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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 AND ENTERING INTO FINANCIAL SERVICES AGREEMENT

Joint Financial Advisers to the Company



Deutsche Bank
德意志銀行



Joint PRC Financial Advisers to the Company



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



EQUITY PURCHASE AGREEMENTS AND ASSETS PURCHASE AGREEMENT

The Company has, on 20 December 2010, entered into the Equity Purchase Agreements with Shenhua Group Co and certain subsidiaries of Shenhua Group Co for the purchase of equity interests.

The Company has, on 20 December 2010, entered into the Assets Purchase Agreement with Baotou Mining, a subsidiary of Shenhua Group Co, for the purchase of Assets.

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. Subsidiaries of Shenhua Group Co are therefore also connected persons of the Company under the Hong Kong Listing Rules.

Therefore, the Equity Purchase Agreements, 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.

FINANCIAL SERVICES AGREEMENT

The Company has, on 20 December 2010, entered into the Financial Services Agreement with Shenhua Group Co. Pursuant to the Financial Services Agreement, the Company has conditionally agreed to provide, through Finance Company, financial services to the Shenhua Group and associates of Shenhua Group Co.

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.

ENTERING INTO EQUITY PURCHASE AGREEMENTS

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 date of this announcement, 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 auditors of the Company, KPMG have confirmed that they have reviewed the calculations for the forecast contained in the Shenbao Company Valuation Report. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry. 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 date of this announcement, 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 date of this announcement, 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 RMB922 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 addition 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 date of this announcement, 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 date of this announcement, 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 date of this announcement, 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 date of this announcement, 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 auditors of the Company, KPMG, have confirmed that they have reviewed the calculations for the forecast contained in the Chaijiagou Mining Valuation Report. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry. 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 date of this announcement, 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 date of this announcement, 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 auditors of the Company, KPMG, have confirmed that they have reviewed the calculations for the forecast contained in the Finance Company Valuation Report. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry. 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 date of this announcement, 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 date of this announcement, 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 date of this announcement, 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 date of this announcement, 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 auditors of the Company, KPMG, have confirmed that they have reviewed the calculations for the forecast contained in the Information Company Valuation Report. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry. 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 date of this announcement, 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 date of this announcement, 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 announcement 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 date of this announcement, 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		30 June 2010		30 June 2010		30 June 2010		30 September 2010		30 September 2010	
	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 date of this announcement, 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 43.7151sq. 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 date of this announcement, 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*

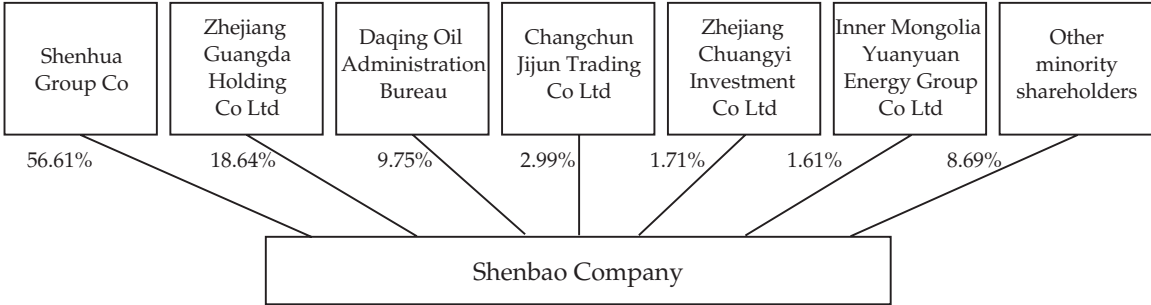
Mine 3 Continuation Area is located in the east of Baorixile Exploration Area of Chenbaerhu Qi Coalfield, which is under the jurisdiction of Baorixile town, Chenbaerhu Qi and Xiertala town, Hailar District, Inner Mongolia Autonomous Region. Pursuant to the Approval on Mining Areas Zoning issued by MLR (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 date of this announcement, Shenbao Company has applied to the relevant PRC authorities for the mining rights of the Mine 3 Continuation Area. As of the date of this announcement, 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.

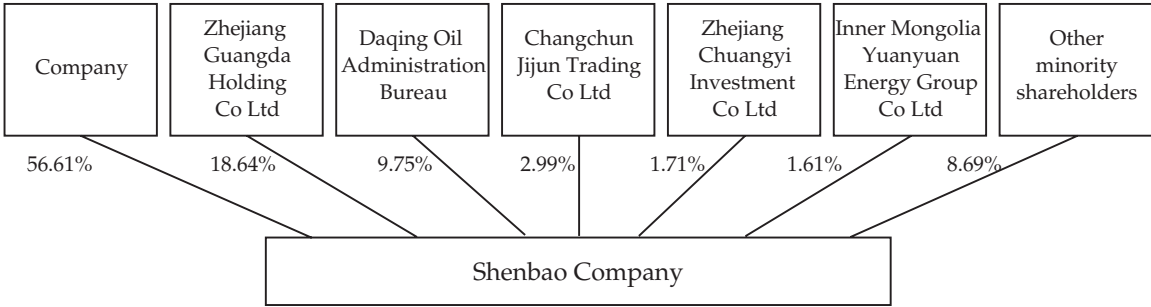
Mine 3 Continuation Area primarily produces lignite and long-flame coal, with a designed production capacity of 10,000,000 tonnes per year.

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 date of this announcement, 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	30 June 2010	30 September 2010	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	
	(Audited)	(Audited)	(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	Year ended 31 December 2009	Six months period ended 30 June 2010	Nine months period ended 30 September 2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	(Audited)	(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.

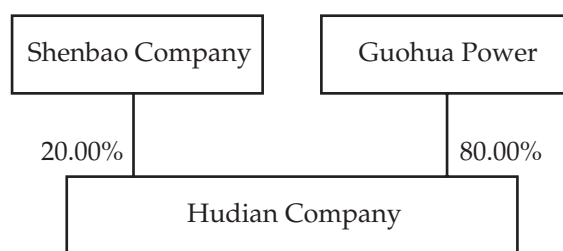
To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Shenbao Company as at 31 October 2010. The valuation report prepared by the Property Valuer will be included in the circular to be issued by the Company in connection with the subject transaction.

Hudian Company

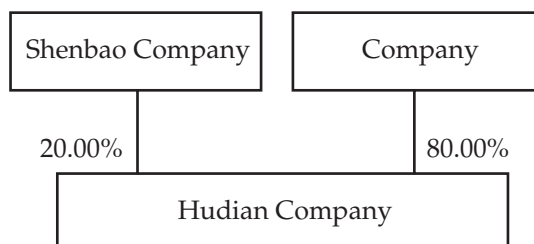
Hudian Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Hudian Company is RMB922,230,000. Hudian Company is principally engaged in the business of installation, testing and maintenance of thermal and power equipment; multiple utilization of thermal 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 in two phases. 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-NO_x 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 date of this announcement, 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	30 June 2010	30 September 2010	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	
	(Audited)	(Audited)	(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	Year ended 31 December 2009	Six months period ended 30 June 2010	Nine months period ended 30 September 2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	(Audited)	(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.

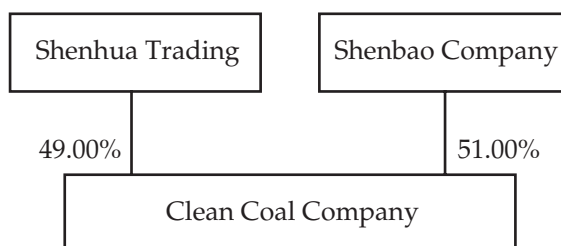
To provide more information to the Shareholders, the Company has engaged the Property Valuer, an independent property valuer, to assess the market value of the property interests of Hudian Company as at 31 October 2010. The valuation report prepared by the Property Valuer will be included in the circular to be issued by the Company in connection with the subject transaction.

Clean Coal Company

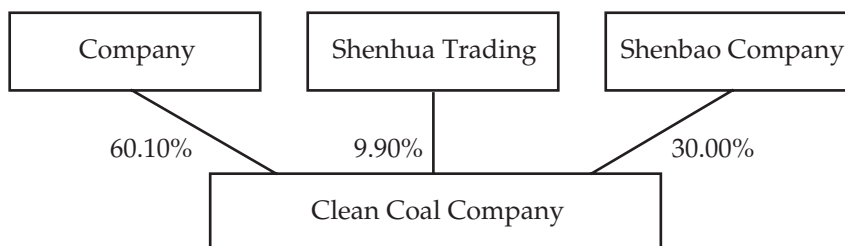
Clean Coal Company is a limited liability company incorporated under the laws of the PRC. The registered capital of Clean Coal Company is RMB100,000,000.00. Clean Coal Company is principally engaged in the business of quality advancement and processing of lignite.

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 date of this announcement, 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	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	
	(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
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(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 will be included in the circular to be issued by the Company in connection with the subject transaction.

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 date of this announcement, 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									
						30 June 2010	30 June 2010	30 June 2010	30 June 2010	30 June 2010	30 June 2010	30 September 2010	30 September 2010	30 September 2010
						Marketable	Marketable	Inferred	Indicated	Measured	Probable	Proved	Reserve	Reserve
						(10,000 tonnes)	(10,000 tonnes)	(10,000 tonnes)	(10,000 tonnes)	(10,000 tonnes)	(10,000 tonnes)	(10,000 tonnes)	(10,000 tonnes)	(10,000 tonnes)
						(JORC standard) ¹	(JORC standard) ¹	(JORC standard) ²	(JORC standard) ²	(JORC standard) ²	(JORC standard) ²	(JORC standard) ²	(JORC standard) ²	(JORC standard) ²
Chaijiagou Mine	Yijun County, Shaanxi Province	Long-flame coal	4.868	6100000830274	10 September 2008 to 10 September 2011	-	399	508	-	595	-	369	-	369

Notes:

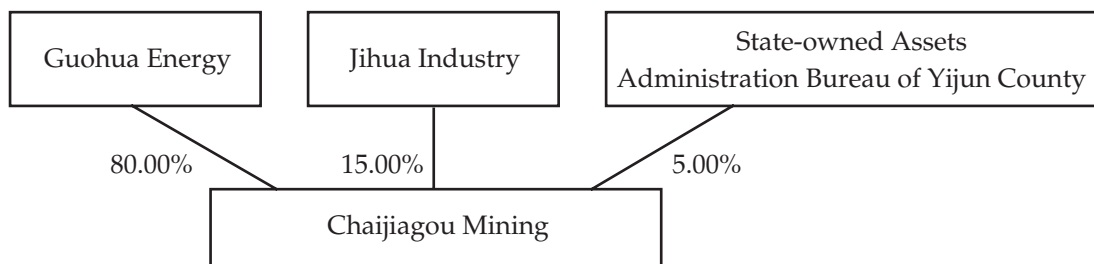
1. These information are based on and extracted from the Chaijiagou Mining Valuation Report prepared by the Valuer for the Company.
2. These information are based on and extracted from the coal reserves report prepared by John T. Boyd Company for the Company.

Chaijiagou Mine is located in the east of the Scrutinized (Supplemental) Exploration Area of Longwang-Yuhua Mining Field (龍王一玉華井田精查(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 date of this announcement, 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

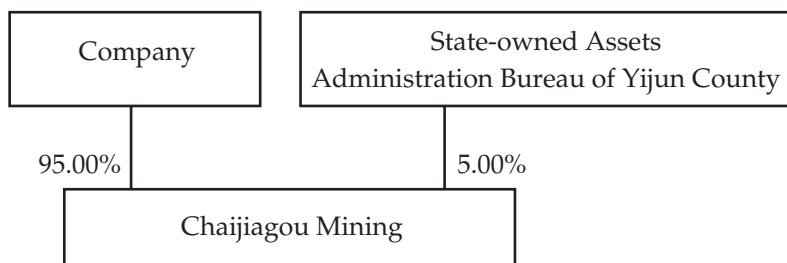
Safety Production Permit of the Chaijiagou Mine. Chaijiagou Mining has reconfigured its mine ventilation system of the Chaijiagou Mine during the period from January 2010 to May 2010, and coal production was temporarily suspended during such period. Coal production of the Chaijiagou Mine has resumed 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 date of this announcement, 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
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(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	Year ended 31 December 2009	Six months period ended 30 June 2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	Nine months period ended 30 September 2010 <i>(RMB'000)</i> (Audited)
Net profit			
(before taxation and extraordinary items)	81,544	110,052	32,195
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.

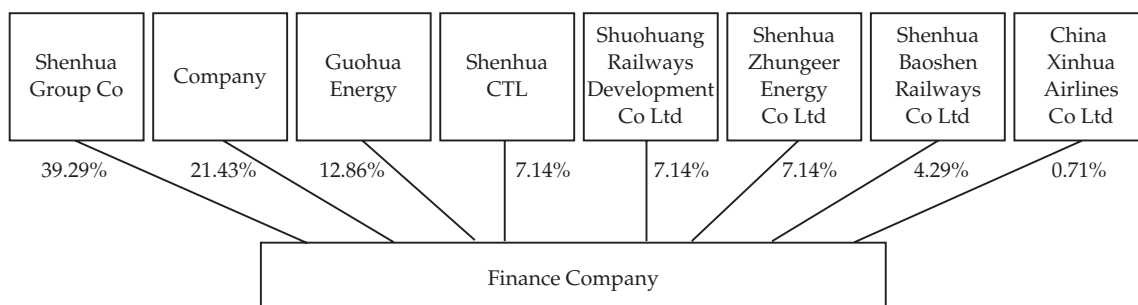
Guohua Energy and Jihua industry are initial shareholders of Chaijiagou Mining and have held the Chaijiagou Mining Equity Interest since the incorporation of Chaijiagou Mining.

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 will be included in the circular to be issued by the Company in connection with the subject transaction.

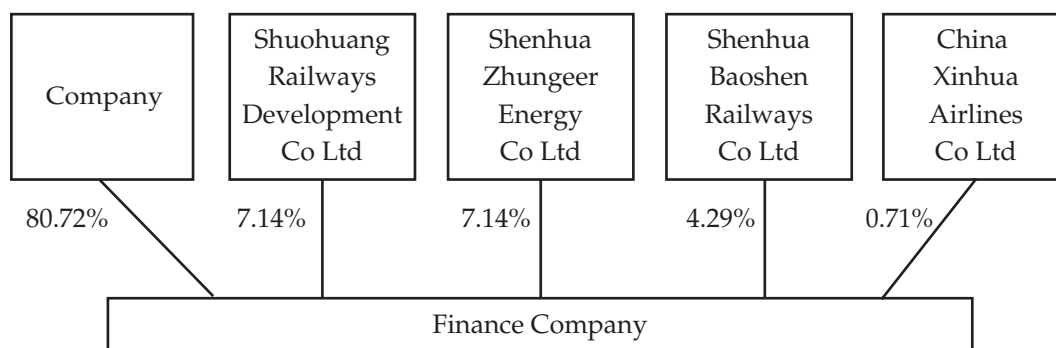
Finance Company

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 date of this announcement, 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	
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	
	(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
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(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 date of this announcement, 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.

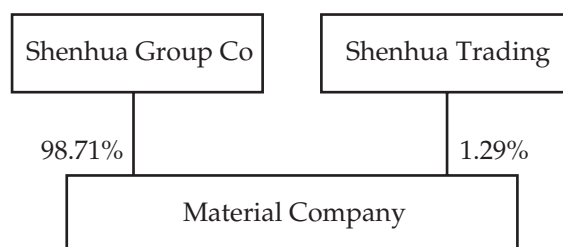
Shenhua Group Co, Guohua Energy and Shenhua CTL are initial shareholders of Finance Company and have held the Finance Company Equity Interest since the incorporation of Finance Company.

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 will be included in the circular to be issued by the Company in connection with the subject transaction.

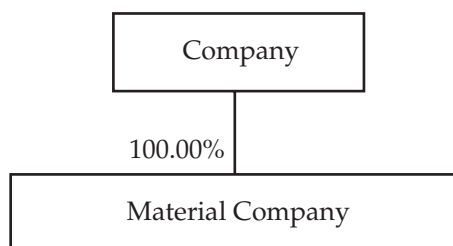
Material Company

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 date of this announcement, 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	30 June 2010	30 September 2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)	(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.

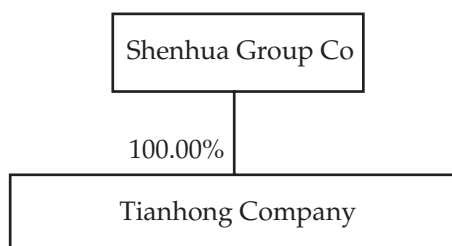
Shenhua Group Co and Shenhua Trading are initial shareholders of Material Company and have held the Material Company Equity Interest since the incorporation of Material Company.

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 will be included in the circular to be issued by the Company in connection with the subject transaction.

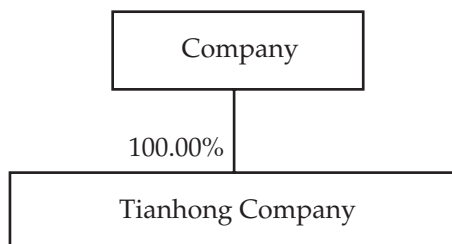
Tianhong Company

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 date of this announcement, 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
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(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
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	(Audited) ¹
Net profit (before taxation and extraordinary items)	21,571	11,935	286
Net profit/(loss) attributable to owners of the company (after taxation and extraordinary items)	21,873	7,975	(1,188)
			30 September 2010
			<i>(RMB'000)</i>
			(Audited) ¹
			(106)

Notes:

- 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 date of this announcement, 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.

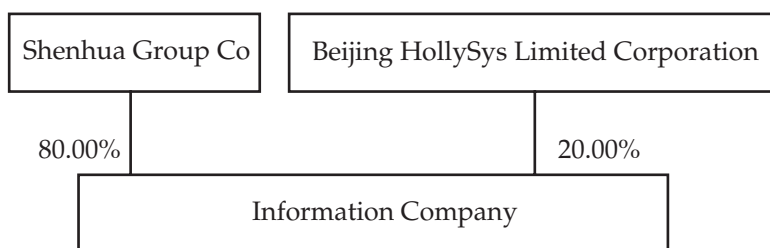
Shenhua Group Co is an initial shareholder of Tianhong Company and has held the Tianhong Company Equity Interest since the incorporation of Tianhong Company.

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 will be included in the circular to be issued by the Company in connection with the subject transaction.

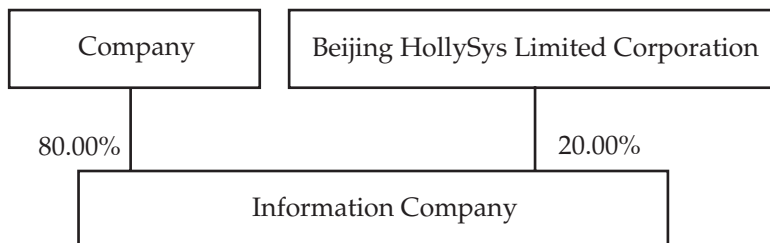
Information Company

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 date of this announcement, 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	30 June 2010	30 September 2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Audited)	(Audited)	(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	Year ended 31 December 2009	Six months period ended 30 June 2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	Nine months period ended 30 September 2010 <i>(RMB'000)</i> (Audited)
Net profit/(loss) (before taxation and extraordinary items)	722	4,524	(5,035)
Net profit/(loss) (after taxation and extraordinary items)	722	4,524	(5,035)

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

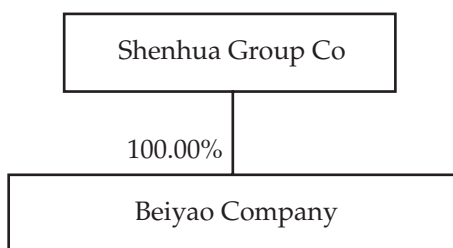
Upon the incorporation of Information Company, China Electrical Export Investment Co Ltd (the "Electrical Company"), a wholly-owned subsidiary of Shenhua Group Co, subscribed for 38.1% of the equity interest of Information Company in consideration of RMB20,000,000. In June 2006, Electrical Company purchased 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 will be included in the circular to be issued by the Company in connection with the subject transaction.

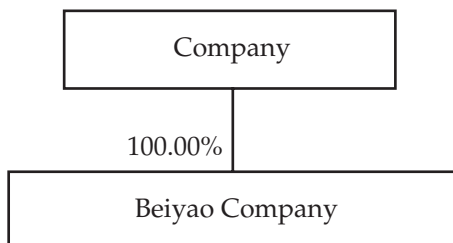
Beiyao Company

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, bidding 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 date of this announcement, 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
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(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	Year ended 31 December 2009	Six months period ended 30 June 2010	Nine months period ended 30 September 2010
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	(Audited)	(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 will be included in the circular to be issued by the Company in connection with the subject transaction.

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

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 date of this announcement, details of mining rights of the Lijiahao 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
Lijiahao 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		30 June 2010		30 June 2010		30 June 2010		30 September 2010		30 September 2010	
	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 Reserve (10,000 tonnes) (JORC standard) ²	30 June 2010 Marketable 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 Reserve (10,000 tonnes) (JORC standard) ²	30 September 2010 Marketable 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 date of this announcement, 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 date of this announcement, 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 date of this announcement, 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 Lijiaohao Mine.

Given the appraisal of the Adaohai Mine, Shuiquan Opencast Mine and Lijiaohao 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 auditors of the Company, KPMG, have confirmed that they have reviewed the calculations for the forecast contained in the Assets Valuation Report. The Joint Financial Advisers have also confirmed that the profit forecast has been made by the Directors after due and careful enquiry. 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		30 September
	2009	30 June 2010	2010
	<i>(RMB’000)</i>	<i>(RMB’000)</i>	<i>(RMB’000)</i>
	(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 (RMB'000) (Unaudited)	Year ended 31 December 2009 (RMB'000) (Audited)	Six months period ended 30 June 2010 (RMB'000) (Audited)	Nine months ended 30 September 2010 (RMB'000) (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 will be included in the circular to be issued by the Company in connection with the subject transaction.

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 announcement 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 coal-fired 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 600,000KW 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, 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 date of this announcement, 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 date of this announcement, 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 <i>(RMB million)</i>	Year ending 31 December 2012 <i>(RMB million)</i>	Year ending 31 December 2013 <i>(RMB million)</i>
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 <i>(RMB million)</i>	Year ending 31 December 2012 <i>(RMB million)</i>	Year ending 31 December 2013 <i>(RMB million)</i>
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 announcement 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.

GENERAL INFORMATION

An Independent Board Committee has been formed to advise the Independent Shareholders on the subject transactions. The Independent Board Committee has also approved the appointment of China Merchants Securities (HK) Co., Limited as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in accordance with the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the transaction contemplated under the subject transactions.

An EGM of the Company will be convened and held as soon as practicable to, inter alia, consider and, if thought fit, to approve the subject transactions. A circular containing, among other things, further details, the letter from the Independent Board Committee and the recommendation from the independent financial adviser, together with a notice convening the EGM of the Company are expected to be dispatched to the Shareholders as soon as practicable and in any event, within 15 business days from the date of this announcement.

DEFINITIONS

In this announcement, the following expressions have the following meaning 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 this announcement;
“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 this announcement;
“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;
“Director(s)”	the director(s) of the Company;
“Deutsche Bank”	Deutsche Bank AG, Hong Kong Branch;
“EGM”	the extraordinary general meeting of the Company to be held as soon as practicable to apporve, inter alia, the subject transactions;
“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 this announcement;
“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 subject transactions 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 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;
“Information Company Profit Forecast”	has the meaning ascribed to it in the “Information Company Equity Purchase Agreement” section in this announcement;
“Jihua Industry”	Beijing Jihua Industry Coal Co Ltd, a limited liability company incorporated in the PRC;

“Joint Financial Advisers”	CICCHKS and Deutsche Bank;
“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 (C1000002010021110056343) 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;
“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)
“MEP”	Ministry of Environment Protection of the PRC;
“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;
“Property Valuer”	Jones Lang LaSalle Sallmanns Limited, an independent property valuer;
“RMB”	Renminbi, the lawful currency of the PRC;
“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 this announcement;
“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 (C1500002009061120020893) 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.

By order of the board of directors
China Shenhua Energy Company Limited
Huang Qing
Secretary to the Board of Directors

Beijing, 20 December 2010

As at the date of this announcement, the Board comprises 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.