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

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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)**

**AMENDMENTS TO THE ARTICLES OF ASSOCIATION**  
**PROPOSED APPOINTMENT OF DIRECTOR**  
**PROPOSAL FOR GENERAL MANDATE TO REPURCHASE A SHARES AND H SHARES**  
**AND**  
**ENTERING INTO COAL SUPPLY FRAMEWORK AGREEMENT**

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



A letter from the Board is set out on pages 4 to 19 of this Circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on page 20 of this circular. A letter from the Independent Financial Adviser containing its advice and recommendation to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 32 of this circular.

Notices convening the AGM and the H Shareholders' Class Meeting to be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China on Friday, 5 June 2009 at 9:00 a.m. and 11:00 a.m., respectively, are set out on pages 42 to 55 of this circular.

Reply slips and forms of proxy for use at the said meetings are enclosed herewith. Shareholders who intend to attend the respective meetings shall complete and return the reply slip in accordance with the instructions printed thereon before Friday, 15 May 2009. Shareholders who intend to appoint a proxy to attend the meetings are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the relevant meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the meeting(s) or any adjournment thereof should you so wish.

17 April 2009

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## DEFINITIONS

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

“A Share(s)”	the domestic shares issued by the Company to domestic investors denominated in RMB and which are listed on the Shanghai Stock Exchange;
“A Share Repurchase Mandate”	the general mandate to exercise the power of the Company to repurchase A Shares not exceeding 10% of the number of A Shares in issue as at the date of passing the proposed resolution(s) approving the A Share Repurchase Mandate at the AGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting, details of which are set out in the notice of the AGM and the notice of the H Shareholders’ Class Meeting;
“A Shareholder(s)”	holders of A Share(s);
“A Shareholders’ Class Meeting”	the class meeting of the A Shareholders to be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People’s Republic of China at 10:30 a.m. on Friday, 5 June 2009;
“AGM”	the annual general meeting of the Company to be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People’s Republic of China at 9:00 a.m. on Friday, 5 June 2009;
“Articles of Association”	the articles of association of the Company, as amended, modified or otherwise supplemented from time to time;
“Board”	the board of Directors;
“Coal Supply Framework Agreement”	the Coal Supply Framework Agreement dated 27 March 2009 entered into between the Company and Shaanxi Coal Transportation;
“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;

## DEFINITIONS

“Fugu Energy”	Shan Meihua Group Fugu Energy Investment Co Ltd (陝煤化集團府谷能源投資有限公司), a limited liability company incorporated in the PRC;
“Group”	the Company and its subsidiaries;
“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;
“H Share Repurchase Mandate”	the general mandate to exercise the power of the Company to repurchase H Shares not exceeding 10% of the number of H Shares in issue as at the date of passing the proposed resolution(s) approving the H Share Repurchase Mandate at the AGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting, details of which are set out in the notice of the AGM and the notice of the H Shareholders’ Class Meeting;
“H Shareholder(s)”	holders of H Share(s);
“H Shareholders’ Class Meeting”	the class meeting of the H Shareholders to be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People’s Republic of China at 11:00 a.m. on Friday, 5 June 2009;
“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;
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors namely Mr. Huang Yicheng, Mr. Anthony Francis Neoh and Dr. Chen Xiaoyue;
“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;

## DEFINITIONS

“Independent Shareholders”	Shareholders who are not required to abstain from voting on the resolution(s) in relation to the Coal Supply Framework Agreement to be proposed at the AGM under the Hong Kong Listing Rules;
“Latest Practicable Date”	14 April 2009, being the latest practicable date prior to the issuance of this circular for ascertaining certain information contained herein;
“Mandatory Provisions”	the Mandatory Provisions for the Articles of Association of Companies Seeking a Listing outside the PRC;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SAFE”	State Administration of Foreign Exchange of the PRC;
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time;
“Shaanxi Coal”	Shaanxi Coal Chemical Group Co Ltd (陝西煤業化工集團有限責任公司), a limited liability company incorporated in the PRC;
“Shaanxi Coal Transportation”	Shaanxi Province Coal Transportation and Sales (Group) Co Ltd (陝西省煤炭運銷(集團)有限責任公司), a limited liability company incorporated in the PRC;
“Shaanxi Coal Transportation Group”	Shaanxi Coal Transportation and its subsidiaries;
“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 including A Shareholder(s) and H Shareholder(s);
“Shenhua Group”	Shenhua Group Corporation Limited (神華集團有限責任公司), the controlling shareholder of the Company as defined under the Hong Kong Listing Rules;
“Takeovers Code”	The Hong Kong Code on Takeovers and Mergers and Share Repurchases;
“Yulin Shenhua”	Yulin Shenhua Energy Co Ltd (榆林神華能源有限責任公司) a limited liability company incorporated in the PRC and a subsidiary of the Company.

LETTER FROM THE BOARD



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

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

**(Stock Code: 1088)**

*Executive Directors:*

Zhang Xiwu  
Ling Wen

*Non-executive Directors:*

Zhang Yuzhuo  
Han Jianguo

*Independent Non-executive Directors:*

Huang Yicheng  
Anthony Francis Neoh  
Chen Xiaoyue

*Registered Office:*

Shenhua Tower  
22 Andingmen Xibinhe Road  
Dongcheng District  
Beijing, PRC

17 April 2009

*To the Shareholders*

Dear Sir or Madam,

**AMENDMENTS TO THE ARTICLES OF ASSOCIATION  
PROPOSED APPOINTMENT OF DIRECTOR  
PROPOSAL FOR GENERAL MANDATE TO REPURCHASE A SHARES AND H SHARES  
AND  
ENTERING INTO COAL SUPPLY FRAMEWORK AGREEMENT**

**INTRODUCTION**

Reference is made (1) to the announcement made by the Company on 27 March 2009 on proposed amendments to the Articles of Association, (2) the announcement made by the Company on 27 March 2009 on the Coal Supply Framework Agreement, and (3) the announcement made by the Company on 15 April 2009 on the proposed appointment of Directors.

## LETTER FROM THE BOARD

The purpose of this circular is to provide you with (1) further information in relation to the proposed amendments to the Articles of Association, (2) further information in relation to the proposed appointment of Directors, (3) information in relation to the proposed general mandate to repurchase A Shares and H Shares, (4) further information in relation to the Coal Supply Framework Agreement, the recommendation from the Independent Board Committee on the Coal Supply Framework Agreement and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Coal Supply Framework Agreement, and (5) the notices convening the AGM and the H Shareholders' Class Meeting.

### AMENDMENTS TO ARTICLES OF ASSOCIATION

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

#### Proposed amendments to the Articles of Association

1. To conform with the Guidelines on Articles of Association of Listed Company (Revised in 2006) (上市公司章程指引(2006年修訂)) issued by the CSRC, the Company proposes that Article 72 of the Articles of Association be amended as follows:

The current Article 72 is as follows:

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

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

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

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

## LETTER FROM THE BOARD

2. To facilitate future business development of the Company, the Company proposes that Article 127 of the Articles of Association be amended as follows:

The current Article 127 is as follows:

“The board of directors shall formulate procedural rules for meeting of the board of directors, with a view to facilitating efficiency and forming scientific decision.

The board of directors shall consist of four sub-committees, i.e. Strategic Committee, Audit Committee, Remuneration Committee, and Safety, Health and Environment Committee, whose members and the standing order shall be determined by the board of directors.”

The Company proposes that the current Article 127 be deleted in its entirety and be replaced by the following:

“The board of directors shall formulate procedural rules for meeting of the board of directors, with a view to facilitating efficiency and forming scientific decision.

The board of directors shall consist of five sub-committees, i.e. Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Safety, Health and Environment Committee, whose members and the standing order shall be determined by the board of directors. The board of directors may make adjustments to the abovementioned committees or establish other special committees in accordance with the requirements of the Company.”

## LETTER FROM THE BOARD

3. In accordance with the Decision of the CSRC regarding Amendments to Certain Provision for Cash Bonus of Listed Companies (中國證券監督管理委員會關於修改上市公司現金分紅若干規定的決定), the Company proposes that Article 197 of the Articles of Association be amended as follows:

The current Article 197 is as follows:

“The Company may distribute dividends by way of:

- (1) Cash;
- (2) Shares.

If a shareholder of overseas listed foreign shares does not collect his dividends six years after the dividend payment date announced pursuant to the Articles of Association, the shareholder shall be deemed to have lost his entitlement to such dividends. Subject to compliance with the relevant laws and administrative regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised six years after the declaration of such dividends.

The Company has the right to terminate the issue of dividend coupons to holders of overseas listed foreign shares by post but the Company shall exercise such right only after the dividend coupons have not been exercised twice consecutively. However, the Company may exercise such right when the dividend coupons have failed to be delivered initially and after the dividend coupons have been returned.

The Company has the right to dispose of the shares of shareholders of overseas listed foreign shares with whom it loses contact with, in a manner as its board of directors deems appropriate, but subject to the following conditions:

- (1) Dividends of such shares have been declared for at least three times within a 12-year period and the dividends have not been claimed by anyone during such period; and
- (2) Upon expiry of the 12-year period, the Company publishes an announcement on one or more newspapers in the place where the Company is listed, stating its intention to dispose of the shares, and notifies the stock exchange on which such shares are listed.”

The Company proposes that Article 197 be deleted in its entirety and be replaced by the following:

“The Company may distribute dividends by way of:

- (1) Cash;

## LETTER FROM THE BOARD

(2) Shares.

The profit distribution policies of the Company are (1) profit distribution of the Company shall focus on reasonable return in investment of investors, and profit distribution policy of the Company shall achieve continuity and stability; (2) the Company may distribute interim cash dividends.

If a shareholder of overseas listed foreign shares does not collect his dividends six years after the dividend payment date announced pursuant to the Articles of Association, the shareholder shall be deemed to have lost his entitlement to such dividends. Subject to compliance with the relevant laws and administrative regulations of the PRC, the Company may exercise its right to confiscate the dividends which are not claimed by anyone but such right can only be exercised six years after the declaration of such dividends.

The Company has the right to terminate the issue of dividend coupons to holders of overseas listed foreign shares by post but the Company shall exercise such right only after the dividend coupons have not been exercised twice consecutively. However, the Company may exercise such right when the dividend coupons have failed to be delivered initially and after the dividend coupons have been returned.

The Company has the right to dispose of the shares of shareholders of overseas listed foreign shares with whom it loses contact with, in a manner as its board of directors deems appropriate, but subject to the following conditions:

- (1) Dividends of such shares have been declared for at least three times within a 12-year period and the dividends have not been claimed by anyone during such period; and
- (2) Upon expiry of the 12-year period, the Company publishes an announcement on one or more newspapers in the place where the Company is listed, stating its intention to dispose of the shares, and notifies the stock exchange on which such shares are listed."

### **General**

The proposed amendments to the Articles of Association are subject to the approval of the Shareholders by way of a special resolution at the AGM.

## LETTER FROM THE BOARD

### PROPOSED APPOINTMENT OF DIRECTOR

The Board has, on 15 April 2009, resolved to propose that Mr. Gong Huazhang (“Mr. Gong”) be appointed as an independent non-executive director of the Company.

The proposed appointment of Mr. Gong is subject to the approval of the shareholders of the Company by way of ordinary resolution(s) at the AGM.

Mr. Gong, aged 63, graduated from Jiangsu Yangzhou Business School in 1965. He is a professor-level senior accountant and has over 40 years’ experience in accounting.

Mr. Gong is a member of the Accounting Standards Committee of the Ministry of Finance of the People’s Republic of China, a member of China Valuation Standards Committee, the special councilor of China Appraisal Society, vice chairman of the Accounting Society of China, and the consultant of the Pricing Association of China. Mr. Gong is a part-time professor at Tsinghua University, Nankai University, Xiamen University, Shanghai National Accounting Institute, Xiamen National Accounting Institute, China University of Petroleum (Beijing) and a professor of Beijing National Accounting Institute.

Mr. Gong has served as a member of the party group, chief accountant of China National Petroleum Corporation from August 2000 to April 2007 and a director of Petrochina Company Limited from November 1999 to March 2008. Mr. Gong has also served as the chairman of China Petroleum Finance Co., Ltd since May 1999. Prior to these positions, Mr. Gong worked as accountant and team leader of the accounting team of No.10 Construction Company of the Chemical Department of China from August 1965 to January 1973. Mr. Gong then held various positions with the China Petroleum Pipeline Bureau from January 1973 to June 1990, including team leader of accounting division of Huabei Pipeline Engineering Company, accountant, deputy section head, deputy division head, division head, deputy chief accountant and finance division head of the accounting department of Pipeline Bureau. He then successively held various positions with China Petroleum and Natural Gas Corporation from June 1990 to October 1998, including deputy chief accountant, chief accountant, and deputy head of the accounting department. Mr. Gong held various positions with China National Petroleum Corporation from October 1998 to August 2000, including director of finance and assets department, and chief accountant. From September 1995 to May 1999, Mr. Gong also served as vice chairman of China Petroleum Finance Co., Ltd.

Mr. Gong has served as an independent non-executive director of Nanyang Commercial Bank (China) Limited, China Railway Group Limited, China Southern Airlines Company Limited since December 2007, September 2007 and June 2007 respectively. Mr. Gong has also served as a director of China Yangtze Power Co., Ltd since September 2002,

Save as disclosed above, Mr. Gong has not held any directorship in other listed companies in the past 3 years.

As at the Latest Practicable Date, Mr. Gong has no relationship with any directors, senior management or substantial or controlling shareholder(s) of the Company.

## LETTER FROM THE BOARD

As at the Latest Practicable Date, Mr. Gong does not have any interest in the shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).

Upon approval of Mr. Gong's appointment by the shareholders of the Company, Mr. Gong will enter into a service contract with the Company commencing from the date of appointment until the expiration of the term of the current session of the Board. Pursuant to the articles of association of the Company, Mr. Gong will be elected and appointed at general meeting of the Company and may be re-elected at general meeting of the Company.

Mr. Gong's remuneration package for the year ending 31 December 2009 will be determined by the shareholders at a general meeting pursuant to the articles of association of the Company and with reference to recommendation of the remuneration committee of the Board in accordance with its terms of reference, taking into account, among other matters, his duties and responsibilities.

The Company is of the view that Mr. Gong has satisfied the requirement of independence as set out in Rule 3.13 of the Hong Kong Listing Rules.

Save as disclosed above, the Board is not aware of any other matters in relation to Mr. Gong's proposed appointment as an independent non-executive director of the Company that need to be brought to the attention of the Shareholders nor any information that is required to be disclosed pursuant to Rules 13.51(2)(h) to Rules 13.51(2)(v) of the Hong Kong Listing Rules.

### **PROPOSAL FOR GENERAL MANDATE TO REPURCHASE A SHARES AND H SHARES**

#### **A Share Repurchase Mandate**

The Company Law (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC may not repurchase its shares unless such repurchase is effected for the purpose of (a) reducing its registered share capital; (b) in connection with a merger between itself and another entity that holds its shares; (c) granting shares as reward to the staff of the company; or (d) the repurchase is made at the request of its shareholders who disagrees with shareholders' resolutions in connection with a merger or division. The Mandatory Provisions, which the Company has incorporated in its Articles of Association, provides that subject to obtaining the approval of the relevant regulatory authorities and compliance with its articles of association, share repurchases may be effected by a joint stock limited company listed outside the PRC for the purpose of reducing its share capital or in connection with a merger between itself and another entity that holds its shares or in circumstances permitted by law or administrative regulations.

PRC laws and regulations and the Shanghai Listing Rules permit shareholders of a PRC joint stock limited company to grant a general mandate to the Directors to repurchase A

## LETTER FROM THE BOARD

Shares of such company that are listed on the Shanghai Stock Exchange. Such mandate is required to be given by way of a special resolution passed by shareholders in general meeting and special resolutions passed by holders of domestic shares and overseas listed foreign shares in separate class meetings.

A special resolution will be proposed at the AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting to grant to the Directors the A Share Repurchase Mandate and H Share Repurchase Mandate, details of which are set out in the notice of the AGM and the notice of the H Shareholders' Class Meeting. The A Shares which may be repurchased pursuant to the A Share Repurchase Mandate shall not exceed 10% of the number of A Shares in issue of the Company as at the date of passing of the resolution(s) approving the A Share Repurchase Mandate.

Both the A Share Repurchase Mandate and the H Share Repurchase Mandate would expire on the earlier of (a) the conclusion of the next annual general meeting of the Company following the passing of the relevant special resolution(s) at the AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting; (b) the expiration of a period of twelve months following the passing of the relevant special resolution(s) at the AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting; or (c) the date on which the authority conferred by the relevant special resolution(s) is revoked or varied by a special resolution of the Shareholders at a general meeting or by H Shareholders or A Shareholders at their respective class meetings.

The Company would like to draw the Shareholders' attention to the fact that, even if the A Share Repurchase Mandate is approved at the AGM, the A Shareholders' Class Meeting and H Shareholders' Class Meeting, the Company will still be required, under applicable PRC laws and regulations and the Shanghai Listing Rules, to seek additional, specific and prior approval from its Shareholders in general meeting by way of special resolution(s) for each repurchase of A Shares and to provide further information and details of such repurchase of A Shares in accordance with requirements under applicable PRC laws and regulations and the Shanghai Listing Rules. The Company will at all times comply fully with all applicable PRC laws and regulations and the Shanghai Listing Rules and seek additional, specific and prior approval from its Shareholders in general meeting by way of special resolution(s) for each repurchase of A Shares.

### **H Share Repurchase Mandate**

The Company Law (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC may not repurchase its shares unless such repurchase is effected for the purpose of (a) reducing its registered share capital; (b) in connection with a merger between itself and another entity that holds its shares; (c) granting shares as reward to the staff of the company; or (d) the repurchase is made at the request of its shareholders who disagrees with shareholders' resolutions in connection with a merger or division. The Mandatory Provisions, which the Company has incorporated in its Articles of Association, provides that subject to obtaining the approval of the relevant regulatory authorities and

## LETTER FROM THE BOARD

compliance with its articles of association, share repurchases may be effected by a joint stock limited company listed outside the PRC for the purpose of reducing its share capital or in connection with a merger between itself and another entity that holds its shares or in circumstances permitted by law or administrative regulations.

PRC laws and regulations and the Hong Kong Listing Rules permit shareholders of a PRC joint stock limited company to grant a general mandate to the Directors to repurchase H shares of such company that are listed on the Hong Kong Stock Exchange. Such mandate is required to be given by way of a special resolution passed by shareholders in general meeting and special resolutions passed by holders of domestic shares and overseas listed foreign shares in separate class meetings.

As H Shares are traded on the Hong Kong Stock Exchange in Hong Kong dollars and the price payable by the Company upon any repurchase of H Shares will, therefore, be paid in Hong Kong dollars, the approval of the Beijing Administrative Office of SAFE will be required. Besides, the Company shall also carry out filings with the CSRC after the Company has repurchased its Shares.

In accordance with the requirements of the Articles of Association of the Company applicable to capital reduction, the Company will have to notify its creditors of the passing of the resolution for the reduction of the registered capital of the Company within 10 days after the passing of such resolution and also by way of the publication on a newspaper within 30 days after the passing of the resolution. Creditors then have a period of up to 30 days after the Company's written notification or if no such notification has been received, up to 45 days after the publication of the press announcement to require the Company to repay amounts due to them or to provide guarantees in respect of such amounts.

Accordingly, approval is being sought from the Shareholders for a general mandate to repurchase H Shares in issue. In accordance with the legal and regulatory requirements described herein, the Directors will convene the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting. A special resolution will be proposed at the AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting to grant to the Directors the A Share Repurchase Mandate and H Share Repurchase Mandate, details of which are set out in the notice of the AGM and the notice of the H Shareholders' Class Meeting. The H Shares which may be repurchased pursuant to the H Share Repurchase Mandate shall not exceed 10% of the number of H Shares in issue of the Company as at the date of passing of the resolution(s) approving the H Share Repurchase Mandate.

Both the A Share Repurchase Mandate and the H Share Repurchase Mandate would expire on the earlier of (a) the conclusion of the next annual general meeting of the Company following the passing of the relevant special resolution(s) at the AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting; (b) the expiration of a period of twelve months following the passing of the relevant special resolution(s) at the AGM, A Shareholders' Class

## LETTER FROM THE BOARD

Meeting and H Shareholders' Class Meeting; or (c) the date on which the authority conferred by the relevant special resolution(s) is revoked or varied by a special resolution of the Shareholders at a general meeting or by H Shareholders or A Shareholders at their respective class meetings.

An explanatory statement giving certain information regarding the H Share Repurchase Mandate is set out in Appendix I to this circular.

### ENTERING INTO COAL SUPPLY FRAMEWORK AGREEMENT

The Company has, on 27 March 2009, entered into a Coal Supply Framework Agreement with Shaanxi Coal Transportation, pursuant to which the Group has agreed to purchase coal from the Shaanxi Coal Transportation Group subject to the terms and conditions therein.

#### **The Coal Supply Framework Agreement**

##### *Date*

27 March 2009

##### *Parties*

The Company and Shaanxi Coal Transportation

##### *Continuing transaction*

Pursuant to the Coal Supply Framework Agreement, the Group has agreed to purchase coal from the Shaanxi Coal Transportation Group subject to the terms and conditions therein.

##### *Term and termination*

The Coal Supply Framework Agreement shall take effect from and upon the Company's compliance of all announcement, shareholders' approval and other requirements under the Hong Kong Listing Rules in respect of the Coal Supply Framework Agreement and the transactions contemplated thereunder to 31 December 2010.

##### *Price Determination*

Pursuant to the Coal Supply Framework Agreement, the unit purchase price for coal shall be determined (1) through consultation between the parties by reference to the prevailing market price, and (2) by reference to the unit price of coal supplied by the Shaanxi Coal Transportation Group to power generation enterprises and the unit price of coal supplied by the Group to power generation enterprises.

<b>LETTER FROM THE BOARD</b>
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*Past transactions*

The Group has purchased coal from the Shaanxi Coal Transportation Group in the year ended 31 December 2008 and during the period from 1 January 2009 to 28 February 2009. The aggregate transaction amounts of such coal purchase are set out as follows:

<b>Transactions</b>	<b>Year ended 31 December 2008</b>	<b>Period from 1 January 2009 to 28 February 2009</b>
	<i>Aggregate transaction amount (RMB)</i>	<i>Aggregate transaction amount (RMB)</i>
Purchase of coal by the Group from the Shaanxi Coal Transportation Group	70,370,200 <i>(Note 1)</i>	80,787,800 <i>(Note 2)</i>

*Note 1: In respect of the aggregate transaction amount for the year ended 31 December 2008, none of the applicable percentage ratios pursuant to the Hong Kong Listing Rules exceeds 0.1%. Therefore, no announcement was required at the time pursuant to the Hong Kong Listing Rules.*

*Note 2: In respect of the aggregate transaction amount for the period from 1 January 2009 to 28 February 2009, none of the applicable percentage ratios pursuant to the Hong Kong Listing Rules exceeds 0.1%. Since 28 February 2009, the Group has entered into and will continue to enter into coal purchase transactions with the Shaanxi Coal Transportation Group. In respect of such transactions, the Company will ensure that the applicable percentage ratios pursuant to the Hong Kong Listing Rules in respect of the aggregate transaction amount, for the period from 1 January 2009 to the date on which the Coal Purchase Framework Agreement and the transactions therein are approved by Independent Shareholders at the AGM, do not exceed 2.5%.*

Other than set out above and 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 Shaanxi Coal Transportation Group and its ultimate beneficial owners within a 12 months period from the date of this circular or otherwise related, which would be, together with transactions under the Coal Supply Framework Agreement, regarded as a series of transactions and treated as if they are one transaction under Rule 14A.25 of the Hong Kong Listing Rules.

<b>LETTER FROM THE BOARD</b>
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*Proposed annual caps*

Based on (i) assumed growth of the business of the Group, (ii) increase in the Group's power generation business and the resulting increase in the Group's coal demand, (iii) expected raise in electricity demand and the economic outlook of the PRC and (iv) the expected continuing increase in unit price of coal, the Company proposes that the annual caps of the Coal Supply Framework Agreement for the two years ending 31 December 2009 and 31 December 2010 be set as follows:-

<b>Transactions</b>	<b>Year ended 31 December 2009 <i>Proposed cap (RMB million)</i></b>	<b>Year ended 31 December 2010 <i>Proposed cap (RMB million)</i></b>
Purchase of coal by the Group from the Shaanxi Coal Transportation Group	4,825.60	6110.00

By way of general background information, the aggregate cost of coal purchase of the Group for the year ended 31 December 2007 was approximately RMB 10,719,000,000. The proposed annual caps of the Coal Supply Framework Agreement for the two years ending 31 December 2009 and 31 December 2010 represent approximately 45% and 57% of the aggregate cost of coal purchase of the Group for the year ended 31 December 2007 respectively.

Based on past coal purchase transactions conducted between the Group and the Shaanxi Coal Transportation Group, the Company is of the view that Shaanxi Coal Transportation is a reliable supplier offering high quality coal supply. Further, the Company understands from Shaanxi Coal Transportation that several new mines of the Shannxi Coal Transportation Group have commenced and/or will commence production in the year 2009, resulting in a substantial increase in coal production capacity of the Shannxi Coal Transportation Group. As such, the Company has decided to source more coal from the Shaanxi Coal Transportation Group and to mandate Shaanxi Coal Transportation as one of its major coal suppliers.

*Implementation agreements and payment*

Members of the Group may, from time to time and as necessary, enter into separate implementation agreements for each specific transaction contemplated under the Coal Supply Framework Agreement with members of the Shaanxi Coal Transportation Group. Each implementation agreement will set out the specifications for the transaction. The implementation agreements provide for the supply of coal as contemplated by the Coal Supply Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Coal Supply Framework Agreement and the annual caps.

## LETTER FROM THE BOARD

All payment for the purchase of coal by the Group from the Shaanxi Coal Transportation Group pursuant to the Coal Supply Framework Agreement and its implementation agreements will be made by the Group in cash upon delivery.

### **Hong Kong Listing Rules Implications**

Fugu Energy is a substantial shareholder of Yulin Shenhua, a subsidiary of the Company and Fugu Energy is therefore a connected person of the Company under the Hong Kong Listing Rules. Shaanxi Coal holds approximately 57% shareholdings of Fugu Energy and 100% shareholdings of Shaanxi Coal Transportation. Shaanxi Coal Transportation is therefore an associate of Fugu Energy and a connected person of the Company under the Hong Kong Listing Rules.

Therefore, the Coal Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

Certain applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in respect of the proposed annual caps of the Coal Supply Framework Agreement are more than 2.5%. Therefore, in addition to complying with the reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, Independent Shareholders' approval will be required pursuant to Rule 14A.48 of the Hong Kong Listing Rules. The Company will seek approval from the Independent Shareholders at the AGM and comply with other requirements under the Hong Kong Listing Rules in respect of the Coal Supply Framework Agreement.

### **Background to and reasons for entering into the Coal Supply Framework Agreement and its benefits to the Company**

The Coal Supply Framework Agreement was entered into with a view to secure future supply of coal to satisfy the Group's need, to expand the Group's electricity generation business and to enhance its competitiveness, which will in turn generate better economic returns for the Group.

### **General**

The Directors (including all independent non-executive Directors) consider that the terms of the Coal Supply Framework Agreement and the proposed annual caps for the two years ending 31 December 2009 and 31 December 2010 are on normal commercial terms, fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

### **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.

## LETTER FROM THE BOARD

### *The Shaanxi Coal Transportation Group*

Shaanxi Coal Transportation and its subsidiaries are principally engaged in the sale and transportation of coal and related businesses.

### THE ANNUAL GENERAL MEETING

The AGM will be held for the purpose of, inter alia, considering and approving:

- (1) by the Shareholders, and by way of special resolution(s), the proposed amendments to the Articles of Association;
- (2) by the Shareholders, and by way of ordinary resolution(s), the proposed appointment of Mr. Gong Huazhang as an independent non-executive director of the Company;
- (3) by the Shareholders, and by way of special resolution(s), the A Share Repurchase Mandate and the H Share Repurchase Mandate; and
- (4) by the Independent Shareholders, and by way of ordinary resolution(s), the Coal Supply Framework Agreement, the proposed annual caps in relation thereto and the transactions contemplated thereunder.

The A Shareholders' Class Meeting will be held for the purpose of considering and approving by the A Shareholders, and by way of special resolution(s), the A Share Repurchase Mandate and the H Share Repurchase Mandate. The H Shareholders' Class Meeting will be held for the purpose of considering and approving by the H Shareholders, and by way of special resolution(s), the A Share Repurchase Mandate and the H Share Repurchase Mandate. Votes for all resolution(s) at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting shall be taken by way of poll.

As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, there is no connected person of the Company, Shareholder and their respective associates with a material interest in the transactions contemplated under the Coal Supply Framework Agreement required to abstain from voting at the AGM.

Notices convening the AGM and the H Shareholders' Class Meeting to be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China on Friday, 5 June 2009 at 9:00 a.m. and 11:00 a.m., respectively, are set out on pages 42 to 55 of this circular. Notice convening the A Shareholders' Class Meeting to be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China on Friday, 5 June 2009 at 10:30 a.m. will be published by the Company by way of an announcement in accordance with the Shanghai Listing Rules and PRC laws and regulations.

## LETTER FROM THE BOARD

Reply slips and forms of proxy for use at the said meetings are enclosed herewith. Shareholders who intend to attend the respective meetings shall complete and return the reply slip in accordance with the instructions printed thereon before Friday, 15 May 2009. Shareholders who intend to appoint a proxy to attend the meetings are requested to complete the proxy form in accordance with the instructions printed thereon. The proxy form shall be lodged with the registrar of H Shares of the Company, Computershare Hong Kong Investor Services Limited at Rooms 1806-07, 18th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the relevant meeting or any adjournment thereof (as the case may be). Completion and return of the proxy form will not prevent you from attending and voting in person at the meeting(s) or any adjournment thereof should you so wish.

### RECOMMENDATION

#### **Proposed amendments to the Articles of Association, appointment of Directors and the A Share Repurchase Mandate and H Share Repurchase Mandate**

The Directors, including all the independent non-executive Directors, consider that the proposed amendments to the Articles of Association, proposed appointment of Directors and the A Share Repurchase Mandate and H Share Repurchase Mandate mentioned above are in the best interests of the Company and its Shareholders as a whole, and recommend that all Shareholders, A Shareholders and H Shareholders should vote in favour of the relevant resolutions to be proposed at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting (as the case may be).

#### **Coal Supply Framework Agreement**

Based on the relevant information disclosed herein, the Directors, including all the independent non-executive Directors, believe that the terms and proposed annual caps of and the transactions contemplated under the Coal Supply Framework Agreement are fair and reasonable and are on normal commercial terms in the interest of the Company and its Shareholders as a whole.

Accordingly, the Board recommends that the Shareholders vote in favour of all resolution(s) in relation to the Coal Supply Framework Agreement to be proposed at the AGM. As mentioned above, China Merchants Securities (HK) Co., Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Coal Supply Framework Agreement, the proposed annual caps thereof and the transactions contemplated therein.

Having considered the advices given by the Independent Financial Adviser and the principal factors and reasons taken into consideration by them in arriving at their advices, the Independent Board Committee is of the opinion that the terms and proposed annual caps of and the transactions contemplated under the Coal Supply Framework Agreement are fair and

## LETTER FROM THE BOARD

reasonable and are on normal commercial terms in the interest of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all resolution(s) in relation to the Coal Supply Framework Agreement to be proposed at the AGM.

Your attention is also drawn to the letter from the Independent Board Committee set out on page 20, the letter from the Independent Financial Adviser set out on pages 21 to 32 and the other information set out in the appendices to this circular.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



**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)**

17 April 2009

*To the Independent Shareholders*

Dear Sir or Madam,

**ENTERING INTO COAL SUPPLY FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated 17 April 2009 (the "Circular") of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms and proposed annual caps of and the transactions contemplated under the Coal Supply Framework Agreement, details of which are set out in the letter from the Board contained in the Circular, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms and proposed annual caps of and the transactions contemplated under the Coal Supply Framework Agreement and the advice of the Independent Financial Adviser in relation thereto as set out on pages 21 to 32 of this Circular, we are of the opinion that the terms and proposed annual caps of and the transactions contemplated under the Coal Supply Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Shareholders and the Company as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of and approve the Coal Supply Framework Agreement, the proposed annual caps thereto and the transactions contemplated therein at the AGM.

Yours faithfully,

For and on behalf of the Independent Board Committee

**Huang Yicheng**  
*Independent Non-executive  
Director*

**Anthony Francis Neoh**  
*Independent Non-executive  
Director*

**Chen Xiaoyue**  
*Independent Non-executive  
Director*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



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

17 April 2009

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

*To the Independent Board Committee and the Independent Shareholders*

*Dear Sirs,*

### ENTERING INTO COAL SUPPLY FRAMEWORK AGREEMENT

#### INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Coal Supply Framework Agreement, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 17 April 2009 (the “**Circular**”) issued by the Company to the Shareholders, of which this letter forms part. The terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

This letter contains our advice to the Independent Board Committee and the Independent Shareholders as to whether or not (i) the Coal Supply Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; (ii) the annual caps of the Coal Supply Framework Agreement for the two years ending 31 December 2009 and 31 December 2010 (the “**Annual Caps**”) are fair and reasonable

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (iii) whether the Independent Shareholders should vote in favour of the Coal Supply Framework Agreement and the transactions contemplated thereunder and the Annual Caps at the AGM.

### **BASIS OF OUR OPINION**

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

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

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

### **PRINCIPAL FACTORS AND REASONS**

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

#### **I. BACKGROUND**

The Company has, on 27 March 2009, entered into the Coal Supply Framework Agreement with Shaanxi Coal Transportation, pursuant to which the Group has agreed to purchase coal from the Shaanxi Coal Transportation Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the Letter from the Board, Fugu Energy is a substantial shareholder of Yulin Shenhua, a subsidiary of the Company and Fugu Energy is therefore a connected person of the Company under the Hong Kong Listing Rules. Shaanxi Coal holds approximately 57% shareholdings of Fugu Energy and 100% shareholdings of Shaanxi Coal Transportation. Shaanxi Coal Transportation is therefore an associate of Fugu Energy and a connected person of the Company under the Hong Kong Listing Rules.

Therefore, the Coal Supply Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

Certain applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) in respect of the proposed Annual Caps are more than 2.5% on an annual basis, in accordance with Rule 14A.45 to 14A.48 of the Listing Rules, the Coal Supply Framework Agreement and the transactions contemplated thereunder and the Annual Caps are therefore subject to the reporting, announcement and Independent Shareholders' approval requirements. Accordingly, the Company will seek approval from the Independent Shareholders in respect of the Coal Supply Framework Agreement and the transactions contemplated thereunder and the Annual Caps by way of poll at the AGM.

### *Background on the Group*

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

The Group's revenue (prepared in accordance with International Financial Reporting Standards for each of the two years ended 31 December 2008, as extracted from the annual report of the Company for the year ended 31 December 2008 (the "2008 Annual Report"), are set out below:

	Year ended 31 December	
	2008	2007
	(RMB million)	(RMB million)
	(audited)	(audited)
Operating revenue	107,133	82,107
Profit from operations	39,675	32,497
Profit before income tax	36,975	30,779
Profit attributable to equity Shareholders	26,641	20,581

<b>LETTER FROM THE INDEPENDENT FINANCIAL ADVISER</b>
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As calculated from the above table, the Group's operating revenue increased by approximately 30.5% for the year ended 31 December 2008 as compared with that for the year ended 31 December 2007.

Set out below is the revenue breakdown of the Group for the three years ended 31 December 2008 as extracted from the 2008 Annual Report:

	<b>Year ended 31 December</b>					
	<b>2008</b>		<b>2007</b>		<b>2006</b>	
	<i>(RMB million)</i>	<i>% to total revenue</i>	<i>(RMB million)</i>	<i>% to total revenue</i>	<i>(RMB million)</i>	<i>% to total revenue</i>
	<i>(audited)</i>		<i>(audited)</i>		<i>(audited)</i>	
Coal revenue	74,572	69.6%	55,741	67.9%	45,948	70.5%
Power revenue	29,393	27.4%	23,922	29.1%	17,056	26.2%
Other revenue	3,168	3.0%	2,444	3.0%	2,182	3.3%
Total	107,133	100.0%	82,107	100.0%	65,186	100.0%

The Group's revenue derived from coal sector amounted to approximately RMB45,948 million, RMB55,741 million and RMB74,572 million for the three years ended 31 December 2008 respectively, representing a compound annual growth rate ("**CAGR**") of approximately 27.4% per annum.

The Group's revenue derived from power sector amounted to approximately RMB17,056 million, RMB23,922 million and RMB29,393 million for the three years ended 31 December 2008 respectively, representing a CAGR of approximately 31.3% per annum.

***Background on Shaanxi Coal Transportation Group***

As set out in the Letter from the Board, Shaanxi Coal Transportation and its subsidiaries are principally engaged in the sale and transportation of coal and related business.

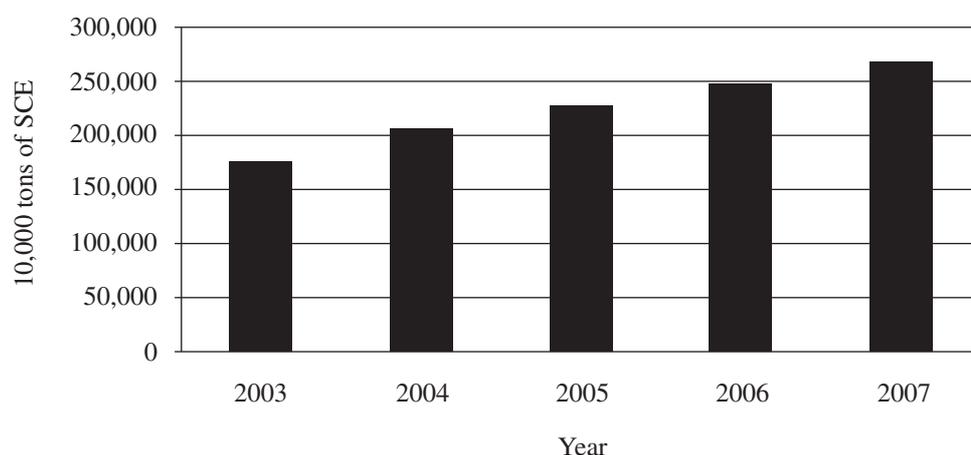
## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### II. INDUSTRY OVERVIEW OF ENERGY AND COAL IN THE PRC

#### Energy consumption in the PRC

Set out below is the consumption of energy in the PRC from 2003 to 2007:

**Consumption of energy in the PRC from 2003 to 2007**



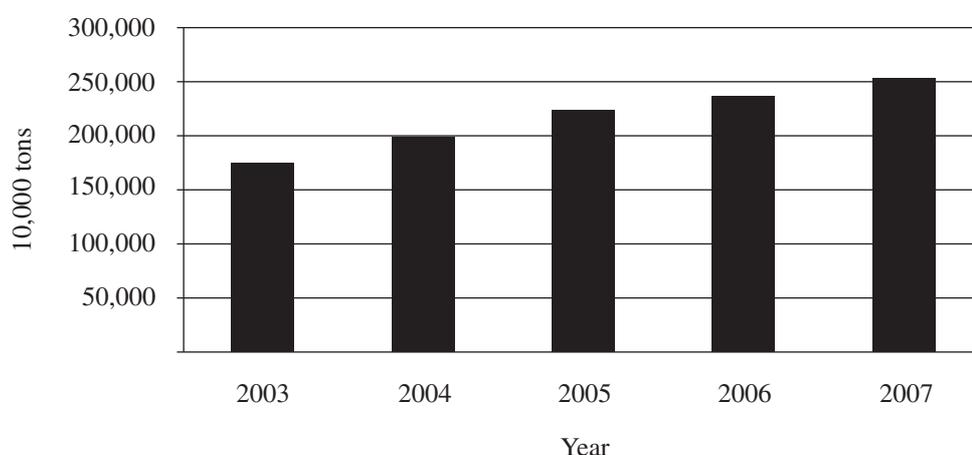
Source: *China Statistical Yearbook 2008 published by the National Bureau of Statistics of China.*

Based on the China Statistical Yearbook 2008 published by the National Bureau of Statistics of China, the energy consumption in the PRC increased from approximately 1,749.9 million tons of Standard Coal Equivalent (“SCE”) in 2003 to approximately 2,655.8 million tons of SCE in 2007, representing a CAGR of approximately 11.0% per annum.

#### Coal production in the PRC

Set out below is the production of coal in the PRC from 2003 to 2007:

**Production of coal in the PRC from 2003 to 2007**



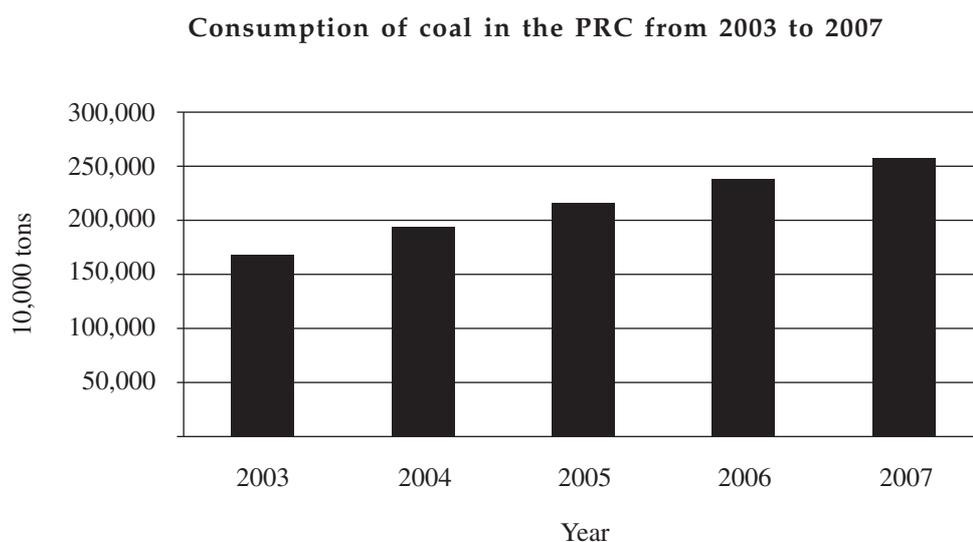
Source: *China Statistical Yearbooks 2008, 2007 and 2006 published by the National Bureau of Statistics of China.*

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Based on the China Statistical Yearbooks 2008, 2007 and 2006 published by the National Bureau of Statistics of China, the production of coal in the PRC increased from approximately 1,722.0 million tons in 2003 to approximately 2,526.0 million tons in 2007, representing a CAGR of approximately 10.1% per annum.

### Coal consumption in the PRC

Set out below is the consumption of coal in the PRC from 2003 to 2007:



Source: *China Statistical Yearbooks 2008, 2007 and 2006 published by the National Bureau of Statistics of China.*

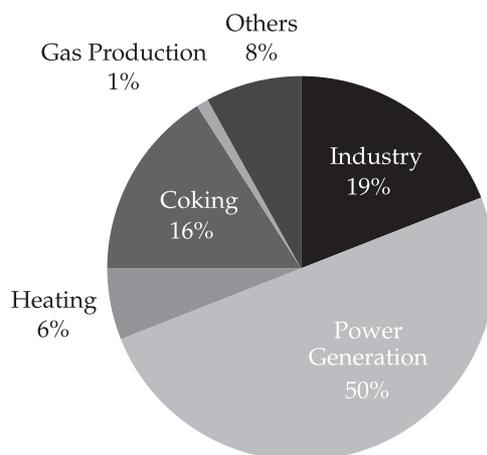
Based on the China Statistical Yearbooks 2008, 2007 and 2006 published by the National Bureau of Statistics of China, the consumption of coal in the PRC increased from approximately 1,692.3 million tons in 2003 to approximately 2,586.4 million tons in 2007, representing a CAGR of approximately 11.2% per annum.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### Coal usage

Set out below is the coal consumption by usage in the PRC for year 2007:

**Coal Consumption by Usage for year 2007**



*Source: China Statistical Yearbook 2008 published by the National Bureau of Statistics of China.*

Based on the China Statistical Yearbook 2008, coal consumed for power generation accounts for approximately 50% of the total coal consumption. As a result, power generation is the major consumer of the national coal in the PRC in 2007.

### III. THE COAL SUPPLY FRAMEWORK AGREEMENT

#### Background of and reasons for the Coal Supply Framework Agreement

Pursuant to the Coal Supply Framework Agreement, the Group has agreed to purchase coal from the Shaanxi Coal Transportation Group. The management of the Group advised that coal purchased under the Coal Supply Framework Agreement will be mainly for resale while a small portion will be used for electricity generation. The Coal Supply Framework Agreement shall take effect from and upon the Company's compliance of all announcement, shareholders' approval and other requirements under the Hong Kong Listing Rules in respect of the Coal Supply Framework Agreement and the transaction contemplated thereunder to 31 December 2010.

As set out in the Letter from the Board, the Coal Supply Framework Agreement was entered into with a view to secure future supply of coal to satisfy the Group's need, to expand the Group's electricity generation business and to enhance its competitiveness, which will in turn generate better economic returns for the Group.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As shown in the paragraph headed “Background on the Group”, coal sales has been constituting the Group’s major revenue. The Group’s revenue from coal sales amounted to approximately RMB45,948 million, RMB55,741 million and RMB 74,572 million for the three years ended 31 December 2008, respectively, representing a CAGR of approximately 27.4% per annum.

According to the 2008 Annual Report and the annual report of the Company for the year ended 31 December 2007, commercial coal produced by the Group amounted to approximately 136.6 million tones, 158.0 million tones and 185.7 million tones for the three years ended 31 December 2008, respectively. Coal sales amounted to approximately 171.1 million tones, 209.1 million tones and 232.7 million tones for the three years ended 31 December 2008, respectively. Based on the above, coal sales which is sourced from third parties other than from the Group’s commercial coal production amounted to approximately 34.5 million tones, 51.1 million tones and 47.0 million tones for the three years ended 31 December 2008, respectively. Thus, there is a need to increase in purchase of coal from third parties to satisfy the increasing trend of coal sales of the Group. Quantity of coal purchased under the Coal Supply Framework Agreement for the two years ending 31 December 2010 amounted to approximately 18.4% and 22.3% of the quantity of coal sales which is sourced from third parties other than from the Group’s commercial coal production for the year ended 31 December 2008.

As shown in the paragraph headed “Background on the Group”, the Group’s revenue derived from power sector amounted to approximately RMB17,056 million, RMB23,922 million and RMB29,393 million for the three years ended 31 December 2008, respectively, representing a CAGR of approximately 31.3% per annum.

As stated in the Letter from the Board, based on past coal purchase transactions conducted between the Group and the Shaanxi Coal Transportation Group, the Company is of the view that Shaanxi Coal Transportation is a reliable supplier offering high quality coal supply.

Based on the above, the entering into of the Coal Supply Framework Agreement will secure a stable supply of coal to the Group. Thus, we are of the view that it is reasonable for the Group to enter into the Coal Supply Framework Agreement which has been entered into the ordinary and usual course of business and is in the interests of the Company and the Shareholders as a whole.

### **Basis of price determination of the Coal Supply Framework Agreement**

As set out in the Letter from the Board, the unit purchase price for coal under the Coal Supply Framework Agreement shall be determined (i) through consultation between the parties by reference to the prevailing market price; and (ii) by reference to the unit price of coal supplied by the Shaanxi Coal Transportation Group to power generation enterprises and the unit price of coal supplied by the Group to power generation enterprises.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have compared the unit purchase prices of coal purchased by the Group from the Shaanxi Coal Transportation Group with the unit purchase prices of the coal purchased by the Group from independent third parties. We found that the unit purchase prices of coal purchased by the Group from the Shaanxi Coal Transportation Group were no less favourable than the prices of coal purchased from independent third parties. Therefore, we consider that the unit purchase price for coal under the Coal Supply Framework Agreement is no less favorable than the purchase price of coal bought from independent third parties by the Group.

Based on the above, we consider that the pricing basis under the Coal Supply Framework Agreement is on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned.

### The Annual Caps

The Annual Caps for the two years ending 31 December 2009 and 31 December 2010 are set out below:

	Year ending 31 December	
	2009	2010
	(RMB million)	(RMB million)
Annual Caps	4,825.60	6,110.00

As set out in the Letter from the Board, the Annual Caps were based on (i) assumed growth of the business of the Group; (ii) increase in the Group's power generation business and the resulting increase in the Group's coal demand; (iii) expected raise in electricity demand and economic outlook of the PRC; and (iv) the expected continuing increase in unit price of coal.

We were advised by the management of the Group that the Annual Caps were determined with reference to (i) the estimated quantity of coal under the Coal Supply Framework Agreement for the two years ending 31 December 2010; (ii) the estimated unit price of coal under the Coal Supply Framework Agreement in the year ending 31 December 2010; and (iii) a contingent buffer of approximately 10% provided for the unanticipated fluctuations in the estimated quantity and estimated unit price of coal in the two years ending 31 December 2010. In order to assess the fairness and reasonableness of the Annual Caps, we have discussed with the management of the Group for the basis of determining the estimated quantity and unit price of coal under the Coal Supply Framework Agreement.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Estimated quantity of coal under the Coal Supply Framework Agreement*

We were advised by the management of the Group that, in determining the estimated quantity of coal under the Coal Supply Framework Agreement, they have taken into account (i) the production plan of the Shaanxi Coal Transportation Group for the two years ending 31 December 2010 and the sales plan of the Group for the two years ending 31 December 2010 in relation to the coal under the Coal Supply Framework Agreement; (ii) the historical revenue from coal and energy sectors of the Group; (iii) the future coal supply and energy demand in the PRC; and (iv) economic outlook of the PRC.

We have discussed with the management of the Group and reviewed the production plan of the Shaanxi Coal Transportation Group for the two years ending 31 December 2010 in relation to the coal under the Coal Supply Framework Agreement and its underlying assumptions. We have also reviewed the projected coal supply of the mines under the Shaanxi Coal Transportation Group for the two years ending 31 December 2010. The increase in coal supply in 2009 and 2010 is due to the substantial increase in coal production capacity of the Shaanxi Coal Transportation Group resulting from several new mines of the Shaanxi Coal Transportation Group have commenced and/or will commence production in the year 2009.

We have also discussed with the management of the Group and reviewed the sales plan of the Group for the two years ending 31 December 2010 in relation to the coal under the Coal Supply Framework Agreement and its underlying assumptions. The management of the Group advised that the projected sales were determined by reference to the historical sales of the Group from the coal sector.

As mentioned in the section headed "Background on the Group", rise in revenue derived from coal and energy sectors of the Group for the three years ended 31 December 2008 showed a CAGR of approximately 27.4% and 31.3% per annum. The management of the Group advised that coal and energy would continue to be the main source of revenue of the Group in the coming years. As mentioned in the paragraph headed "Background of and reasons for the Coal Supply Framework Agreement" above, coal sales which is sourced from third parties other than from the Group's commercial coal production amounted to approximately 34.5 million tones, 51.1 million tones and 47.0 million tones for the three years ended 31 December 2008, respectively. Thus, there is a need to increase in purchase of coal from third parties to satisfy the increasing trend of coal sales of the Group. Quantity of coal purchased under the Coal Supply Framework Agreement for the two years ending 31 December 2010 amounted to approximately 18.4% and approximately 22.3% of the quantity of coal sales which is sourced from third parties other than from the Group's commercial coal production for the year ended 31 December 2008.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As mentioned in the section headed “Industry overview of energy and coal in the PRC” above, coal consumption and energy consumption in the PRC recorded a CAGR of approximately 11.2% and approximately 11.0% per annum from 2003 to 2007. Coal consumption and energy consumption show an increasing trend during the past few years.

Based on China Statistical Yearbook 2007, the gross domestic product (“GDP”) of PRC has recorded a CAGR of approximately 16.7% per annum from 2005 to 2007. According to an article dated 5 March 2009 namely “09年GDP保八有可能實現 CPI控制在4%” (Achieving 8% GDP growth target and controlling CPI within 4% range in year 2009) from the website of hexun (<http://news.hexun.com>), the PRC government targets the PRC GDP will increase 8% for 2009 and the government is very confident of achieving such target. On the National People’s Congress, it is mentioned that the PRC government will allocate RMB908 billion in public spending in 2009, mostly for investment in infrastructure, education, health care and etc. Investment in infrastructure will require a lot of energy which coal is the main source of energy production. The PRC government emphasized to continue reforming the economy and stressed the need to increase domestic consumption. The premier also emphasized strongly that the PRC will maintain steady and rapid economic development.

Based on the above, we consider the estimated quantity of coal under the Coal Supply Framework Agreement for the two years ending 31 December 2010 is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

### *Estimated unit price of coal under the Coal Supply Framework Agreement*

We were advised by the management of the Group that the expected unit price of coal under the Coal Supply Framework Agreement was determined with reference to (i) the historical unit price of coal purchased from the Shaanxi Coal Transportation Group; (ii) the expected inclusion of transportation fee and the relevant state administration fee, which are determined by reference to historical figures; and (iii) the expected continuing increase in unit price of coal in the year ending 31 December 2010, which is less than 5% as compared with that in 2008. We have reviewed the historical coal price for the past few years and are of the view that the expected increase in unit price of coal under the Coal Supply Framework Agreement is fair and reasonable.

Based on above, we are of the view that the expected unit price of coal is fair and reasonable so far as the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole.

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

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### RECOMMENDATION AND CONCLUSION

Having considered the above principal factors and reasons, we are of the opinion that (i) the Coal Supply Framework Agreement and the transactions contemplated thereunder are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole; and (ii) the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the Coal Supply Framework Agreement and the transactions contemplated thereunder and the Annual Caps at the AGM. We also recommend the Independent Shareholders to vote in favour of the Coal Supply Framework Agreement and the transactions contemplated thereunder and the Annual Caps at the AGM.

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

In accordance with the Hong Kong Listing Rules, this appendix serves as the explanatory statement to provide you with requisite information reasonably necessary to enable you to make an informed decision on whether to vote for or against the special resolution(s) to be proposed at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting for the grant of the H Share Repurchase Mandate to the Directors.

## **SECURITIES REPURCHASE MANDATE**

### **Reasons for Repurchasing H Shares**

The Directors believe that the flexibility afforded by the H Share Repurchase Mandate would be beneficial to and in the best interest of the Company and its Shareholders. Such repurchases may, depending on market conditions and funding arrangements at such time, lead to an enhancement of the net asset value per share and/or earnings per share of the Company. Such repurchases will only be made when the Directors believe that such repurchases will benefit the Company and its Shareholders.

### **Registered Capital**

As at the Latest Practicable Date, the registered capital of the Company was RMB19,889,620,455 comprising 3,398,582,500 H Shares of RMB1.00 each and 16,491,037,955 A Shares of RMB1.00 each.

### **Exercise of the H Share Repurchase Mandate**

Subject to the passing of the relevant special resolution(s) set out in the notice of AGM, the special resolution(s) approving the grant to the Directors of the H Share Repurchase Mandate in the A Shareholders' Class Meeting and H Shareholders' Class Meeting respectively, the Directors will be granted the H Share Repurchase Mandate until the earlier of (a) the conclusion of the next annual general meeting of the Company following the passing of the relevant special resolution(s) at the AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting; (b) the expiration of a period of twelve months following the passing of the relevant special resolution(s) at the AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting; or (c) the date on which the authority conferred by the relevant special resolution(s) is revoked or varied by a special resolution of the Shareholders at a general meeting or by H Shareholders or A Shareholders at their respective class meetings ("Relevant Period"). The exercise of the H Share Repurchase Mandate is subject to relevant approval(s) of and/or filings with SAFE and/or any other regulatory authorities as required by the laws, rules and regulations of the PRC being obtained and/or carried out.

The exercise in full of the H Share Repurchase Mandate (on the basis of 3,398,582,500 H Shares in issue as at the Latest Practicable Date and no H Shares will be allotted and issued or repurchased by the Company on or prior to the date of the AGM, the A Shareholders' Class Meeting and H Shareholders' Class Meeting) would result in a maximum of 339,858,250 H Shares being repurchased by the Company during the Relevant Period, being the maximum of 10% of the total H Shares in issue as at the date of passing the relevant resolution(s).

### **Funding of Repurchases**

In repurchasing its H Share, the Company intends to apply funds from the Company's internal resources (which may include surplus funds and retained profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Company is empowered by its Articles of Association to purchase its H Shares. Any repurchases by the Company may only be made out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for such purpose. Under PRC laws, H Shares so repurchased will be treated as cancelled and the Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled. The Company may not purchase securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

### **GENERAL**

The Directors consider that there would not be a material adverse impact on the working capital and on the gearing position of the Company in the event that the H Share Repurchase Mandate is to be exercised in full at any time during the proposed repurchase period (as compared with the position disclosed in the latest published audited accounts contained in the annual report of the Company for the year ended 31 December 2008). However, the Directors do not propose to exercise the H Share Repurchase Mandate to such extent as would, in the circumstances, have a material adverse effect on the working capital requirements of the Company or the gearing levels of the Company. The number of H Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Directors at the relevant time having regarded to the circumstances then prevailing, in the best interests of the Company.

The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to make purchases under the H Share Repurchase Mandate in accordance with the Hong Kong Listing Rules, the Articles of Association and the applicable laws, rules and regulations of the PRC.

**H SHARES PRICES**

The highest and lowest prices at which the H Shares have been traded on the Hong Kong Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	<b>Highest</b> <i>HK\$</i>	<b>Lowest</b> <i>HK\$</i>
<b>2008</b>		
April	39.20	29.71
May	37.10	31.90
June	36.60	29.40
July	32.85	27.75
August	29.40	22.95
September	27.30	16.28
October	19.62	7.91
November	16.38	10.20
December	18.88	13.12
<b>2009</b>		
January	19.44	14.52
February	19.14	15.34
March	18.96	13.40
April (up to the Latest Practicable Date)	22.30	16.82

**H SHARE PURCHASED BY THE COMPANY**

No purchase of H Shares has been made by the Company in the previous six months preceding the Latest Practicable Date (whether on the Hong Kong Stock Exchange or otherwise).

**DISCLOSURE OF INTERESTS**

If as a result of a share repurchase by the Company, a substantial shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purpose of the Takeovers Code. Accordingly, a shareholder, or group of shareholders acting in concert, could obtain or consolidate control of the Company or become obligated to make a mandatory offer in accordance with Rule 26 of the Takeovers Code.

As at the Latest Practicable Date, Shenhua Group, whose interest in the Company is notifiable under Part XV (Disclosure of Interests) of the SFO, held directly or indirectly approximately 73.86% of the Company's total registered capital. In the event that the Directors exercised in full the power to repurchase H Shares in accordance with the terms of

the H Share Repurchase Mandate proposed at the AGM, A Shareholders' Class Meeting and H Shareholders' Class Meeting, the total interests of Shenhua Group in the total registered capital of the Company would be increased to approximately 75.15%. The Directors are not aware of any consequences which will arise under the Takeovers Code and/or any similar applicable law, as a result of any purchases to be made under the H Share Repurchase Mandate. Moreover, the Directors will not make share repurchase on the Hong Kong Stock Exchange if such repurchase would result in the requirements under Rule 8.08 of the Hong Kong Listing Rules not being complied with.

None of the Directors nor, to the best of their knowledge, having made all reasonable enquiries, any of their associates (as defined in the Hong Kong Listing Rules) presently intends to sell H Shares to the Company under the H Share Repurchase Mandate in the event that the H Share Repurchase Mandate is approved by the Shareholders and the conditions (if any) to which the H Share Repurchase Mandate is subject are fulfilled.

The Company has not been notified by any connected persons (as defined in the Hong Kong Listing Rules) of the Company that they have a present intention to sell any H Shares to the Company, or that they have undertaken not to sell any H Shares held by them to the Company in the event that the H Share Repurchase Mandate is approved by its Shareholders and the conditions (if any) to which the H Share Repurchase Mandate is subject are fulfilled.

## 1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

## 2. DIRECTORS' INTERESTS IN SHARES

As at the Latest Practicable Date:

- 2.1 none of the Directors, chief executive, supervisors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange;
- 2.2 none of the Directors, supervisors, proposed Directors or proposed supervisors of the Company has any direct or indirect interest in any assets which have since 31 December, 2008 (being the date to which the latest published audited financial statements of the Company were made up) been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### 3. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, and so far as is known to the Directors and chief executive of the Company, the following persons had the following interests or short positions in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was directly or indirectly interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of the Company:

#### Interests in the Shares of the Company

Name of shareholders	Capacity	Class of Shares	Nature of interest	Number of H/domestic shares held	Percentage in the relevant class of shares %	Percentage in total share capital %
Shenhua Group	Beneficial owner	Domestic shares	N/A	14,691,037,955	89.08	73.86
JPMorgan Chase & Co.	Beneficial owner	H shares	Long position	374,945,723	11.03	1.89
	Investment manager		Short position	31,989,107	0.94	0.16
	Custodian		Lending pool	148,537,987	4.37	0.75
The Capital Group Companies, Inc.	Investment manager	H shares	Long position	203,926,225	6.00	1.03
Barclays PLC	Interests of controlled corporation	H shares	Long position	181,922,528	5.35	0.91
			Short position	647,272	0.02	0.003
UBS AG	Beneficial owner	H shares	Long position	179,729,738	5.29	0.90
	Person having a security interest in shares		Short position	79,434,285	2.34	0.40
	Interests of controlled corporation					

*Note:*

The information disclosed is based on the information available on the website of the Hong Kong Stock Exchange.

#### 4. EXPERT

- 4.1 The following are the qualifications of the professional advisers who have given the Company opinion or provided advice referred to or contained in this circular:

Name	Qualifications
China Merchants Securities (HK) Co., Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders

- 4.2 As at the Latest Practicable Date, the Independent Financial Adviser has no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.
- 4.3 The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advice and references to its name in the form and context in which they respectively appear.
- 4.4 As at the Latest Practicable Date, the Independent Financial Adviser did not have any interest, direct or indirect, in any assets which have been acquired or disposed of by or leased to any member of the Group, or which are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2008, the date to which the latest published audited financial statements of the Company were made up.

#### 5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into, with any member of the Group, a service agreement which is not terminable within one year without payment of compensation (other than statutory compensation).

#### 6. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse changes in the financial or trading position of the Group since 31 December 2008 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

## 7. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

Pursuant to the Articles of Association, at any general meeting of shareholders, a resolution shall be decided on a show of hands unless otherwise required by the Hong Kong Listing Rules, or a poll is demanded, before or after any vote by show of hands. A poll can be demanded by (i) the chairman of the meeting; (ii) at least two shareholders entitled to vote present in person or by proxy; or (iii) one or more shareholders present in person or by proxy and representing ten per cent or more of all shares carrying the right to vote at the meeting.

Unless a poll be so demanded, a declaration by the chairman that a resolution has on show of hands been carried, unanimously, or carried by, a particular majority, or lost, and an entry to that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.

The demand for a poll may be withdrawn by the person who made such a demand.

## 8. DIRECTORS' INTERESTS

8.1 There is no contract or arrangement entered into by any member of the Group subsisting at the Latest Practicable Date in which any Director or Supervisor is materially interested and which is significant in relation to the business of the Group.

8.2 The following Directors also serve as a director or employee of Shenhua Group or its subsidiaries:

<b>Director/Senior Management</b>	<b>Name of company</b>	<b>Position</b>
Zhang Xiwu	Shenhua Group	Chairman
	Beijing Guohua Power Company	Chairman
Zhang Yuzhuo	Shenhua Group	Director and General manager
	China Shenhua Coal Liquefaction Company Limited	Chairman
	Shenhua International (Hong Kong) Company Limited	Chairman
Ling Wen	Shenhua Finance Company Limited	Chairman

<b>Director/Senior Management</b>	<b>Name of company</b>	<b>Position</b>
Han Jianguo	Shenhua Group	Deputy general manager
Hua Zeqiao	Shenhua Coal Trading Company Limited	Chairman

Save as disclosed above, none of the Directors is a director or employee of a company which has an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to the provisions of Divisions 2 and 3 of Part XV of the SFO.

- 8.3 none of the Directors or any of their respective associates has interests in the businesses, other than being a Director, which compete or are likely to compete, either directly or indirectly, with the businesses of the Company and its subsidiaries as required to be disclosed pursuant to the Hong Kong Listing Rules.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the Company's principal place of business in Hong Kong from the date of this circular up to and including the date of the AGM.

- 9.1 the Articles of Association;
- 9.2 the Coal Supply Framework Agreement;
- 9.3 the letter from the Independent Board Committee as set out in this circular;
- 9.4 the letter from the Independent Financial Adviser, the text of which is set out in this circular; and
- 9.5 the written consent of the Independent Financial Adviser referred to in this Appendix.

## NOTICE OF ANNUAL GENERAL MEETING

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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)

## NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an annual general meeting for 2008 (the "Annual General Meeting") of China Shenhua Energy Company Limited (the "Company") will be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China at 9:00 a.m. on Friday, 5 June 2009 for the purpose of considering and, if thought fit, passing the following resolutions:

### AS ORDINARY RESOLUTIONS:

1. To consider and, if thought fit, to approve the report of the board of directors of the Company for the year ended 31 December 2008.
2. To consider and, if thought fit, to approve the report of the board of supervisors of the Company for the year ended 31 December 2008.
3. To consider and, if thought fit, to approve the audited financial statements of the Company for the year ended 31 December 2008.
4. To consider and, if thought fit, to approve the Company's profit distribution plan for the year ended 31 December 2008: i.e. final dividend for the year ended 31 December 2008 in the amount of RMB0.46 per share (inclusive of tax) be declared and distributed, the aggregate amount of which is approximately RMB9,149,000,000.
5. To consider and, if thought fit, to approve the remuneration of the directors and supervisors of the Company for the year ended 31 December 2008: i.e. aggregate remuneration of the executive directors is in the amount of RMB843,181; aggregate remuneration of the non-executive directors is in the amount of RMB1,350,000, of which

## NOTICE OF ANNUAL GENERAL MEETING

the aggregate remuneration of the independent non-executive directors is in the amount of RMB1,350,000, the non-executive directors (other than the independent non-executive directors) are remunerated by Shenhua Group Co., Limited and are not remunerated by the Company; remuneration of the supervisors is in the amount of RMB1,076,879.

6. To consider and, if thought fit, to approve the re-appointment of external auditors of the Company for 2009: i.e. re-appointment of KPMG Huazhen and KPMG as the PRC and international auditors respectively of the Company for 2009, the term of such re-appointment shall continue until the next annual general meeting, and to authorise a committee comprising of Mr. Zhang Xiwu, Mr. Ling Wen and Mr. Chen Xiaoyue, all being directors of the Company, to determine their remuneration.
7. To consider and, if thought fit, to appoint Mr. Gong Huazhang as an independent non-executive director of the Company.
8. To consider and, if thought fit, to approve the Coal Supply Framework Agreement dated 27 March 2009 entered into between the Company and Shaanxi Province Coal Transportation and Sales (Group) Co Ltd, the proposed annual caps of RMB 4,825,600,000 for the year ending 31 December 2009 and RMB 6,110,000,000 for the year ending 31 December 2010 thereto and the transactions contemplated thereunder.

### AS SPECIAL RESOLUTIONS:

9. To consider and, if thought fit, to approve the proposed amendments to the articles of association of the Company (details of which are set out in the circular of the Company dated 17 April 2009), and to authorise a committee comprising of Mr. Zhang Xiwu and Mr. Ling Wen, all being directors of the Company, to, after passing of this resolution, carry out further amendments to the articles of association of the Company as they may consider necessary and appropriate at the request of relevant regulatory authorities in the course of filing the articles of association with such regulatory authorities.
10. To consider and, if thought fit, to:-
  - (1) approve a general mandate to the board of directors to, by reference to market conditions and in accordance with needs of the Company, to allot, issue and deal with, either separately or concurrently, additional domestic shares (A shares) and overseas-listed foreign invested shares (H shares) not exceeding 20% of each of the number of domestic shares (A shares) and the number of overseas-listed foreign invested shares (H shares) in issue at the time of passing this resolution at annual general meeting. Pursuant to PRC laws and regulations, the Company will seek further approval from its shareholders in general meeting for each issuance of domestic shares (A shares) even where this general mandate is approved.

## NOTICE OF ANNUAL GENERAL MEETING

- (2) the board of directors be authorised to (including but not limited to the following):-
- (i) formulate and implement detailed issuance plan, including but not limited to the class of shares to be issued, pricing mechanism and/or issuance price (including price range), number of shares to be issued, allottees and use of proceeds, time of issuance, period of issuance and whether to issue shares to existing shareholders;
  - (ii) approve and execute, on behalf of the Company, agreements related to share issuance, including but not limited to underwriting agreement and engagement agreements of professional advisers;
  - (iii) approve and execute, on behalf of the Company, documents related to share issuance for submission to regulatory authorities, and to carry out approval procedures required by regulatory authorities and venues in which the Company is listed;
  - (iv) amend, as required by regulatory authorities within or outside China, agreements and statutory documents referred to in (ii) and (iii) above;
  - (v) affix seal of the Company on share issuance related agreements and statutory documents;
  - (vi) engage the services of professional advisers for share issuance related matters, and to approve and execute all acts, deeds, documents or other matters necessary, appropriate or required for share issuance;
  - (vii) increase the registered capital of the Company after share issuance, and to make corresponding amendments to the articles of association of the Company relating to share capital and shareholdings etc, and to carry out statutory registrations and filings within and outside China.

The above general mandate will expire on the earlier of (“Relevant Period”):-

- (a) the conclusion of the annual general meeting of the Company for 2009;
- (b) the expiration of a period of twelve months following the passing of this special resolution at the annual general meeting for 2008; or
- (c) the date on which the authority conferred by this special resolution is revoked or varied by a special resolution of shareholders at a general meeting,

except where the board of directors has resolved to issue domestic shares (A shares) or overseas-listed foreign invested shares (H shares) during the Relevant Period and the share issuance is to be continued or implemented after the Relevant Period.

## NOTICE OF ANNUAL GENERAL MEETING

11. To consider and, if thought fit, to approve the following general mandate to repurchase domestic shares (A shares) and overseas-listed foreign invested shares (H shares):-
  - (1) approve a general mandate to the board of directors to, by reference to market conditions and in accordance with needs of the Company, to repurchase domestic shares (A shares) not exceeding 10% of the number of domestic shares (A shares) in issue at the time when this resolution is passed at annual general meeting and the relevant resolutions are passed at class meetings of shareholders. Pursuant to PRC laws and regulations, and for repurchases of domestic shares (A shares), the Company will seek further approval from its shareholders in general meeting for each repurchase of domestic shares (A shares) even where the general mandate is granted, but will not be required to seek shareholders' approval at class meetings of domestic share (A share) shareholders or overseas-listed foreign invested share (H share) shareholders.
  - (2) approve a general mandate to the board of directors to, by reference to market conditions and in accordance with needs of the Company, to repurchase overseas-listed foreign invested shares (H shares) not exceeding 10% of the number of overseas-listed foreign invested shares (H shares) in issue at the time when this resolution is passed at annual general meeting and the relevant resolutions are passed at class meetings of shareholders.
  - (3) the board of directors be authorised to (including but not limited to the following):-
    - (i) formulate and implement detailed repurchase plan, including but not limited to repurchase price, number of shares to repurchase, time of repurchase and period of repurchase etc;
    - (ii) notify creditors in accordance with the PRC Company Law and articles of association of the Company;
    - (iii) open overseas share accounts and to carry out related change of foreign exchange registration procedures;
    - (iv) carry out relevant approval procedures required by regulatory authorities and venues in which the Company is listed, and to carry out filings with the China Securities Regulatory Commission;
    - (v) carry out cancelation procedures for repurchased shares, decrease registered capital, and to make corresponding amendments to the articles of association of the Company relating to share capital and shareholdings etc, and to carry out statutory registrations and filings within and outside China;
    - (vi) approve and execute, on behalf of the Company, documents and matters related to share repurchase.

## NOTICE OF ANNUAL GENERAL MEETING

The above general mandate will expire on the earlier of (“Relevant Period”):-

- (a) the conclusion of the annual general meeting of the Company for 2009;
- (b) the expiration of a period of twelve months following the passing of this special resolution at the annual general meeting for 2008, the first A shareholders’ class meeting in 2009 and the first H shareholders’ class meeting in 2009; or
- (c) the date on which the authority conferred by this special resolution is revoked or varied by a special resolution of shareholders at a general meeting, or a special resolution of shareholders at a class meeting of domestic share (A share) shareholders or a class meeting of overseas-listed foreign invested share (H share) shareholders,

except where the board of directors has resolved to repurchase domestic shares (A shares) or overseas-listed foreign invested shares (H shares) during the Relevant Period and the share repurchase is to be continued or implemented after the Relevant Period.

By Order of the Board  
**China Shenhua Energy Company Limited**  
**Huang Qing**  
*Secretary to the Board of Directors*

Beijing, 17 April 2009

### **Notes:**

#### **1. Eligibility for attending the annual general meeting**

Holders of H shares of the Company whose names appear on the register of members of the Company kept by the share registrar of the Company, Computershare Hong Kong Investor Services Limited at the close of business of Wednesday, 6 May 2009 are entitled to attend the annual general meeting.

To qualify for attendance and vote at the annual general meeting to be held on Friday, 5 June 2009, all transfers of H shares accompanied by the relevant share certificates must be lodged with the Company’s share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 5 May 2009.

#### **2. Proxy**

- (1) Each shareholder entitled to attend and vote at the annual general meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.

## NOTICE OF ANNUAL GENERAL MEETING

- (2) The proxies shall be appointed in writing by shareholders. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other documents of authorization must be notarized.
- (3) To be valid, the notarially certified power of attorney, or other documents of authorization, and the form of proxy must be delivered to the Company's office address (at 11th Floor, Zhouji Tower, 16 Ande Road, Dongcheng District, Beijing, the People's Republic of China, Postal Code: 100011) for holders of domestic shares and at the H share share registrar of the Company for holders of H shares not less than 24 hours before the time fixed for convening the annual general meeting or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so wishes. The H share share registrar of the Company is Computershare Hong Kong Investor Services Limited.
- (4) A proxy may exercise the right to vote by showing his hand or by poll. However, if a shareholder appointed more than one proxy, such proxies shall only exercise the right to vote by poll.

### **3. Registration procedures for attending the annual general meeting**

- (1) A shareholder or his proxy should produce proof of identity when attending the annual general meeting.

If a corporate shareholder appoints its legal representative to attend the meeting, such legal representative or the person authorized by the board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

- (2) Shareholders who intend to attend the annual general meeting should return the reply slip of such meeting to the Company on or before Friday, 15 May 2009.
- (3) Shareholders of the Company may return the reply slip personally, by post or by facsimile to the Company.

### **4. Closure of register of members**

The register of members of the Company will be closed from Wednesday, 6 May 2009 to Friday, 5 June 2009 (both dates inclusive).

## NOTICE OF ANNUAL GENERAL MEETING

### 5. Procedures on demanding a poll

Subject to the listing rules of the stock exchange on which the shares of the Company have been listing, a poll may be demanded in respect of any resolutions by the following persons before or after a vote is carried out by a show of hands:

- (1) the chairman of the meeting; and
- (2) at least two shareholders or their proxies entitled to vote thereat; or
- (3) one or more shareholders (including their authorized proxies) separately or jointly representing 10% or more of all shares carrying the right to vote at the meeting.

Unless a poll is demanded, the chairman of the meeting shall declare the result of a proposal put to vote on a show of hands. A demand for a poll may be withdrawn by the person who made the demand.

### 6. Miscellaneous

- (1) The annual general meeting is expected to be held for less than half a day. Shareholders who attend the meeting shall bear their own travelling and accommodation expenses.
- (2) The register of members will be closed from Wednesday, 6 May 2009 to Friday, 5 June 2009 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the annual general meeting and qualify for receiving the dividend distribution for 2008 must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on Tuesday, 5 May 2009 for completion of the registration of the relevant transfer in accordance with the Articles of Association of the Company. The dividend will be paid to the shareholders whose names appear on the register of members of the Company on Wednesday, 6 May 2009.
- (3) The Share Registrar of the Company for H Shares is Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong.

## NOTICE OF ANNUAL GENERAL MEETING

- (4) The registered address of the Company:

Shenhua Tower  
22 Andingmen Xibinhe Road  
Dongcheng District  
Beijing, China  
Postal Code: 100011  
Telephone: (+86) 10 5813 3355/(+86) 10 5813 3399  
Facsimile: (+86) 10 8488 2107

- (5) Contact methods for the meeting:

Postal Code: 100011  
Contact Department: Investment Relations Department,  
11th Floor Zhouji Tower,  
16 Ande Road,  
Dongcheng District,  
Beijing, the People's Republic of China  
Contact Person: Chen Junhao/Yan Miao  
Telephone: (+86) 10 5813 1088/(+86) 10 5813 3342/(+86) 10 5813 3368  
Facsimile: (+86) 10 8488 2107

- (6) In this notice, the following expressions shall have the following meanings unless the context otherwise requires:

"PRC"	the People's Republic of China
"RMB"	Renminbi, the lawful currency of the People's Republic of China

*As at the date of this circular, the Board comprises Dr. Zhang Xiwu and Dr. Ling Wen, as executive Directors, Dr. Zhang Yuzhuo and Mr. Han Jianguo, as non-executive Directors, and Mr. Huang Yicheng, Mr. Anthony Francis Neoh and Dr. Chen Xiaoyue, as independent non-executive Directors.*

## NOTICE OF 2009 FIRST CLASS MEETING OF THE HOLDERS OF H SHARES

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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)**

## NOTICE OF 2009 FIRST CLASS MEETING OF THE HOLDERS OF H SHARES

**NOTICE IS HEREBY GIVEN** that a class meeting of the holders of H Shares (the "H Shareholders' Class Meeting") of China Shenhua Energy Company Limited (the "Company") will be held at Oriental Bay International Hotel, 26 Anwai Xibinhe Road, Dongcheng District, Beijing, the People's Republic of China at 11:00 a.m. on Friday, 5 June 2009 for the purpose of considering and, if thought fit, passing the following resolutions:

### **AS SPECIAL RESOLUTIONS:**

1. To consider and, if thought fit, to approve the following general mandate to repurchase domestic shares (A shares) and overseas-listed foreign invested shares (H shares):-
  - (1) approve a general mandate to the board of directors to, by reference to market conditions and in accordance with needs of the Company, to repurchase domestic shares (A shares) not exceeding 10% of the number of domestic shares (A shares) in issue at the time when this resolution is passed at annual general meeting and the relevant resolutions are passed at class meetings of shareholders. Pursuant to PRC laws and regulations, and for repurchases of domestic shares (A shares), the Company will seek further approval from its shareholders in general meeting for each repurchase of domestic shares (A shares) even where the general mandate is granted, but will not be required to seek shareholders' approval at class meetings of domestic share (A share) shareholders or overseas-listed foreign invested share (H share) shareholders.

## NOTICE OF 2009 FIRST CLASS MEETING OF THE HOLDERS OF H SHARES

- (2) approve a general mandate to the board of directors to, by reference to market conditions and in accordance with needs of the Company, to repurchase overseas-listed foreign invested shares (H shares) not exceeding 10% of the number of overseas-listed foreign invested shares (H shares) in issue at the time when this resolution is passed at annual general meeting and the relevant resolutions are passed at class meetings of shareholders.
- (3) the board of directors be authorised to (including but not limited to the following):-
  - (i) formulate and implement detailed repurchase plan, including but not limited to repurchase price, number of shares to repurchase, time of repurchase and period of repurchase etc;
  - (ii) notify creditors in accordance with the PRC Company Law and articles of association of the Company;
  - (iii) open overseas share accounts and to carry out related change of foreign exchange registration procedures;
  - (iv) carry out relevant approval procedures required by regulatory authorities and venues in which the Company is listed, and to carry out filings with the China Securities Regulatory Commission;
  - (v) carry out cancellation procedures for repurchased shares, decrease registered capital, and to make corresponding amendments to the articles of association of the Company relating to share capital and shareholdings etc, and to carry out statutory registrations and filings within and outside China;
  - (vi) approve and execute, on behalf of the Company, documents and matters related to share repurchase.

The above general mandate will expire on the earlier of (“Relevant Period”):-

- (a) the conclusion of the annual general meeting of the Company for 2009;
- (b) the expiration of a period of twelve months following the passing of this special resolution at the annual general meeting for 2008, the first A shareholders’ class meeting in 2009 and the first H shareholders’ class meeting in 2009; or
- (c) the date on which the authority conferred by this special resolution is revoked or varied by a special resolution of shareholders at a general meeting, or a special resolution of shareholders at a class meeting of domestic share (A share) shareholders or a class meeting of overseas-listed foreign invested share (H share) shareholders,

## NOTICE OF 2009 FIRST CLASS MEETING OF THE HOLDERS OF H SHARES

except where the board of directors has resolved to repurchase domestic shares (A shares) or overseas-listed foreign invested shares (H shares) during the Relevant Period and the share repurchase is to be continued or implemented after the Relevant Period.

By Order of the Board  
**China Shenhua Energy Company Limited**  
**Huang Qing**  
*Secretary to the Board of Directors*

Beijing, 17 April 2009

### Notes:

#### 1. Eligibility for attending the H Shareholders' Class Meeting

Holders of H shares of the Company whose names appear on the register of members of the Company kept by the share registrar of the Company, Computershare Hong Kong Investor Services Limited at the close of business of Wednesday, 6 May 2009 are entitled to attend the H Shareholders' Class Meeting.

To qualify for attendance and vote at the H Shareholders' Class Meeting to be held on Friday, 5 June 2009, all transfers of H shares accompanied by the relevant share certificates must be lodged with the Company's share registrar in Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Hong Kong not later than 4:30 p.m. on Tuesday, 5 May 2009.

#### 2. Proxy

- (1) Each shareholder entitled to attend and vote at the H Shareholders' Class Meeting may appoint one or more proxies in writing to attend and vote on his behalf. A proxy need not be a shareholder of the Company.
- (2) The proxies shall be appointed in writing by shareholders. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorized in writing. If that instrument is signed by an attorney of the appointor, the power of attorney authorizing that attorney to sign or other documents of authorization must be notarized.
- (3) To be valid, the notarially certified power of attorney, or other documents of authorization, and the form of proxy must be delivered to the Company's office address (at 11th Floor, Zhouji Tower, 16 Ande Road, Dongcheng District, Beijing, the People's Republic of China, Postal Code: 100011) for holders of domestic shares and at the H share share registrar of the Company for holders of H shares not less than 24 hours before the time fixed for convening the annual general meeting or any

## NOTICE OF 2009 FIRST CLASS MEETING OF THE HOLDERS OF H SHARES

adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so wishes. The H share registrar of the Company is Computershare Hong Kong Investor Services Limited.

- (4) A proxy may exercise the right to vote by showing his hand or by poll. However, if a shareholder appointed more than one proxy, such proxies shall only exercise the right to vote by poll.

### 3. Registration procedures for attending the annual general meeting

- (1) A shareholder or his proxy should produce proof of identity when attending the annual general meeting.

If a corporate shareholder appoints its legal representative to attend the meeting, such legal representative or the person authorized by the board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.

- (2) Shareholders who intend to attend the H Shareholders' Class Meeting should return the reply slip of such meeting to the Company on or before Friday, 15 May 2009.
- (3) Shareholders of the Company may return the reply slip personally, by post or by facsimile to the Company.

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## NOTICE OF 2009 FIRST CLASS MEETING OF THE HOLDERS OF H SHARES

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- (2) The register of members will be closed from Wednesday, 6 May 2009 to Friday, 5 June 2009 (both days inclusive), during which time no transfer of shares will be registered. Transferees of H Shares who wish to attend the H Shareholders' Class Meeting must deliver their duly stamped instruments of transfer, accompanied by the relevant share certificates, to Computershare Hong Kong Investor Services Limited by no later than 4:30 p.m. on Tuesday, 5 May 2009 for completion of the registration of the relevant transfer in accordance with the Articles of Association of the Company. The dividend will pay to the shareholders whose names appear on the register of members of the Company on Wednesday, 6 May 2009.
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