRC	The property consists of the following 3 parts: **Part A**: Part A comprises 42 parcels of land with a total site area of approximately 13,949,200 sq.m., 216 buildings and various structures erected thereon which were completed in various stages between 1983 and 2009. The buildings have a total gross floor area of approximately 101,523.25 sq.m. The buildings mainly include industrial buildings, office buildings, warehouses, dormitories and guardhouses. The structures mainly include boundary fences, pools, roads and gates. **Part B:** Part B comprises 40 buildings with a total gross floor area of approximately 8,651.09 sq.m. and various structures.	The property is currently occupied by the Target Group for production, residential and office purposes except for portions of the property with a total gross floor area of approximately 3,043.38 sq.m. which are currently leased to various third parties and Part C which is currently under construction.	905,570,000

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
		Part C: Part C comprises 3 buildings and various structures under construction as at the date of valuation which are scheduled to be completed in March 2011. The total construction cost of Part C is estimated to be approximately RMB45,338,000, of which RMB19,039,000 had been paid up to the date of valuation. The total gross floor area of the buildings upon completion will be approximately 14,257.11 sq.m. The land use rights of 41 parcels of land have been granted for various terms with the expiry dates between 18 May 2049 and 21 October 2060 for industrial and commercial uses.		

Notes:

1. Pursuant to 42 State-owned Land Use Rights Grant Contracts dated between 18 May 2009 and 21 October 2010, the land use rights of 42 parcels of land with a total site area of approximately 13,949,200 sq.m. were contracted to be granted to Shenbao Company (a 56.61% owned subsidiary of Shenhua Group Co.) for various terms of 40 and 50 years for industrial and commercial uses. The total land premium was RMB313,887,251.

2. Pursuant to 41 State-owned Land Use Rights Certificates – Chen Guo Yong (2009) Zi Di Nos. 117 to 120, 141, 1969, 2013, 2014, 3166 and 3986 to 3998 and Chen Guo Yong (2010) Zi Di Nos. 142, 1967, 2197, 3162, 3177, 3351, 4085 to 4095, 4100 and 4101, the land use rights of 41 parcels of land with a total site area of approximately 10,298,862 sq.m. have been granted to Shenbao Company for various terms of 40 and 50 years respectively with expiry dates between 18 May 2049 and 21 October 2060 for industrial and commercial uses.

3. For the remaining one parcel of land of Part A with a site area of approximately 3,650,338 sq.m., we have not been provided with any title certificate.

4. Pursuant to 56 Building Ownership Certificates – Fang Quan Zheng Chen Bao Zi Di Nos. 280117 to 280162 and 201013 to 201022, 194 buildings of Part A with a total gross floor area of approximately 94,123.18 sq.m., 11 buildings of Part B with a total gross floor area of approximately 5,180.09 sq.m. are owned by Shenbao Company. As confirmed by Shenbao Company, 3 of the aforesaid 194 buildings with a total gross floor area of approximately 262.37 sq.m. have been demolished before the date of valuation.

5. We have not been provided with any state-owned land use rights certificates relating to the 11 buildings of Part B mentioned in note 4.

6. For the remaining 25 buildings of Part A with a total gross floor area of approximately 7,662.44 sq.m., 29 buildings of Part B with a total gross floor area of approximately 3,471 sq.m. and Part C, we have not been provided with any proper title certificates or construction permits.

7. According to 18 Lease Agreements, portions of buildings of the property with a total lettable area of approximately 3,043.38 sq.m. are leased to various independent third parties for various terms with the expiry dates between 30 December 2010 and 19 August 2011 at a total annual rent of RMB203,780, exclusive of management fees, water and electricity charges.

8. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenbao Company has legally owned the state-owned land use rights of 41 parcels of land with a total site area of approximately 10,298,861.90 sq.m. and the building ownership rights of 191 buildings with a total gross floor area of approximately 93,860.81 sq.m. and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the valid term and usage stipulated by the state-owned land use rights certificates;

   b. The aforesaid land use rights and building ownership rights are not subject to any mortgage or other rights restriction;

   c. For a parcel of land with a site area of approximately 29,081.10 sq.m. under the State-owned Land Use Rights Certificate – Chen Guo Yong (2009) Zi Di No.117, the site area according to its Land Use Rights Grant Contract is approximately 2,898 sq.m., Shenbao Company has not paid any land premium for the remaining portion with a site area of approximately 26,183.1 sq.m. Shenhua Group Co. has undertaken that Shenbao Company can continuously and normally use this portion and Shenhua Group Co. will compensate Shenbao Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Group's operation or the acquisition activities;

   d. For the parcel of land mentioned in note 3, Shenbao Company has obtained the land use rights grant contract; there is no material legal impediment for Shenbao Company to obtain the land use rights certificate after land premium has been paid in full. Upon obtaining the land use rights certificate, Shenbao Company will have the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the land in accordance with the valid term and usage stipulated by the state-owned land use rights certificate; and

   e. For the parcel of land mentioned in note 3 and the buildings mentioned in notes 5 and 6, Shenhua Group Co. has undertaken to compensate Shenbao Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

9. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the land mentioned in note 3, portion of a parcel of land with a site area of approximately 26,183.1 sq.m., the buildings mentioned in notes 5 and 6 and various structures erected on the land without proper title certificates. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings and structures (excluding the land element) as at the date of valuation would be RMB326,922,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
25.	3 parcels of land and 26 buildings located at Hailar District Hulunbeier City Inner Mongolia Autonomous Region The PRC	The property comprises 3 parcels of land with a total site area of approximately 23,026.9 sq.m., 14 buildings erected thereon and 12 buildings completed in various stages between 1993 and 2009. The buildings have a total gross floor area of approximately 6,342.72 sq.m. The buildings mainly include industrial buildings, office buildings, car ports and warehouses. The land use rights of the property have been allocated for industrial use.	The property is currently occupied by the Target Group for production and office purposes.	2,003,000

Notes:

1. The property located at 6 parts of Hailar, the details are set out as follows:

No.	Location	Numbers of buildings	GFA(sq.m.)
1.	Zhengyangban Development Area, Hailar District	1	715.29
2.	Xiertala Town, Hailar District	7	1,146.45
3.	No.4 Nierji Road, Hailar District	6	1,900.4
4.	No.133 Jianshe Sidao Street, Hailar District	4	657.6
5.	Jianshe Wudao Street, Hailar District	4	798.06
6.	East Hailar, Hailar District	4	1,124.92
	Total:	**26**	**6,342.72**

2. Pursuant to 3 State-owned Land Use Rights Certificates – Hu Hai Fen Guo Yong (2010) Zi Di Nos. 0050300002, 0060500127 and 0060500377, the land use rights of 3 parcels of land with a total site area of approximately 23,026.9 sq.m. have been allocated to Shenbao Company (a 56.61% owned subsidiary of Shenhua Group Co.) for industrial use.

3. 14 buildings mentioned in Nos 3, 4 and 5 of note 1 was constructed on the land mentioned in note 2.

4. Pursuant to a Building Ownership Certificate – Hu Lun Bei Er Fang Quan Zheng Hai La Er Zi Di No.10027781, a building with a gross floor area of approximately 715.29 sq.m. is owned by Shenbao Company (a 56.61% owned subsidiary of Shenhua Group Co.).

5. For the remaining 26 buildings with a total site area of approximately 5,627.43 sq.m., we have not been provided with any title certificates.

6. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenbao Company has legally owned the building ownership rights of the building mentioned in note 4 and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the building;

   b. The aforesaid building ownership rights of the property are not subject to any mortgage or other rights restriction;

   c. Shenbao Company needs to convert the allocated land mentioned in note 2 into granted land. Upon obtaining the granted land use rights certificates, Shenbao Company will legally own the state-owned land use rights and will have the rights to occupy, use, lease, mortgage or otherwise dispose of the land in accordance with the valid term and usage stipulated by the granted land use rights certificates; and

   d. For the remaining 26 buildings mentioned in note 5 and the allocated land mentioned in note 2, Shenbao Company has the rights to occupy, use, lease and also dispose of these buildings in practice. Shenhua Group Co. has undertaken that Shenbao Company can continuously and normally use the allocated land and will compensate Shenbao Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

7. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the buildings mentioned is note 3. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as at the date of valuation would be RMB5,274,000 assuming all relevant title certificates have been obtained and the buildings could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
26.	A unit on Level 2 of Coal Office located at Caishenmiao Street Xincheng District Hohhot City Inner Mongolia Autonomous Region The PRC	The property comprises a unit on Level 2 of a 6-storey building (known as Coal Office) completed in about 1997. The property has a gross floor area of approximately 236.73 sq.m.	The property is currently occupied by the Target Group for office purpose.	1,136,000

Notes:

1. Pursuant to a Building Ownership Certificate – Hu Fang Quan Zheng Xin Cheng Qu Zi Di No.2010145610, the property with a gross floor area of approximately 236.73 sq.m. is owned by Shenbao Company (a 56.61% owned subsidiary of Shenhua Group Co.).

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenbao Company has legally owned the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property; and

   b. The building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
27.	A unit of a 9-storey building No.363 Gongbin Road Xiangfang District Harbin City Heilongjiang Province The PRC	The property comprises a unit of a 9-storey building completed in about 1998. The property has a gross floor area of approximately 349.44 sq.m.	The property is currently occupied by the Target Group for office purpose.	2,761,000

Notes:

1. Pursuant to a Building Ownership Certificate – Ha Fang Quan Zheng Xiang Zi Di No.0901083112, the property with a gross floor area of approximately 349.44 sq.m. is owned by Shenbao Company (a 56.61% owned subsidiary of Shenhua Group Co.).

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenbao Company has legally owned the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property; and

   b. The building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
28.	2 parcels of land and 7 buildings located at Xiaozhuang Village Diyiguan Town Shanhaiguan District Qinhuangdao City Hebei Province The PRC	The property comprises 2 parcels of land with a total site area of approximately 10,437.14 sq.m. and 7 buildings with a total gross floor area of approximately 2,176.79 sq.m. erected thereon which were completed in about 1995. The land use rights of a parcel of land with a site area of approximately 1,682.4 sq.m. have been granted to Baorixile First Coal Mine for a term expiring on 10 October 2051 for composite use; whilst the land use rights of another parcel of land with a site area of approximately 8,754.7 sq.m. have been allocated to Baorixile First Coal Mine for office use.	The property is currently vacant.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Qin Ji Guo Yong (2001) Zi Di Shan No.039, the land use rights of a parcel of land with a site area of approximately 1,682.42 sq.m. have been granted to Baorixile First Coal Mine ("First Mine", a third party of Shenbao Company which is a 56.61% owned subsidiary of Shenhua Group Co.) for a term expiring on 10 October 2051 for composite use.

2. Pursuant to a State-owned Land Use Rights Certificate – Qin Ji Guo Yong (2001) Zi Di Shan No.035, the land use rights of the parcel of land with a site area of approximately 8,754.72 sq.m. have been allocated to First Mine for office use.

3. Pursuant to 2 Building Ownership Certificates – Qin Huang Dao Shi Fang Quan Zheng Qin Shan Fang Zi Di Nos. 2000098 and 20000102, 7 buildings with a total gross floor area of approximately 2,176.79 sq.m. are owned by First Mine.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenbao Company needs to convert the allocated land mentioned in note 2 into granted land and also change the legal owner from First Mine to Shenbao Company. Upon obtaining the granted land use rights certificate under the name of Shenbao Company, Shenbao Company will legally own the state-owned land use rights and will have the rights to occupy, use, lease, transfer, mortgage or otherwise dispose of them in accordance with the valid term and usage stipulated by the granted land use rights certificate;

   b. For the land mentioned in note 1 and 2 buildings mentioned in note 3, the legal owner is First Mine. Shenbao Company needs to change the legal owner from First Mine to Shenbao Company; and

   c. Shenhua Group Co. has undertaken that Shenbao Company can continuously and normally use the property and Shenhua Group Co. will compensate Shenbao Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB5,986,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
29.	A parcel of land and 3 buildings No.17 Shaoxian Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 26,366.7 sq.m. and 3 buildings erected thereon which were completed in 1997 and 2004. The buildings have a total gross floor area of approximately 39,847.98 sq.m. The buildings comprise a hotel with 284 guest rooms and 2 boiler rooms. The land use rights of the property have been granted for a term of 40 years expiring on 12 June 2048 for commercial use.	The property is currently operated by the Target Group as a hotel.	222,461,000

Notes:

1. The property is currently operated by Baotou Shenhua International City Hotel Company Limited (a 75% owned subsidiary of Material Company which is a wholly-owned subsidiary of Shenhua Group Co.).

2. Pursuant to a State-owned Land Use Rights Certificate – Bao Guo Yong (2009) Di No.300139, the land use rights of a parcel of land with a site area of approximately 26,366.7 sq.m. have been granted to Material Company (a wholly-owned subsidiary of Shenhua Group Co.) for a term of 40 years expiring on 12 June 2048 for commercial use. There is also a commercial building erected on this land, please refer to property no.16.

3. Pursuant to a Building Ownership Certificate – Bao Fang Quan Zheng Kun Zi Di No.431467, a building with a gross floor area of approximately 38,305.70 sq.m. is owned by Material Company.

4. For the remaining 2 buildings with a total gross floor area of approximately 1,542.28 sq.m., we have not been provided any proper title certificates as at the date of valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Material Company has legally owned the state-owned land use rights of the property and the building ownership rights of one building mentioned in note 3 and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of them in accordance with the valid term and usage stipulated by the state-owned land use rights certificate;

   b. The aforesaid land use rights and building ownership rights are not subject to any mortgage or other rights restriction; and

   c. For the remaining 2 buildings mentioned in note 4, Material Company has the rights to occupy, use, lease and also dispose of the property in practice. Shenhua Group Co. has undertaken to compensate Material Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

6. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to 2 building mentioned in note 4. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the buildings (excluding the land element) as at the date of valuation would be RMB1,770,000 assuming all relevant title certificates have been obtained and they could be freely transferred.

VALUATION CERTIFICATE

Group II – Property interests held under development by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
30.	A parcel of land, various buildings and structures under construction located at Budunhushuo Gazha Baorixile Town Chenbaerhu Banner Hulunbeier City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 514,461 sq.m., various buildings and structures which are currently under construction thereon (the"CIP"). The property is scheduled to be completed in May 2011. Upon completion, the buildings of the property will have a total gross floor area of approximately 68,269 sq.m. The total construction cost of the property is estimated to be approximately RMB859,650,000, of which RMB812,176,000 had been paid up to the date of valuation. The land use rights of the property were contracted to be granted to Hudian Company for a term of 50 years commencing from 30 April 2009 for industrial use.	The property is currently under construction.	No commercial value

Notes:

1. The property is currently being constructed by Hudian Company (an 80% owned subsidiary of Shenhua Group Co.).

2. Pursuant to a State-owned Land Use Rights Grant Contract dated 5 December 2008, the land use rights of a parcel of land with a site area of approximately 514,461 sq.m. were contracted to be granted to Hudian Company for a term of 50 years commencing from 30 April 2009 for industrial use. The land premium was RMB18,520,596.

3. Pursuant to a Construction Work Planning Permit – Jian Zi No.15075200800013 in favour of Hudian Company, various buildings with a total planned gross floor area of approximately 68,269 sq.m. have been approved for construction.

4. As advised by the Company, the State-owned Land Use Rights Certificate and Construction Work Commencement Permits were under application as at the date of valuation.

5. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Hudian Company has obtained the land use rights grant contract of the land parcel of the property; there will be no material legal impediment for Hudian Company to obtain the land use rights certificate after the land premium has been paid in full;

   b. Upon obtaining the land use rights certificate, Hudian Company will have the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the land in accordance with the valid term and usage stipulated by the state-owned land use rights certificate; and

   c. The CIP is constructed on the land without the land use rights certificate. Shenhua Group Co. has undertaken that Hudian Company can continuously and normally use the land and Shenhua Group Co. will compensate Hudian Company for any penalty or fees from local government and other third parties due to the title defects of the land. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

6. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB947,902,000 assuming all relevant construction permits and title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
31.	9 buildings and various structures under construction located at Surface Mine Baorixile Town Chenbaerhu Banner Hulunbeier City Inner Mongolia Autonomous Region The PRC	The property comprises 9 buildings and structures which are currently being constructed. The property is scheduled to be completed in June 2011. Upon completion, the buildings of the property will have a total gross floor area of approximately 16,720.80 sq.m. The total construction cost of the property is estimated to be approximately RMB167,710,000, of which RMB138,791,000 had been paid up to the date of valuation.	The property is currently under construction.	No commercial value

Notes:

1. The property is currently being constructed by Clean Coal Company (a 60.1% owned subsidiary of Shenhua Group Co.).

2. As advised by the Company, the property is situated on a parcel of land under a State-owned Land Use Rights Certificate–Chen Guo Yong (2009) Zi Di No.3994, the details of which please refer property no.24.

3. We have not been provided with any construction permits relating to the property.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The construction work planning permit and construction work commencement permit of the CIP have not been obtained as at the date of valuation; and

   b. Since Shenhua Group Co. has undertaken that (1) Clean Coal Company will apply for the construction permits; (2) there is no material legal impediment on the construction of the CIP; and (3) Shenhua Group Co. will compensate Clean Coal Company for any penalty or fees from local government and other third parties due to the lack of construction permits, there is no material adverse effect on the Target Group's operation or the acquisition activities.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the property (excluding the land element) as at the date of valuation would be RMB155,911,000 assuming all relevant construction permits have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
32.	23 buildings and various structures under construction located at Huoshatu Gou Chagan Village Hantai Town Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises 23 buildings and various structures which are currently under construction. The property is scheduled to be completed in March 2011. The total gross floor area of the property upon completion will be approximately 73,533.59 sq.m. The total construction cost is estimated to be approximately RMB599,821,000, of which RMB462,916,000 had been paid up to the date of valuation.	The property is currently under construction.	No commercial value

Notes:

1. The property is currently being constructed by Shenhua Group Baotou Mining Company Limited Lijiahao Coal Mine. ("Lijiahao Mine", a branch company of Baotou Mining which is a wholly-owned subsidiary of Shenhua Group Co.).

2. We have not been provided with any State-owned land use rights certificate or construction permit relating to the property.

3. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. The property is constructed on the land without the land use rights certificate. Shenhua Group Co. has undertaken that Baotou Mining can continuously and normally use the land and Shenhua Group Co. will compensate Baotou Mining for any penalty or fees from local government and other third parties due to the title defects of the land. The title defects of the land will not have any material adverse effect on the Target Group's operation or the acquisition activities; and

   b. The construction work planning permit and construction work commencement permit of the property have not been obtained as at the date of valuation. Since Shenhua Group Co. has undertaken that (1) Baotou Mining will apply for the construction permits; (2) there is no material legal impediment on the construction of the property; and (3) Shenhua Group Co. will compensate Baotou Mining for any penalty or fees from local government and other third parties due to the lack of construction permits, there is no material adverse effect on the Target Group's operation or the acquisition activities.

4. In our valuation, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the depreciated replacement cost of the property (excluding the land element) as at the date of valuation would be RMB462,919,000 assuming all relevant construction permits and title certificate have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

Group III – Property interest held for investment by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
33.	A parcel of land, 7 buildings and various structures located at the western side of Huma Road Wulanmulun Town Yi Banner Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 4,911.56 sq.m., 7 buildings and various structures erected thereon which were completed in 2002 and 2008. The buildings have a total gross floor area of approximately 4,975.03 sq.m. The buildings comprise a hotel with 73 guest rooms, an office building and 5 ancillary buildings. The land use rights of the property have been granted for commercial use.	The property is currently leased to a third party by the Target Group as a hotel.	20,620,000

Notes:

1. Pursuant to a State-owned Land Use Rights Certificate – Yi Guo Yong Tu Zi Di No.152728951888, the land use rights of a parcel of land with a site area of approximately 4,911.56 sq.m. have been granted to Inner Mongolia Xinmeng Coal Company Limited ("Xinmeng Company", a wholly-owned subsidiary of Tianhong Company which is a wholly-owned subsidiary of Shenhua Group Co.) for commercial use.

2. Pursuant to a Building Ownership Certificate – Yi Fang Quan Zheng A Zhen Zi Di No.YW0826, 7 buildings with a total gross floor area of approximately 4,975.03 sq.m. are owned by Xinmeng Company.

3. Pursuant to a Tenancy Agreement, the property with a lettable area of approximately 4,411.58 sq. is leased to a third party for a term of 5 years expiring on 6 May 2013 at an annual rent of RMB1,150,000.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Xinmeng Company has legally owned the state-owned land use rights and the building ownership rights of the property and has the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the property in accordance with the valid term and usage stipulated by the state-owned land use rights certificate; and

   b. The land use rights and building ownership rights of the property are not subject to any mortgage or other rights restriction.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
34.	An office building located at Yingbin Avenue Tiexi New District Dongsheng District Erdos City Inner Mongolia Autonomous Region The PRC	The property comprises an office building completed in about 2007. The building has a gross floor area of approximately 11,800 sq.m.	The property is currently occupied by the Target Group for residential, office and ancillary purposes except for portions of the property with a total lettable area of approximately 6,906.6 sq.m. which are leased to various third parties.	No commercial value

Notes:

1. The property is currently occupied by Inner Mongolia Xinmeng Coal Company Limited ("Xinmeng Company", a wholly-owned subsidiary of Tianhong Company which is a wholly-owned subsidiary of Shenhua Group Co.).

2. We have not been provided with any title certificates relating to the property.

3. Pursuant to 5 Tenancy Agreements, portions of the property with a total lettable area of approximately 6,906.6 sq.m. are leased to various third parties for various terms with the expiry dates between 15 March 2012 and 19 August 2012 at a total annual rent of RMB8,700,001.

4. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Xinmeng Company has the rights to occupy, use, lease and also dispose of the property in practice; and

   b. Shenhua Group Co. has undertaken to compensate Xinmeng Company for any penalty or fees from local government and other third parties due to the title defects. The title defects will not have any material adverse effect on the Target Group's operation or the acquisition activities.

5. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that capital value of the property as at the date of valuation would be RMB93,586,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

Group IV – Property interests contracted to be acquired by the Target Group in the PRC

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
35.	A parcel of land located at New District Hulunbeier City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 26,374.8 sq.m. The land use rights of the property were contracted to be granted to Shenbao Company for a term of 40 years for commercial use.	The property is currently vacant.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 24 July 2008, the land use rights of the property were contracted to be granted to Shenbao Company (a 56.61% owned subsidiary of Shenhua Group Co.) for a term of 40 years for commercial use. The total land premium was RMB10,549,920.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Shenbao Company has obtained the land use rights grant contract of the land parcel of the property; there is no material legal impediment for Shenbao Company to obtain the land use rights certificate after land premium has been paid in full; and

   b. Upon obtaining the land use rights certificate, Shenbao Company will have the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the land in accordance with the valid term and usage stipulated by the state-owned land use rights certificate.

3. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB24,476,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
36.	A parcel of land No.17 Shaoxian Road Kun District Baotou City Inner Mongolia Autonomous Region The PRC	The property comprises a parcel of land with a site area of approximately 3,320.7 sq.m. The land use rights of the property were contracted to be granted to Baotou Shenhua Real Estate Development Company Limited for terms of 40 and 50 years for commercial and residential uses respectively.	The property is currently vacant.	No commercial value

Notes:

1. Pursuant to a State-owned Land Use Rights Grant Contract dated 6 July 2009, the land use rights of the property were contracted to be granted to Baotou Shenhua Real Estate Development Company Limited ("Baotou Real Estate Company", a wholly-owned subsidiary of Material Company which is a wholly-owned subsidiary of Shenhua Group Co.) for terms of 40 and 50 years for commercial and residential uses respectively. The total land premium was RMB1,099,402.5.

2. We have been provided with a legal opinion regarding the property interest by the Company's PRC legal advisers, which contains, *inter alia*, the following:

   a. Baotou Real Estate Company has obtained the land use rights grant contract of the land parcel of the property; there is no material legal impediment for Baotou Real Estate Company to obtain the land use rights certificate after land premium has been paid in full; and

   b. Upon obtaining the land use rights certificate, Baotou Real Estate Company will have the rights to occupy, use, transfer, lease, mortgage or otherwise dispose of the land in accordance with the valid term and usage stipulated by the state-owned land use rights certificate.

3. In the valuation of this property, we have relied on the aforesaid legal opinion and attributed no commercial value to the property. However, for reference purpose, we are of the opinion that the capital value of the property as at the date of valuation would be RMB21,419,000 assuming all relevant title certificates have been obtained and the property could be freely transferred.

VALUATION CERTIFICATE

Group V – Property interest owned and occupied by the Target Group in Hong Kong

No.	Property	Description and tenure	Particulars of occupancy	Capital value in existing state as at 31 October 2010
				RMB
37.	Workshop A6 on Level 3 of Block A Hong Kong Industrial Centre Nos. 489-491 Castle Peak Road Kowloon Hong Kong 31/7700th shares of and in Section C, D and F of New Kowloon Inland Lot No.3515	The property comprises an industrial unit on Level 3 of a 14-storey industrial building completed in about 1982. The unit has a gross floor area of approximately 540.69 sq.m. (5,820 sq.ft.) The property is held under a Condition of Sale No.UB4268 for a term of 75 years renewable for further 24 years commencing on 1 July 1898 which has been statutorily extended to 30th June 2047. The current Government Rent payable is HKD2,214 per annual.	The property is currently occupied by the Target Group for storage and ancillary office purpose.	14,000,000 (equivalent to HKD16,272,000)

Notes:

1. The registered owner of the property is Tomer Electronics & Watch Co. Limited, a wholly-owned subsidiary of Tianhong Company which is a wholly-owned subsidiary of Shenhua Group Co., vide Memorial No.UB3514013 dated 11 September 1987.

2. The property is subject to a Deed of Mutual Covenant vide Memorial No.UB2345029 dated 19 July 1982 and a Sub-Deed of Mutual Covenant vide Memorial No.UB2300059 dated 19 July 1982.

3. The property is subject to a Mortgage to Secure General Banking Facilities in favour of Nanyang Commercial Bank Limited vide Memorial No.UB3514014 dated 11 September 1987.

4. The property is subject to a Further Legal Charge to Secure Further General Banking Facilities vide Memorial No.UB4760034 dated 8 March 1991.

5. The exchange rate adopted in our valuation for the property is HKD1 = RMB0.8604 which was approximately the prevailing exchange rate as at the date of valuation.

PRINCIPAL ASSUMPTIONS OF THE SHENBAO COMPANY PROFIT FORECAST

1 Principal assumptions of the appraisal of Opencast Mine, Opencast Mine Continuation Area and Baoyan Mine.

(1) Discount rate is consisted of risk-free rate of return and risk premium, where risk-free rate of return is calculated based on the arithmetic mean of coupon rates of certificate treasury bonds for the five years before the base date, and risk premium is determined based on the higher end of the range for the specific subject of appraisal. Accordingly, the discount rate for the appraisal is determined at 8.66%. The enterprise with mining rights shall operate as an ongoing concern with definite ownership of assets and properties.

The coal reserve under the appraisal is based on the recoverable reserves of 318,214,600 tonnes equivalent to disposal prices, among which 39,379,600 tonnes, 270,600,000 tonnes and 8,235,000 tonnes are attributable to Opencast Mine, Opencast Mine Continuation Area and Baoyan Mine respectively.

It is assumed that the project will come into a stable stage in 2017, and will maintain its operation and cash flow unchanged from 2017 for each year up to 2027.

(2) The underlying policies, laws and regulations remain as-is and experience no material changes, so as the underlying social, political and economic environments, development technologies and conditions;

(3) It is assumed that production scale, raw coal output, workload and stock reserve factor for the subject of appraisal, during its normal production life cycle, are consistent with those set out in the Mining Permit and the feasibility study report for renovation and expansion;

(4) It is assumed that selling prices will remain unchanged from the average selling prices for the period from 2007 to June 2010, and that there will be no material change in the future business model compared to that of the base date;

(5) The impact on appraised value from potential charge, guarantee, other rights or any other restrictions on title and the possibly appended price through special transactions is not considered;

(6) It is assumed that only 70% of working capital is financed by bank loans, based on the prevailing annual interest rate for one-year loans;

(7) It is assumed that the working capital is determined within the range required by relevant guideline for appraisal, and that the working capital will be recovered in full at the end of appraisal period;

(8) Fixed assets investment, future renewal of fixed assets investment, purchased materials, purchased fuel and power, staff remuneration, simple reproduction maintenance charges, roadway drivage work fund, safety costs and management fees under the appraisal are valued according to the weighted averages for actual financial data incurred in 2009 and the period from January to June 2010 for the enterprise (excluding contingencies), the data set out in the feasibility study report and the State's relevant requirements; the cost of sales, being the weighted averages for the unit cost of sales after deducting the depreciation charges for the enterprise incurred in 2008 and the period from January to June 2010 and the data set out in the feasibility study report, is assumed to remain unchanged in the production life cycle and it is assumed that there will be no material change in prices of power, fuel, transportation cost and packaging materials in the coming years. It is also assumed that there will be no material change in supply mode and channel for the raw and auxiliary materials to be consumed;

(9) The existing management and its successor are responsible and can perform the development plan of the enterprise with mining rights in a proactive and well-paced manner, with an aim to maintain sound operations;

(10) It is assumed that the future production plans can be materialised as actual sales;

(11) There will be no material change in tax bases and rates which is unforeseeable;

(12) The impact of inflation is not considered in estimating the future cash flows;

(13) It is assumed that cash flows are generated at the end of each forecast horizon, or at the end of year in case of a forecast year;

(14) There are no material liabilities arising from provision of guarantee or otherwise in the duration;

(15) The future revenue generation mode and credit policy will remain unchanged from those at present, and no major issues of collection will arise;

(16) There is no force majeure or other unexpected factor that would have materially adverse impact on the enterprise with mining rights.

2 Principal assumptions of the appraisal of Mine 3 Continuation Area.

(1) The title evidence of the appraisal subject is the approval on mining areas zoning issued by competent authorities of Land and Resources, it is assumed that the owner (applicant) of the mining rights has made all the preparations and obtained the Mining Permit within the reservation period for approving the mining areas zoning, and will be the legal holder of the mining rights for the expected remaining mine life.

(2) Discount rate is consisted of risk-free rate of return and risk premium, where risk-free rate of return is calculated based on the arithmetic mean of coupon rates of certificate treasury bonds for the five years before the base date, and risk premium is determined based on the higher end of the range for the specific subject of appraisal. Accordingly, the discount rate for the appraisal is determined at 8.66%. The enterprise with mining rights shall operate as an ongoing concern with definite ownership of assets and properties.

The appraisal is conducted on the basis that the mine has a service life of 30 years and that recoverable reserves of 323,400,000 tonnes are utilized during the 30 years. It is assumed that the enterprise will settle the consideration for the mining rights over 30 years. The coal reserve under the appraisal is based on the recoverable reserves of 323,400,000 tonnes equivalent to disposal prices.

It is assumed that the project will come into a stable stage in 2015, and will maintain its operation and cash flow unchanged from 2015 for each year up to 2041.

(3) The underlying policies, laws and regulations remain as-is and experience no material changes, so as the underlying social, political and economic environments, development technologies and conditions;

(4) It is assumed that production scale, raw coal output, workload and stock reserve factor for the subject of appraisal, during its normal production life cycle, are consistent with those set out in the relevant feasibility study report;

(5) It is assumed that selling prices will remain unchanged from the average selling prices for the enterprise for the period from 2007 to June 2010, and that there will be no material change in the future business model compared to that of the base date;

(6) The impact on appraised value from potential charge, guarantee, other rights or any other restrictions on title and the possibly appended price through special transactions is not considered;

(7) It is assumed that only 70% of working capital is financed by bank loans, based on the prevailing annual interest rate for one-year loans;

(8) It is assumed that the working capital is determined within the range required by relevant guideline for appraisal, and that the working capital will be recovered in full at the end of appraisal period;

(9) Fixed assets investment, future renewal of fixed assets investment, purchased materials, purchased fuel and power, staff remuneration, simple reproduction maintenance charges, roadway drivage work fund, safety costs, management fees and cost of sales under the appraisal are valued according to the data set out in the feasibility study report and the State's relevant requirements, and it is assumed that there will be no material change in prices of power, fuel, transportation cost and packaging materials in the coming years. It is also assumed that there will be no material change in supply mode and channel for the raw and auxiliary materials to be consumed;

(10) The existing management and its successor are responsible and can perform the development plan of the enterprise with mining rights in a proactive and well-paced manner, with an aim to maintain sound operations;

(11) It is assumed that the future production plans can be materialised as actual sales;

(12) There will be no material change in tax bases and rates which is unforeseeable;

(13) The impact of inflation is not considered in estimating the future cash flows;

(14) It is assumed that cash flows are generated at the end of each forecast horizon, or at the end of year in case of a forecast year;

(15) There are no material liabilities arising from provision of guarantee or otherwise in the duration;

(16) The future revenue generation mode and credit policy will remain unchanged from those at present, and no major issues of collection will arise;

(17) There is no force majeure or other unexpected factor that would have materially adverse impact on the enterprise with mining rights.

PRINCIPAL ASSUMPTIONS OF THE CHAIJIAGOU MINING PROFIT FORECAST

1 Principal assumptions of the appraisal of Chaijiagou Mine

(1) Discount rate is consisted of risk-free rate of return and risk premium, where risk-free rate of return is calculated based on the arithmetic mean of coupon rates of certificate treasury bonds for the five years before the base date, and risk premium is determined based on the higher end of the range for the specific subject of appraisal. Accordingly, the discount rate for the appraisal is determined at 8.51%. The enterprise with mining rights shall operate as an ongoing concern with definite ownership of assets and properties.

The coal reserve under the appraisal is based on the recoverable reserves of 6,996,400 tonnes equivalent to disposal prices.

It is assumed that the project will come into a stable stage in 2010, and will maintain its operation and cash flow unchanged from 2010 for each year up to 2016.

(2) The underlying policies, laws and regulations remain as-is and experience no material changes, so as the underlying social, political and economic environments, development technologies and conditions;

(3) It is assumed that production scale, raw coal output, workload and stock reserve factor for the subject of appraisal, during its normal production life cycle, are consistent with those set out in the relevant development proposal;

(4) It is assumed that selling prices will remain unchanged from the average selling prices for the period from 2008 to June 2010, and that there will be no material change in the future business model compared to that of the base date;

(5) The impact on appraised value from potential charge, guarantee, other rights or any other restrictions on title and the possibly appended price through special transactions is not considered;

(6) It is assumed that only 70% of working capital is financed by bank loans, based on the prevailing annual interest rate for one-year loans;

(7) It is assumed that the working capital is determined within the range required by relevant guideline for appraisal, and that the working capital will be recovered in full at the end of appraisal period;

(8) Purchased materials, purchased fuel and power, staff remuneration, simple reproduction maintenance charges, roadway drivage work fund, safety costs and other expenses under the appraisal are valued according to the arithmetic means for actual costs and expenses incurred in 2009 (excluding contingencies) provided by Chaijiagou Mining and the State's relevant requirements (production of the Chaijiagou Mine was suspended from January to May 2010 due to reconfiguration of the underground ventilation system, and was resumed upon completion of reconfiguration in late May 2010. Production at the mine has been restored to normal and the mining of raw coal proceeds as planned. As such, data from January to May 2010 when the production was suspended has not been taken due to its irrelevancy), and it is assumed that there will be no material change in the future production life cycle. It is also assumed that there will be no material change in supply mode and channel for the raw and auxiliary materials to be consumed; and that the fixed assets investment and the renewal capital of fixed assets, determined at the appraised values, will remain unchanged in the production life cycle;

(9) The existing management and its successor are responsible and can perform the development plan of the enterprise with mining rights in a proactive and well-paced manner, with an aim to maintain sound operations;

(10) It is assumed that the future production plans can be materialised as actual sales;

(11) There will be no material change in tax bases and rates which is unforeseeable;

(12) The impact of inflation is not considered in estimating the future cash flows;

(13) It is assumed that cash flows are generated at the end of each forecast horizon, or at the end of year in case of a forecast year;

(14) There are no material liabilities arising from provision of guarantee or otherwise in the duration;

(15) The future revenue generation mode and credit policy will remain unchanged from those at present, and no major issues of collection will arise;

(16) There is no force majeure or other unexpected factor that would have materially adverse impact on the enterprise with mining rights.

PRINCIPAL ASSUMPTIONS OF THE FINANCE COMPANY PROFIT FORECAST

(1) The appraisal conclusion is arrived at according to the principles, basis, premises, methods and procedures set out in the Finance Company Valuation Report, and the conclusion shall be tenable conditional upon the availability of the above principles, basis and premises;

(2) The appraisal conclusion only applies to the target transaction;

(3) The conclusion reflects the market value of the subject for the purpose of appraisal, without taking into account the impact on appraised value from potential charge, guarantee and the possibly appended price through special transactions, or the impact on asset prices from change in national macroeconomic policies and natural force and other force majeure. A change in the aforesaid conditions and the ongoing concern principle adopted in appraisal will generally lead to ineffectiveness of the appraisal conclusion;

(4) Save as disclosed in the appraisal report, it is assumed that the prevailing national and local laws and regulations governing land planning, usage, occupation, environment and relevant aspects have been fully complied, and the titles for land and buildings are complete;

(5) It is assumed that save for those already known, there will be no material change in the foreseeable future in the prevailing national laws and regulations or fundamental policies on the relevant industry which would have an impact on the enterprise's operations, and there will be no material change in general economy; that there will be no material change in political, economic and social environment in the regions where the enterprise operates; that there will be no material change in prevailing bank interest rates, exchange rates and taxation policies of the PRC; and that there will be no material change in accounting policies and methods of the enterprise being appraised;

(6) It is assumed that the existing management and its successor are responsible and can perform corporate development plan in a proactive and well-paced manner, with an aim to maintain sound operations;

(7) The forecast is based on the shareholding structure of the enterprise being appraised as at the base date, without taking into account any potential shareholding change or restructuring subsequent to the base date;

(8) There will be no material change in the future business model of the enterprise being appraised compared to that of the base date;

(9) The existing revenue generation mode will remain unchanged in the future;

(10) It is assumed that cash flows of the enterprise being appraised are generated in the mid of each forecast horizon or in the mid of year in case of a forecast year, instead of at the end of year;

(11) There is no materially adverse impact from other force majeure;

(12) Under a stable financial system of the PRC, the monetary and fiscal policies maintain relatively steady and consistent;

(13) Cash flows to equity of Finance Company are generated during each forecast year proportionately;

(14) There is no material change in forward-looking figures including estimated deposit acceptance, loan scale, interbank deposit and the deposit with central bank as provided by Finance Company to the Valuer in the course of future operations;

(15) The impact of inflation is not considered in estimating the future cash flows;

(16) Shenhua Finance Co., Ltd. will come into a stable stage in 2016, and will maintain its operation and cash flows to equity unchanged from 2015 for each subsequent year. Also, since the appraisal is conducted for the purpose of equity transfer, enterprise value is be estimated on an ongoing basis based on the assumption that the business operation will be carried out in perpetuity;

(17) The ratios for the appraisal regarding loan yield, interest payout for deposit acceptance, yield from deposits with interbanks and central bank are consistent with those at the base date;

(18) The provision ratio for impairment of loans is consistent with that at the base date;

(19) The growth rates of deposit acceptance are estimated at 51.90% for 2011, 8.33% for 2012, 7.69% for 2013 and 7.14% for 2014, and the level same as that of 2014 for the years thereafter;

(20) The growth rates of loans are estimated at 46.55% for 2011, 23.53% for 2012, 19.05% for 2013, 16.00% for 2014 and 13.79% for 2015, and the level same as that of 2015 for the years thereafter;

(21) The growth rates of deposit with interbanks are estimated at 54.44% for 2011, 0.54% for 2012, 0.54% for 2013, 0.54% for 2014 and -12.18% for 2015, and the level same as that of 2015 for the years thereafter;

(22) The growth rates of deposit with central bank are estimated at 51.90% for 2011, 8.33% for 2012, 7.69% for 2013 and 7.14% for 2014, and the level same as that of 2014 for the years thereafter;

(23) The investment scale and return on investment for the subsequent years are estimated the same as those of the base date;

(24) The annual average growth rate of business and management expenses (excluding depreciation and amortisation) is estimated at 3%;

(25) Discount rate is consisted of risk-free rate of return and risk premium, where risk-free rate of return is calculated based on the held-to-maturity yield of 10-year interbank treasury bonds, and risk premium is determined based on the sum of basic compensation and country-defaulted compensation in matured stock market for the specific subject of appraisal, taking into consideration the risk exposures for relevant sectors and the enterprises. Accordingly, the discount rate for such appraisal is determined at 12.27%;

(26) Dividends are expected to be distributed as and when the target capital adequacy ratio is maintained at 16% during a forecast year;

(27) For the purpose of the appraisal, 1% of the balance of risk assets is transferred to general risk reserve under owner's equity.

PRINCIPAL ASSUMPTIONS OF THE INFORMATION COMPANY PROFIT FORECASTS

(1) The appraisal conclusion is arrived at according to the principles, basis, premises, methods and procedures set out in the Information Company Valuation Report, and the conclusion shall be tenable conditional upon the availability of the above principles, basis and premises;

(2) The appraisal conclusion only applies to the target transaction;

(3) The conclusion reflects the market value of the subject for the purpose of appraisal, without taking into account the impact on the appraised value from potential charge, guarantee and the possibly appended price through special transactions, or the impact on asset prices from change in national macroeconomic policies, natural force and other force majeure. A change in the aforesaid conditions and the ongoing concern principle adopted in appraisal will generally lead to ineffectiveness of the appraisal conclusion;

(4) Save as disclosed in the appraisal report, it is assumed that the prevailing national and local laws and regulations governing land planning, usage, occupation, environment and relevant aspects have been fully complied, and the titles for land and buildings are complete;

(5) It is assumed that save for those already known, there will be no material change in the foreseeable future in the prevailing national laws and regulations or fundamental policies on the relevant industry which would have an impact on the enterprise's operations, and there will be no material change in general economy; that there will be no material change in political, economic and social environment in the regions where the enterprise operates; that there will be no material change in prevailing bank interest rates, exchange rates and taxation policies of the PRC; and that there will be no material changes in accounting policies and methods adopted pursuant to the respective development plan provided to the Valuer by the enterprise being appraised in the foreseeable future;

(6) It is assumed that the existing management and its successor are responsible and can perform corporate development plan in a proactive and well-paced manner, with an aim to maintain sound operations; The forecast is based on the shareholding structure of the enterprise being appraised as at the base date, without taking into account any potential shareholding change or restructuring subsequent to the base date; There will be no material change in the future business model of the enterprise being appraised compared to that of the base date; The future revenue generation mode and credit policy will remain unchanged from those at present, and no major issues of collection will arise; It is assumed that cash flows of the enterprise being appraised are generated in the mid of each forecast horizon or in the mid of year in case of a forecast year, instead of at the end of year; and there is no materially adverse impact from other force majeure;

(7) In the course of the appraisal, the Valuer did not take technical inspections on technological parameters and performance of equipment as at the base date; their judgements are made through field survey assuming the technical information and commissioning records provided by the enterprise being appraised are true and valid. In the course of the appraisal, the Valuer did not take technical inspections on hidden construction and internal structure (the part beyond visual check) of the buildings and structures; their judgements are made through field survey without any aid of inspection apparatus, assuming the construction information provided by the enterprise being appraised is true and valid;

(8) The impact of inflation is not considered in estimating the future cash flows;

(9) In the course of appraising, it is assumed that the enterprise being appraised remains qualified as a software enterprise and high-tech enterprise, and there is no change in the prevailing preferential taxation policies for software enterprises and high-tech enterprises of China;

(10) It is assumed that the respective development plan provided to the Valuer by the enterprise being appraised will be implemented in the foreseeable future, and costs and expenses will be incurred as expected;

(11) Based on its current business operations, competitive landscape and market demand and supply, the company is estimated to come into a stable stage in 2016. Accordingly, the period from 2010 to 2015 is taken as the period of forecast and profit-making. Under the principle of prudence, it is assumed that the revenue of the enterprise for 2016 and thereafter will remain unchanged from that of 2015. Also, since the appraisal is conducted for the purpose of equity transfer, enterprise value is estimated on an ongoing basis based on the assumption that the business operation will be carried out in perpetuity;

(12) For the purpose of the appraisal, revenue is estimated based on average growth for the first five years and future planning of the company;

(13) According to historical analysis of product cost, product cost ratio has been relatively steady. For the purpose of the appraisal, product cost is estimated based on the product cost ratio for the period from 2007 to June 2010, with reference to product characteristics, development trend and future business volume of the enterprise;

(14) Average wage is expected to escalate at the historical wage growth rate, while taking into consideration the increased headcounts resulting from business expansion;

(15) Management expenses, selling expenses and the constituents of other income remain the level as at the base date. Management expenses and selling expenses comprise fixed expenses and variable expenses. For the purpose of the appraisal, fixed expenses are estimated based on a fixed growth rate in line with the enterprise's future plan. Among

variable expenses, technical support expenses and after-sale expenses vary along with the underlying sales revenue, and other items which are less correlated to sales revenue are taken to hold the line of 2010;

(16) The value-added tax refund policy entitled to sale of self-produced software products as of the base date will keep unchanged in the coming years;

(17) Working capital is calculated as the historical percentage of year-end working capital in sales revenue, multiplied by the estimated sales revenue;

(18) Capital expenditures comprise existing capital expenditures and additional capital expenditures. Capital expenditures for existing assets are determined based on the estimated depreciation of existing assets, assuming an asset will retire after fully depreciated, and the corresponding capital expenditures equal to the full cost of the asset replacement. Capital expenditures for additional assets represent fixed and intangible assets for corporate operations in the future. For the purpose of the appraisal, the capital expenditures for additional assets are determined based on the data provided by the management of the enterprise;

(19) It is assumed that all capital contributed to Information Company will be equity investment;

(20) It is assumed that the future profitability and asset management capability of Information Company are normal, since based on the analysis of its current operations and with reference to its historical business data, it is believed to operate in the normal course of business;

(21) Discount rate is consisted of risk-free rate of return and risk premium, where risk-free rate of return is calculated based on the held-to-maturity yield of 10-year interbank treasury bonds, and risk premium is determined based on the sum of basic compensation and country-defaulted compensation in matured stock market for the specific subject of appraisal, taking into consideration the risk exposures for relevant sectors and the enterprises. Accordingly, the discount rate for such appraisal is determined at 14.89%.

PRINCIPAL ASSUMPTIONS OF THE ASSETS PROFIT FORECAST

1 Principal assumptions of the appraisal of Adaohai Mine

(1) Discount rate is consisted of risk-free rate of return and risk premium, where risk-free rate of return is calculated based on the arithmetic mean of coupon rates of certificate treasury bonds for the five years before the base date, and risk premium is determined based on the higher end of the range for the specific subject of appraisal. Accordingly, the discount rate for the appraisal is determined at 8.51%. The enterprise with mining rights shall operate as an ongoing concern with definite ownership of assets and properties.

The coal reserve under the appraisal is based on the recoverable reserves of 24,275,600 tonnes equivalent to disposal prices.

It is assumed that the project will come into a stable stage in 2010, and will maintain its operation and cash flow unchanged from 2010 for each year up to 2029.

(2) The underlying policies, laws and regulations remain as-is and experience no material changes, so as the underlying social, political and economic environments, development technologies and conditions;

(3) It is assumed that production scale, raw coal output, workload and stock reserve factor for the subject of appraisal, during its normal production life cycle, are consistent with those set out in the relevant development proposal;

(4) It is assumed that selling prices will remain unchanged from the average selling prices for the period from 2008 to June 2010, and that there will be no material change in the future business model compared to that of the base date;

(5) The impact on appraised value from potential charge, guarantee, other rights or any other restrictions on title and the possibly appended price through special transactions is not considered;

(6) It is assumed that only 70% of working capital is financed by bank loans, based on the prevailing annual interest rate for one-year loans;

(7) It is assumed that the working capital is determined within the range required by relevant guideline for appraisal, and that the working capital will be recovered in full at the end of appraisal period;

(8) Purchased materials, purchased fuel and power, staff remuneration, simple reproduction maintenance charges, roadway drivage work fund, safety costs and other expenses under the appraisal are valued according to the arithmetic means for actual costs and expenses incurred in 2009 and the period from January to June 2010 provided by Shenhua Baotou Mining (excluding contingencies) and the State's relevant requirements, and it is assumed that there will be no material change in prices of power, fuel, transportation cost and packaging materials in the coming years. It is also assumed that there will be no material change in supply mode and channel for the raw and auxiliary materials to be consumed; and that the fixed assets investment and the renewal capital of fixed assets, determined at the appraised values, will remain unchanged in the production life cycle;

(9) The existing management and its successor are responsible and can perform the development plan of the enterprise with mining rights in a proactive and well-paced manner, with an aim to maintain sound operations;

(10) It is assumed that the future production plans can be materialised as actual sales;

(11) There will be no material change in tax bases and rates which is unforeseeable;

(12) The impact of inflation is not considered in estimating the future cash flows;

(13) It is assumed that cash flows are generated at the end of each forecast horizon, or at the end of year in case of a forecast year;

(14) There are no material liabilities arising from provision of guarantee or otherwise in the duration;

(15) The future revenue generation mode and credit policy will remain unchanged from those at present, and no major issues of collection will arise;

(16) There is no force majeure or other unexpected factor that would have materially adverse impact on the enterprise with mining rights.

2 Principal assumptions of the appraisal of Shuiquan Opencast Mine

(1) Discount rate is consisted of risk-free rate of return and risk premium, where risk-free rate of return is calculated based on the arithmetic mean of coupon rates of certificate treasury bonds for the five years before the base date, and risk premium is determined based on the higher end of the range for the specific subject of appraisal. Accordingly, the discount rate for the appraisal is determined at 8.51%. The enterprise with mining rights shall operate as an ongoing concern with definite ownership of assets and properties.

The coal reserve under the appraisal is based on the recoverable reserves of 22,546,900 tonnes equivalent to disposal prices.

It is assumed that the project will come into a stable stage in 2010, and will maintain its operation and cash flow unchanged from 2010 for each year up to 2027.

(2) The underlying policies, laws and regulations remain as-is and experience no material changes, so as the underlying social, political and economic environments, development technologies and conditions;

(3) It is assumed that production scale, raw coal output, workload and stock reserve factor for the subject of appraisal, during its normal production life cycle, are consistent with those set out in the relevant development proposal;

(4) It is assumed that selling prices will remain unchanged from the average selling prices for the period from 2008 to June 2010, and that there will be no material change in the future business model compared to that of the base date;

(5) The impact on appraised value from potential charge, guarantee, other rights or any other restrictions on title and the possibly appended price through special transactions is not considered;

(6) It is assumed that only 70% of working capital is financed by bank loans, based on the prevailing annual interest rate for one-year loans;

(7) It is assumed that the working capital is determined within the range required by relevant guideline for appraisal, and that the working capital will be recovered in full at the end of appraisal period;

(8) Purchased materials, purchased fuel and power, staff remuneration, simple reproduction maintenance charges, roadway drivage work fund, safety costs and other expenses under the appraisal are valued according to the arithmetic means for actual costs and expenses incurred in 2009 and the period from January to June 2010 provided by Shenhua Baotou Mining (excluding contingencies) and the State's relevant requirements, and it is assumed that there will be no material change in prices of power, fuel, transportation cost and packaging materials in the coming years. It is also assumed that there will be no material change in supply mode and channel for the raw and auxiliary materials to be consumed; and that the fixed assets investment and the renewal capital of fixed assets, determined at the appraised values, will remain unchanged in the production life cycle;

(9) The existing management and its successor are responsible and can perform the development plan of the enterprise with mining rights in a proactive and well-paced manner, with an aim to maintain sound operations;

(10) It is assumed that the future production plans can be materialised as actual sales;

(11) There will be no material change in tax bases and rates which is unforeseeable;

(12) The impact of inflation is not considered in estimating the future cash flows;

(13) It is assumed that cash flows are generated at the end of each forecast horizon, or at the end of year in case of a forecast year;

(14) There are no material liabilities arising from provision of guarantee or otherwise in the duration;

(15) The future revenue generation mode and credit policy will remain unchanged from those at present, and no major issues of collection will arise;

(16) There is no force majeure or other unexpected factor that would have materially adverse impact on the enterprise with mining rights.

3 Principal assumptions of the appraisal of Lijiahao Mine

(1) Discount rate is consisted of risk-free rate of return and risk premium, where risk-free rate of return is calculated based on the arithmetic mean of coupon rates of certificate treasury bonds for the five years before the base date, and risk premium is determined based on the higher end of the range for the specific subject of appraisal. Accordingly, the discount rate for the appraisal is determined at 8.61%. The enterprise with mining rights shall operate as an ongoing concern with definite ownership of assets and properties.

The coal reserve under the appraisal is based on the recoverable reserves of 192,400,000 tonnes of equivalent to disposal prices.

It is assumed that the project will come into a stable stage in 2012, and will maintain its operation and cash flow unchanged from 2012 for each year up to 2034.

(2) The underlying policies, laws and regulations remain as-is and experience no material changes, so as the underlying social, political and economic environments, development technologies and conditions;

(3) It is assumed that production scale, raw coal output, workload and stock reserve factor for the target of appraisal, during its normal production life cycle, are consistent with those set out in the relevant preliminary design proposal;

(4) The selling price is determined according to the average selling price of coal sold by Qinhuangdao Port which is of equal quality as compared with the coal of this mine from 2007 to June 2010. It is assumed that there will be no material change in the mode of operation in the future as compared with the base date;

(5) The impact on appraised value from potential charge, guarantee, other rights or any other restrictions on title and the possibly appended price through special transactions is not considered;

(6) It is assumed that only 70% of working capital is financed by bank loans, based on the prevailing annual interest rate for one-year loans;

(7) It is assumed that the working capital is determined within the range required by relevant guideline for appraisal, and that the working capital will be recovered in full at the end of appraisal period;

(8) Fixed asset investment, future fixed asset replacement investment, purchased materials, purchased fuel and power, staff remuneration, simple reproduction maintenance charges, roadway drivage work fund, safety costs and other expenses under the appraisal are valued according to the preliminary design proposal and the State's relevant requirements, and it is assumed that there will be no material change in prices of power, fuel, transportation cost and packaging materials in the coming years. It is also assumed that there will be no material change in supply mode and channel for the raw and auxiliary materials to be consumed;

(9) The existing management and its successor are responsible and can perform the development plan of the enterprise with mining rights in a proactive and well-paced manner, with an aim to maintain sound operations;

(10) It is assumed that the future production plans can be materialised as actual sales;

(11) There will be no material change in tax bases and rates which is unforeseeable;

(12) The impact of inflation is not considered in estimating the future cash flows;

(13) It is assumed that cash flows are generated at the end of each forecast horizon, or at the end of year in case of a forecast year;

(14) There are no material liabilities arising from provision of guarantee or otherwise in the duration;

(15) The future revenue generation mode and credit policy will remain unchanged from those at present, and no major issues of collection will arise;

(16) There is no force majeure or other unexpected factor that would have materially adverse impact on the enterprise with mining rights.

The following is the text of a letter, prepared for the purpose of incorporation in this circular, received from the Company's auditors, KPMG, Certified Public Accountants, Hong Kong.

KPMG

8th Floor
Prince's Building
10 Chater Road
Central
Hong Kong

20 December 2010

The Directors
China Shenhua Energy Company Limited

Dear Sirs,

We have been engaged to report on the arithmetical calculations of the discounted future estimated cash flows on which the asset valuation of the mining rights owned by Shenhua Group Baotou Mining Co., Ltd., Shaanxi Jihua Chaijiagou Mining Co., Ltd. and Shenhua Baorixile Energy Co., Ltd. and the business valuation of Shenhua Finance Co., Ltd. and Shenhua Hollysys Information Technology Co., Ltd. (the ''Valuations'') dated 16 December 2010, prepared by China Enterprise Appraisal Corporation Limited, are based. The valuation based upon discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the ''Listing Rules'').

DIRECTORS' RESPONSIBILITY FOR THE DISCOUNTED FUTURE ESTIMATED CASH FLOWS

The directors of the Company are responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and as set out in the Valuations. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation of the discounted future estimated cash flows for the Valuations and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

OUR RESPONSIBILITY

It is our responsibility to report, as required by Rule 14.62(2) of the Listing Rules, on the arithmetical calculations of the discounted future estimated cash flows on which the Valuations are based.

We conducted our work in accordance with the Hong Kong Standard on Assurance Engagements 3000 ''Assurance Engagements Other Than Audits or Reviews of Historical Financial Information''. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the bases and assumptions as set out in the Valuations. We re-performed the arithmetical calculations and compared the compilation of the discounted future estimated cash flows with the bases and assumptions.

We are not reporting on the appropriateness and validity of the bases and assumptions on which the discounted future estimated cash flows are based and our work does not constitute any asset valuation of the relevant mining rights, business valuation or an expression of an audit or review opinion of the Valuations.

The discounted future estimated cash flows do not involve the adoption of accounting policies. The discounted future estimated cash flows depend on future events and on a number of assumptions which cannot be confirmed and verified in the same way as past results and not all of which may remain valid throughout the period. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

OPINION

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in all material respects in accordance with the bases and assumptions made by the directors of the Company as set out in the Valuations.

Yours faithfully,

KPMG
Certified Public Accountants
Hong Kong

The following is the text of a letter, prepared for the purpose of incorporation in this circular, received from the Company's Joint Financial Advisers, China International Capital Hong Kong Securities Limited and Deutsche Bank AG, Hong Kong Branch.

China International Capital Hong Kong Securities Limited
29/F, One International Finance Centre
1 Harbour View Street
Central, Hong Kong

Deutsche Bank AG, Hong Kong Branch
52/F, International Commerce Centre,
1 Austin Road West, Kowloon,
Hong Kong

20 December 2010

The Board of Directors
China Shenhua Energy Company Limited
No. 22 Xibinhe Road
An Ding Men
Dongcheng District
Beijing, China

Dear Sirs,

We refer to the discounted cash flow forecasts underlying the valuation (the "**Valuation**") of the Assets to be sold by Shenhua Group Baotou Mining Industry Company Limited to China Shenhua Energy Company Limited (the "**Company**"), Shaanxi Jihua Chaijiagou Mining Industry Company Limited, Shenhua Baorixile Energy Company Limited, Shenhua Finance Company Limited and Shenhua Hollysys Information Technology Company Limited prepared by China Enterprise Appraisals Corporation Limited (the "**Valuer**") dated 16 December 2010, which is in accordance with PRC Assets Valuation Standard (collectively, the "**Forecasts**"). The Valuation is regarded as a profit forecast under Rule 14.61 and paragraph 29(2) of Appendix 1B of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). Capitalized terms used in this letter have the same meanings as those defined in the circular of the Company (the "**Circular**"), of which this report forms part of, unless the context otherwise requires.

We are engaged to assist the Directors to comply with Rule 14.62 of the Listing Rules. We, from the perspective of financial advisers, have reviewed the Forecasts upon which the Valuation has been made for which you as the Directors are solely responsible, and have discussed with you and the Valuer the information and documents which formed part of the basis and assumptions upon which the Forecasts have been prepared. The Forecasts have been approved by you as the Directors. We have also considered the Report from KPMG dated 20 December 2010 addressed to yourselves as set out in Appendix VII to the Circular regarding the calculations upon which the Forecasts have been made. We have noted that no accounting policies of the Company have been adopted in its preparation as the Valuation relates only to cashflows.

Our work has been undertaken for the purpose of reporting solely to you under Rule 14.62 of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

On the basis of the foregoing, we are of the opinion that the Forecasts, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry.

Yours faithfully
For and on behalf of
China International Capital Hong Kong Securities Limited
Zhaohui Huang
Managing Director

Deutsche Bank AG, Hong Kong Branch
Douglas Morton
Managing Director

Angelo Zhang
Managing Director

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DIRECTORS' INTERESTS IN SHARES

As at the Latest Practicable Date:

2.1 none of the Directors, chief executive, supervisors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange;

2.2 none of the Directors, supervisors, proposed Directors or proposed supervisors of the Company has any direct or indirect interest in any assets which have since 31 December 2009 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, and so far as is known to the Directors and chief executive of the Company, the following persons had the following interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

Interests in the Shares of the Company

Name of shareholders	Capacity	Class of Shares	Nature of interest	Number of H/domestic shares held	Percentage in the relevant class of shares %	Percentage in total share capital %
Shenhua Group Co.	Beneficial owner	Domestic shares	N/A	14,511,037,955	87.99	72.96
JPMorgan Chase & Co.	Beneficial owner	H shares	Long position	274,393,376	8.07	1.38
	Investment manager		Short position	13,910,262	0.41	0.07
	Custodian		Lending pool	227,444,329	6.69	1.14
The Capital Group Companies, Inc.	Investment manager	H shares	Long position	169,960,025	5.00	0.85
Blackrock, Inc.	Interests of controlled corporation	H shares	Long position	257,847,843	7.59	1.30
	Interests of controlled corporation	H shares	Short position	12,508,837	0.37	0.06

Note:

The information disclosed is based on the information available on the website of the Hong Kong Stock Exchange.

4. EXPERT

4.1 The following are the qualifications of the professional advisers who have given the Company opinion or provided advice referred to or contained in this circular:

Name	Qualifications
China Merchants Securities (HK) Co., Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
Jones Lang LaSalle Sallmanns Limited	An independent firm of valuers qualified in Hong Kong
KPMG	Certified public accountants
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry on type 1 (dealing in securities), type 4 (advising on securities) and type 6 (advising on corporate finance) regulated activities under the SFO
Deutsche Bank AG, Hong Kong Branch	A corporation licensed to conduct Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, and a licensed bank under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)
China Enterprise Appraisal Corporation Limited	An independent firm of valuer qualified in the PRC
John T. Boyd Company	Independent technical consultants

4.2 As at the Latest Practicable Date, Deutsche Bank held 1,214,519 A shares and 99,202,398 H shares of the Company, which in aggregate amount to approximately 0.50% of the total issued shares of the Company (not including 774,500 H shares of the Company which Deutsche Bank held as nominee without beneficial interest). Other than such shareholding, Deutsche Bank has no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group. As at the Latest Practicable Date, China Merchants Securities (HK) Co., Limited, Jones Lang LaSalle Sallmanns Limited, KPMG, CICCHKS, China Enterprise Appraisal Corporation Limited and John T. Boyd Company have no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

4.3 Each of China Merchants Securities (HK) Co., Limited, Jones Lang LaSalle Sallmanns Limited, KPMG, CICCHKS, Deutsche Bank, China Enterprise Appraisal Corporation Limited and John T. Boyd Company has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name in the form and context in which they respectively appear.

4.4 As at the Latest Practicable Date, China Merchants Securities (HK) Co., Limited, Jones Lang LaSalle Sallmanns Limited, KPMG, CICCHKS, Deutsche Bank, China Enterprise Appraisal Corporation Limited and John T. Boyd Company did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Company were made up.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into, with any member of the Group, a service agreement which is not terminable within one year without payment of compensation (other than statutory compensation).

6. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2009 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

7. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to the Articles of Association, at any general meeting of shareholders, a resolution shall be decided on a show of hands unless otherwise required by the Hong Kong Listing Rules, or a poll is demanded, before or after any vote by show of hands. A poll can be demanded by (i) the chairman of the meeting; (ii) at least two shareholders entitled to vote present in person or by proxy; or (iii) one or more shareholders present in person or by proxy and representing ten per cent or more of all shares carrying the right to vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman that a resolution has on show of hands been carried, unanimously, or carried by, a particular majority, or lost, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn by the person who made such a demand.

8. DIRECTORS' INTERESTS

8.1 There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director or supervisor of the Company is materially interested and which is significant in relation to the business of the Group.

8.2 The following Directors also serve as a director or employee of Shenhua Group Co or its subsidiaries:

	Name of company	Position	Date of term commencement
Directors			
Zhang Xiwu	Shenhua Group Co	Chairman	2008-12
	Guohua Power	Chairman	2008-12
Zhang Yuzhuo	Shenhua Group Co	Director, General Manager	2008-12
Ling Wen	Shenhua Group Co	Director, Deputy General Manager	2010-04
	Finance Company	Chairman	2002-07
Han Jianguo	Shenhua Group Co	Deputy General Manager	2003-08
Liu Benren	Shenhua Group Co	External director	2005-11
Xie Songlin	Shenhua Group Co	External director	2005-12
Supervisors			
Sun Wenjian	Shenhua Group Co	Leader of Disciplinary Team, Union chairman	2008-12
Tang Ning	Shenhua Group Co	Deputy Director of the Intellectual Office	2010-05

	Name of company	Position	Date of term commencement
Senior Management			
Ling Wen	Please refer to the "director" section		
Hua Zeqiao	Shenhua Coal Transportation and Sales Co Ltd	Chairman	2004-03

Save as disclosed above, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

8.3 none of the Directors or any of their respective associates has interests in the businesses, other than being a Director, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Hong Kong Listing Rules.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the EGM.

9.1 the Articles of Association;

9.2 the Rules of Procedure of General Meetings;

9.3 the Equity Purchase Agreements;

9.4 the Assets Purchase Agreement;

9.5 the Financial Services Agreement;

9.6 the letter from the Independent Board Committee as set out in this circular;

9.7 the letter from the Independent Financial Adviser, the text of which is set out in this circular;

9.8 the Property Valuation Report;

9.9 the report from KPMG on the Profit Forecasts;

9.10 the report from the Joint Financial Advisers relating to the Profit Forecasts;

9.11 the written consents of the experts referred to in 4.1 of this Appendix.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this notice, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

中国神华
CHINA SHENHUA

中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 1088)

NOTICE OF 2011 FIRST EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the "Extraordinary General Meeting") of China Shenhua Energy Company Limited (the "Company") will be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China at 9:30 a.m. on Friday, 25 February 2011 for the purpose of considering and, if thought fit, passing the following resolutions:

AS ORDINARY RESOLUTIONS:

1. To consider and, if thought fit, to approve the following agreements and the transactions contemplated thereunder:

   (1) the equity transfer agreement dated 20 December 2010 entered into between the Company and Shenhua Group Corporation Limited, pursuant to which the Company agreed to purchase 56.61% equity interest of Shenhua Baorixile Energy Co Ltd from Shenhua Group Corporation Limited, and the transactions contemplated thereunder;

   (2) the equity transfer agreement dated 20 December 2010 entered into between the Company and Beijing Guohua Power Co Ltd, pursuant to which the Company agreed to purchase 80.00% equity interest of Inner Mongolia Guohua Hulunbeier Power Generation Co Ltd from Beijing Guohua Power Co Ltd, and the transactions contemplated thereunder;

   (3) the equity transfer agreement dated 20 December 2010 entered into between the Company, Shenhua International Trading Co Ltd and Shenhua Baorixile Energy Co Ltd, pursuant to which the Company agreed to purchase 39.10% and 21.00% equity interest of Hulunbeier Shenhua Clean Coal Co Ltd from Shenhua International Trading Co Ltd and Shenhua Baorixile Energy Co Ltd respectively, and the transactions contemplated thereunder;

(4) the equity transfer agreement dated 20 December 2010 entered into between the Company, Guohua Energy Investment Co Ltd and Beijing Jihua Industry Coal Co Ltd, pursuant to which the Company agreed to purchase 80.00% and 15.00% equity interest of Shaanxi Jihua Chaijiagou Mining Co Ltd from Guohua Energy Investment Co Ltd and Beijing Jihua Industry Coal Co Ltd respectively, and the transactions contemplated thereunder;

(5) the equity transfer agreement dated 20 December 2010 entered into between the Company, Shenhua Group Corporation Limited, Guohua Energy Investment Co Ltd and China Shenhua Coal-to-liquid Chemical Co Ltd, pursuant to which the Company agreed to purchase 39.29%, 12.86% and 7.14% equity interest of Shenhua Finance Co Ltd from Shenhua Group Corporation Limited, Guohua Energy Investment Co Ltd and China Shenhua Coal-to-liquid Chemical Co Ltd respectively, and the transactions contemplated thereunder;

(6) the equity transfer agreement dated 20 December 2010 entered into between the Company, Shenhua Group Corporation Limited and Shenhua International Trading Co Ltd, pursuant to which the Company agreed to purchase 98.71% and 1.29% equity interest of Shenhua Material Trading Co Ltd from Shenhua Group Corporation Limited and Shenhua International Trading Co Ltd respectively, and the transactions contemplated thereunder;

(7) the equity transfer agreement dated 20 December 2010 entered into between the Company and Shenhua Group Corporation Limited, pursuant to which the Company agreed to purchase 100.00% equity interest of Shenhua Tianhong Trading Co Ltd from Shenhua Group Corporation Limited, and the transactions contemplated thereunder;

(8) the equity transfer agreement dated 20 December 2010 entered into between the Company and Shenhua Group Corporation Limited, pursuant to which the Company agreed to purchase 80.00% equity interest of Shenhua Hollysys Information Technology Co Ltd from Shenhua Group Corporation Limited, and the transactions contemplated thereunder;

(9) the equity transfer agreement dated 20 December 2010 entered into between the Company and Shenhua Group Corporation Limited, pursuant to which the Company agreed to purchase 100.00% equity interest of Shenhua (Beijing) Remote Sensing Exploration Co Ltd from Shenhua Group Corporation Limited, and the transactions contemplated thereunder;

(10) the assets transfer agreement dated 20 December 2010 entered into between the Company and Shenhua Group Baotou Mining Co Ltd pursuant with the Company agreed to purchase certain assets and their related liabilities (details of which are disclosed in the announcement of the Company dated 20 December 2010) from Shenhua Group Baotou Mining Co Ltd, and the transactions contemplated thereunder;

(11) the financial services agreement dated 20 December 2010 entered into between the Company and Shenhua Group Corporation Limited, pursuant to which the Company agreed to provide financial services to Shenhua Group Corporation Limited and its subsidiaries and associates (other than the Company and its subsidiaries) through Shenhua Finance Co Ltd, and the transactions contemplated thereunder and the following proposed caps:

(a) the following annual caps on amount of guarantee provided by Shenhua Finance Co Ltd to or for the benefit of Shenhua Group Corporation Limited and its subsidiaries and associates (other than the Company and its subsidiaries):

(i) RMB2,500,000,000 for the year ending 31 December 2011;

(ii) RMB2,500,000,000 for the year ending 31 December 2012;

(iii) RMB2,500,000,000 for the year ending 31 December 2013;

(b) the following annual caps on amount of bill acceptance and discount services provided by Shenhua Finance Co Ltd to Shenhua Group Corporation Limited and its subsidiaries and associates (other than the Company and its subsidiaries):

(i) RMB9,000,000,000 for the year ending 31 December 2011;

(ii) RMB12,000,000,000 for the year ending 31 December 2012;

(iii) RMB15,000,000,000 for the year ending 31 December 2013;

(c) the following caps on maximum daily balance (including interests accrued thereon) of deposits placed by Shenhua Group Corporation Limited and its subsidiaries and associates (other than the Company and its subsidiaries) with Shenhua Finance Co Ltd:

(i) RMB35,000,000,000 for the year ending 31 December 2011;

(ii) RMB40,000,000,000 for the year ending 31 December 2012;

(iii) RMB45,000,000,000 for the year ending 31 December 2013;

(d) the following caps on maximum balance of loans, consumer credit facilities, buyer's credit and financial leasing (including interests accrued thereon) at any one point of time provided by Shenhua Finance Co Ltd to Shenhua Group Corporation Limited and its subsidiaries and associates (other than the Company and its subsidiaries):

(i) RMB24,000,000,000 for the year ending 31 December 2011;

(ii) RMB28,000,000,000 for the year ending 31 December 2012;

(iii) RMB28,000,000,000 for the year ending 31 December 2013;

(e) the following caps on maximum balance of entrustment loan (including interests accrued thereon) at any one point of time between members of Shenhua Group Corporation Limited and its subsidiaries and associates (other than the Company and its subsidiaries) handled by Shenhua Finance Co Ltd:

(i) RMB80,000,000,000 for the year ending 31 December 2011;

(ii) RMB100,000,000,000 for the year ending 31 December 2012;

(iii) RMB100,000,000,000 for the year ending 31 December 2013;

(f) the following caps on amount of interest payable by the Company and its subsidiaries to Shenhua Group Corporation Limited and its subsidiaries in respect of entrustment loans advanced by Shenhua Group Corporation Limited and its subsidiaries to the Company and its subsidiaries through Shenhua Finance Co Ltd:

(i) RMB70,000,000 for the year ending 31 December 2011;

(ii) RMB70,000,000 for the year ending 31 December 2012;

(iii) RMB70,000,000 for the year ending 31 December 2013;

(12) A committee comprising of Mr. Zhang Xiwu, Mr. Zhang Yuzhuo, Mr. Ling Wen and Mr. Gong Huazhang, all being directors of the Company, is hereby approved and authorized to take required actions in connection with the above transactions, including but not limited to execute, supplement, amend and implement documents in relation to the above transactions, carry out procedures for the obtaining of government approvals, authorise and make disclosure pursuant to the listing rule requirements of venues in which the Company is listed, and proceed with all registration matters on change of ownership of relevant assets ownership at their absolute discretion.

AS SPECIAL RESOLUTIONS:

2. To consider and, if thought fit, to approve the amendments to the articles of association of the Company as set out in the announcement of the Company dated 20 December 2010 and a committee comprising of Mr. Zhang Xiwu, Mr. Zhang Yuzhuo and Mr. Ling Wen, all being directors of the Company, is hereby authorized to make amendments to the proposed amendments of the articles of association of the Company deemed as necessary and appropriate in accordance with the amendment requirements made by the relevant regulatory authorities from time to time when reporting to the relevant regulatory authorities for approving the articles of association of the Company upon the passing of this resolution.

AS ORDINARY RESOLUTIONS:

3. To consider and, if thought fit, to approve the amendments to the rules of procedure of general meeting of the Company as set out in the announcement of the Company dated 20 December 2010 and a committee comprising of Mr. Zhang Xiwu, Mr. Zhang Yuzhuo and Mr. Ling Wen, all being directors of the Company, is hereby authorized to make amendments to the proposed amendments of the rules of procedure of general meeting of the Company deemed as necessary and appropriate in accordance with the amendment requirements made by the relevant regulatory authorities from time to time when reporting to the relevant regulatory authorities for approving the rules of procedure of general meeting of the Company upon the passing of this resolution.

By Order of the Board
China Shenhua Energy Company Limited
Huang Qing
Secretary to the Board of Directors

Beijing, 29 December 2010

Notes:

1. **Eligibility for attending the extraordinary general meeting**

   Holders of H shares of the Company whose names appear on the register of members of the Company kept by the share registrar of the Company, Computershare Hong Kong Investor Services Limited at the close of business of Wednesday, 26 January 2011 are entitled to attend the extraordinary general meeting.

   To qualify for attendance and vote at the extraordinary general meeting to be held on Friday, 25 February 2011, all transfers of H shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 25 January 2011.

2. Proxy

(1) Each shareholder entitled to attend and vote at the extraordinary general meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.

(2) The proxies shall be appointed in writing by shareholders. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other documents of authorization must be notarized.

(3) To be valid, the notarially certified power of attorney, or other documents of authorization, and the form of proxy must be delivered to the Company's office address (at Room 310, Block B, Shenhua Tower, 22 Andingmen Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China, Postal Code: 100011) for holders of domestic shares and at the H share share registrar of the Company for holders of H shares not less than 24 hours before the time fixed for convening the extraordinary general meeting or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so wishes. The H share share registrar of the Company is Computershare Hong Kong Investor Services Limited.

(4) A proxy may exercise the right to vote by showing his hand or by poll. However, if a shareholder appointed more than one proxy, such proxies shall only exercise the right to vote by poll.

3. Registration procedures for attending the extraordinary general meeting

(1) A shareholder or his proxy should produce proof of identity when attending the extraordinary general meeting.

If a corporate shareholder appoints its legal representative to attend the meeting, such legal representative or the person authorized by the board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

(2) Shareholders who intend to attend the extraordinary general meeting should return the reply slip of such meeting to the Company on or before Friday, 4 February 2011.

(3) Shareholders of the Company may return the reply slip personally, by post or by facsimile to the Company.

4. Closure of register of members

The register of members of the Company will be closed from Wednesday, 26 January to Friday, 25 February 2011 (both dates inclusive).

5. Procedures on demanding a poll

Subject to the listing rules of the stock exchange on which the shares of the Company have been listing, a poll may be demanded in respect of any resolutions by the following persons before or after a vote is carried out by a show of hands:

(1) the chairman of the meeting; and

(2) at least two shareholders or their proxies entitled to vote thereat; or

(3) one or more shareholders (including their authorized proxies) separately or jointly representing 10% or more of all shares carrying the right to vote at the meeting.

Unless a poll is demanded, the chairman of the meeting shall declare the result of a proposal put to vote on a show of hands. A demand for a poll may be withdrawn by the person who made the demand.

6. Miscellaneous

(1) The extraordinary general meeting is expected to be held for less than half a day. Shareholders who attend the meeting shall bear their own travelling and accommodation expenses.

(2) The register of members will be closed from Wednesday, 26 January 2011 to Friday, 25 February 2011 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the extraordinary general meeting must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on Tuesday, 25 January 2011 for completion of the registration of the relevant transfer in accordance with the Articles of Association of the Company.

(3) The Share Registrar of the Company for H Shares is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(4) The registered address of the Company:

Shenhua Tower
22 Andingmen Xibinhe Road
Dongcheng District
Beijing, China
Postal Code: 100011
Telephone: (+86) 10 5813 3355/(+86) 10 5813 3399
Facsimile: (+86) 10 5813 1804/(+86) 10 5813 1814

(5) Contact methods for the meeting:

Contact Department: Investment Relations Department,
Room 310, Block B, Shenhua Tower,
22 Andingmen Xibinhe Road,
Dongcheng District,
Beijing, the People's Republic of China
Postal Code: 100011
Contact Person: Qu Junda
Telephone: (+86) 10 5813 1088/(+86) 10 5813 3363
Facsimile: (+86) 10 5813 1814

(6) In this notice, the following expressions shall have the following meanings unless the context otherwise requires:

"PRC" the People's Republic of China

"RMB" Renminbi, the lawful currency of the People's Republic of China

As at the date of this notice, the Board comprises the following: Dr. Zhang Xiwu, Dr. Zhang Yuzhuo and Dr. Ling Wen as executive directors, Mr. Han Jianguo, Mr. Liu Benren and Mr. Xie Songlin as non-executive directors, and Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. Guo Peizhang as independent non-executive directors.