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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 to the purchaser, the transferee, the bank, the stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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

中国神华
CHINA SHENHUA

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

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

(Stock Code: 01088)

DISCLOSEABLE TRANSACTION
CONNECTED TRANSACTION
CONTINUING CONNECTED TRANSACTION

ENTERING INTO JOINT VENTURE AGREEMENT
REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS
AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT
PROPOSED APPOINTMENTS OF DIRECTORS
AND
AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Financial Advisers to the Company

CICC 中金香港证券　　Goldman Sachs

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

PLATINUM Securities

A letter from the Board is set out on pages 1 to 83 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 84 to 85 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 86 to 192 of this circular.

Notice convening the EGM with reply slip and form of proxy for use at the said meeting will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Hong Kong Listing Rules.

12 March 2018

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The following expressions have the following meanings unless the context requires otherwise:

"2014 Non-Competition Undertakings"	the Non-Competition Undertakings made by CHNENERGY on 27 June 2014;
"Abstained Directors"	Dr. Ling Wen, Dr. Han Jianguo, Dr. Li Dong and Mr. Zhao Jibin, all being Directors, who had abstained from voting as Directors on the relevant board resolution(s);
"Articles of Association"	the articles of association of the Company;
"associate"	has the meaning ascribed thereto under the Hong Kong Listing Rules;
"Board"	the board of directors of the Company;
"CEA"	Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司);
"CHNENERGY"	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), the new company name of Shenhua Group Corporation Limited. CHNENERGY is the controlling shareholder of the Company;
"CHNENERGY Group"	collectively, CHNENERGY and its subsidiaries (excluding the Group);
"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, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange;
"Company Law"	the Company Law of the PRC;
"Completion Date"	date of the completion of the Joint Venture Transaction;
"Conventional Power Generation Business"	coal-fired power generation (including coal-fired power generation business in coal-electricity integrated power projects) and hydropower generation;
"Director(s)"	the director(s) of the Company;

"EGM"	the 2018 first extraordinary general meeting of the Company to be convened and held by the Company;
"Existing Financial Services Agreement"	the Financial Services Agreement dated 24 March 2016 entered into between the Company and CHNENERGY;
"Existing Mutual Coal Supply Agreement"	the Mutual Coal Supply Agreement dated 24 March 2016 entered into between the Company and CHNENERGY;
"Existing Mutual Supplies and Services Agreement"	the Mutual Supplies and Services Agreement dated 24 March 2016 entered into between the Company and CHNENERGY;
"Existing Non-Competition Agreement"	the Non-Competition Agreement entered into on 24 May 2005 between CHNENERGY and the Company;
"Finance Company"	Shenhua Finance Co., Ltd. (神華財務有限公司), a limited liability company incorporated in the PRC;
"GD Contributed Assets"	the equity and assets of the relevant coal-fired power generation companies to be contributed by GD Power to the Joint Venture Company;
"GD Power"	GD Power Development Co., Ltd. (國電電力發展股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the shares of which are listed on the Shanghai Stock Exchange;
"Group"	the Company and its subsidiaries;
"Guodian Group"	Guodian Group Co and its subsidiaries;
"Guodian Group Co"	China Guodian Corporation (中國國電集團有限公司), the controlling shareholder of the GD Power as defined under the Hong Kong Listing Rules;
"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;
"Independent Financial Adviser"	Platinum Securities Company Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders;
"Independent Shareholders"	Shareholders who are not required to abstain from voting on the relevant resolution(s) relating to the subject transactions to be proposed at the general meeting under the Hong Kong Listing Rules;
"Joint Venture Agreement"	the Agreement on Establishment of the Joint Venture Company by way of Assets Reorganizations dated 1 March 2018 entered into between the China Shenhua Energy Company Limited and GD Power Development Co., Ltd.;
"Joint Venture Company"	the joint venture company to be established by the Company and GD Power;
"Joint Venture Framework Agreement"	the Joint Venture Framework Agreement of GD Power Development Co., Ltd. and China Shenhua Energy Company Limited dated 28 August 2017 entered into between the Company and Guodian Power which was superseded by the Joint Venture Agreement;
"Joint Venture Transaction"	the transaction contemplated under the Joint Venture Agreement;
"Latest Practicable Date"	6 March 2018, being the latest practicable date prior to the issuance of this circular for ascertaining certain information contained herein;
"Merger of the Group Companies"	Shenhua Group Co has changed its company name to CHNENERGY and will merge with Guodian Group Co by way of merger by absorption of Guodian Group Co;

"NDRC"	the National Development and Reform Commission;
"PRC"	the People's Republic of China;
"RMB"	Renminbi, the lawful currency of the PRC;
"SASAC"	the State-owned Assets Supervision and Administration Commission of the State Council;
"Shanghai Listing Rules"	the Listing Rules of the Shanghai Stock Exchange;
"SFO"	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended from time to time;
"Shareholder(s)"	the shareholder(s) of the Company;
"Shenhua Contributed Assets"	the equity and assets of the relevant coal-fired power generation companies to be contributed by the Company to the Joint Venture Company;
"Shenhua Group Co"	Shenhua Group Corporation Limited (神華集團有限責任公司), the former company name of CHNENERGY;
"Shenhua Guoneng"	Shenhua Guoneng Energy Group Corporation Limited (神華國能集團有限公司), a subsidiary of CHNENERGY;
"Subject Assets"	Shenhua Contributed Assets and GD Contributed Assets;
"Supervisory Board"	the supervisory board of the Company;
"Supplemental Agreement to the Existing Non-Competition Agreement"	the Supplemental Agreement to the Existing Non-Competition Agreement entered into on 1 March 2018 by CHNENERGY and the Company; and
"Valuation Reference Date"	30 June 2017.

中国神华
CHINA SHENHUA

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

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

(Stock Code: 01088)

Executive Directors:
Ling Wen
Han Jianguo
Li Dong

Non-executive Director:
Zhao Jibin

Independent Non-executive Directors:
Tam Wai Chu, Maria
Jiang Bo
Zhong Yingjie, Christina

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

12 March 2018

To the Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
CONNECTED TRANSACTION
CONTINUING CONNECTED TRANSACTION

ENTERING INTO JOINT VENTURE AGREEMENT
REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS
AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT
PROPOSED APPOINTMENTS OF DIRECTORS
AND
AMENDMENTS TO THE ARTICLES OF ASSOCIATION

INTRODUCTION

Reference is made to the announcements made by the Company on 29 August 2017 on entering into the Joint Venture Framework Agreement and on 1 March 2018 on entering into the Joint Venture Agreement.

Reference is made to the announcement made by the Company on 1 March 2018 on the revision of annual caps of continuing connected transactions.

Reference is made to the announcement made by the Company on 1 March 2018 on the amendments to the Existing Non-Competition Agreement.

Reference is made to the announcement made by the Company on 1 March 2018 on the proposed appointments of Directors.

Reference is also made to the announcement made by the Company on 2 January 2018 on the proposed amendments to Articles of Association.

The purpose of this circular is to provide you with further information in relation to the above matters and the recommendation from the Independent Board Committee and the recommendation from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the entering into the Joint Venture Agreement, the revision of annual caps of continuing connected transactions and the amendments to the Existing Non-Competition Agreement.

ENTERING INTO JOINT VENTURE AGREEMENT

Background

The Company is a world-leading coal-based integrated energy company. The main business of the Group includes production and sales of coal and power, railway, port and ship transportation, and coal-to-olefins and other coal related chemical processing business.

CHNENERGY and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities. CHNENERGY is the controlling shareholder of the Company. As at the date hereof, CHNENERGY holds 73.06% equity interest in the Company.

GD Power is principally engaged in the generation and sale of electricity and heating. As at the end of 2014, 2015 and 2016, the controlled installed capacity of GD Power was 40.836 million kW, 46.3035 million kW and 50.8815 million kW, respectively, and the accumulated power generation by the wholly-owned and controlling electricity companies of GD Power was 179.022 billion kWh, 168.657 billion kWh and 196.885 billion kWh. As at 30 September 2017, the controlled installed capacity of GD Power was 53.0004 million kW, including coal-fired power installed capacity of 33.7475 million kW, hydropower installed capacity of 13.6878 million kW, wind power installed capacity of 5.3531 million kW and solar power installed capacity of 212,000 kW. As at 31 December 2016, the audited total assets of GD Power was RMB271,266.95 million, the equity attributable to equity holders was RMB52,020.42 million. In 2016, the revenue was RMB58,416.05 million, and net profit attributable to the parent was RMB4,727.28 million. As at 30 September 2017, the unaudited total assets of GD Power was RMB276,680.8555 million, equity attributable to equity holders was RMB52,288.3991 million. For the nine months ended on 30 September 2017, the unaudited revenue was RMB 44,281.9198 million, and net profit attributable to the parent was RMB2,431.2235 million. As the date hereof, the controlling shareholder of GD Power is Guodian Group Co, and Guodian Group Co directly and indirectly holds 46.09% equity of GD Power. The ultimate controller of GD Power is SASAC. The shares of GD Power are listed on the Shanghai Stock Exchange.

On 28 August 2017, the Company and GD Power entered into the Joint Venture Framework Agreement. The parties proposed to contribute the equities and assets of the relevant coal-fired power generation companies directly and indirectly held by the Company and GD Power, and establish the Joint Venture Company. After the completion of the Joint Venture Transaction, GD Power will control the Joint Venture Company. The shareholding percentage of the Joint Venture Company would be determined by the parties through negotiations taking into account the valuation of the Subject Assets filed with competent authorities. The registered capital of the Joint Venture Company would be determined by the parties through negotiations taking into account the final valuation of the Subject Assets filed with competent authorities.

As disclosed, according to the Shanghai Listing Rules, the Company and GD Power agreed to choose 30 June 2017 as the valuation reference date for CEA to prepare preliminary valuation of the Subject Assets. The preliminary valuation results were considered and approved by the board of directors of the Company and GD Power on the board meetings respectively held on 28 August 2017. On 31 December 2017, CEA finalized the valuation of the Subject Assets and issued valuation reports (File No.: Zhong Qi Hua Ping Bao Zi (2017) No. 1386–01 to 1386–18 and Zhong Qi Hua Ping Bao Zi (2017) No. 1388–01 to 1388–22), with 30 June 2017 as the valuation reference date. The summaries of the finalized valuation reports are disclosed in Appendix I and Appendix II of the circular. The valuation reports have been filed with competent authorities of the PRC. CEA is an appraisal institution engaged in and qualified for the securities and futures business in the PRC.

Based on the Joint Venture Framework Agreement, the parties have negotiated and agreed to enter into the Joint Venture Agreement in relation to various matters of establishment of the Joint Venture Company.

Joint Venture Agreement

On 1 March 2018, the Company and GD Power entered into the Joint Venture Agreement.

The major clauses of the Joint Venture Agreement are set out below:

Date

1 March 2018

Parties

The Company

GD Power

Joint venture proposal

The Company and GD Power intend to establish the Joint Venture Company. GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power and the Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company.

The parties have confirmed that pursuant to the valuation of the Subject Assets that is filed with the relevant authorities, as at the Valuation Reference Date, the value of the Shenhua Contributed Assets is RMB27,709.8369 million, and the value of the GD Contributed Assets is RMB37,449.2712 million.

Based on the value of the Subject Assets that is filed with the competent authorities, the parties have negotiated and agreed that GD Power will hold 57.47% of equity interests in the Joint Venture Company, and the Company will hold 42.53% of equity interests in the Joint Venture Company.

The parties shall use their best endeavours to jointly procure the parties to complete the internal reorganization of the Subject Assets before the Completion Date (i.e. the last day of the month in which the completion date of commercial and industrial registration of the Joint Venture Company established by the Subject Assets falls).

The parties agree that the accumulated undistributed profits of the Subject Assets as at the Valuation Reference Date shall be retained by the Joint Venture Company.

Completion and business registration

The parties agree that since the Completion Date, the Joint Venture Company has all the corresponding rights and the liabilities of the Subject Assets.

The parties shall set up the Joint Venture Company as soon as practical after the effective date of the Joint Venture Agreement and GD Power shall be responsible for carrying out the commercial and industrial registration of establishment for the Joint Venture Company with assistance of the Company.

The parties shall carry out the relevant formalities for the transfer of the Subject Assets to the Joint Venture Company as soon as possible from the Completion Date.

Company name, registered capital, scope of business and purpose of the Joint Venture Company

The company name of the Joint Venture Company is the name finally registered in the business license. The Joint Venture Company is registered in Chaoyang District, Beijing, with a registered capital of RMB10 billion, in which GD Power will contribute RMB5,747.3579 million with the GD Contributed Assets and the Company will contribute RMB4,252.6421 million with the Shenhua Contributed Assets.

The purpose of the Joint Venture Company is: in compliance with laws and regulations to implement national and regional policies, to adhere to principles of reform, development, innovation and efficiency, to enhance management and make use of the overall advantages of the Joint Venture Company, to promote the development of electric power, the structure adjustment, and the optimization of resources allocation, to increase the competitiveness of the Joint Venture Company and to ensure the increase in the value of state-owned assets; the scope of business of the Joint Venture Company is the production and sale of electric power and thermal power (subject to the scope of business registered in the business license).

Corporate governance of the Joint Venture Company

The board of directors of the Joint Venture Company shall consist of five directors, among whom three of the directors shall be nominated by GD Power and two by the Company. The term of the directors shall be three years and can be extended after the renomination by the parties. If a director resigns or be removed, the party that previously nominated such director shall have the right to nominate another person to replace him.

The chairman of the board of directors shall be elected among candidates nominated by GD Power; the vice chairman shall be elected among candidates nominated by the Company. Both the chairman and vice chairman shall be approved by more than half of all the directors. The chairman is the legal representative of the Joint Venture Company.

The board of supervisors of the Joint Venture Company shall consist of three supervisors, among whom one supervisor shall be nominated by GD Power, one supervisor shall be nominated by the Company, and one supervisor as staff representatives shall be elected democratically by the staff and workers' congress of the Company. The chairman of the board of the supervisors shall be nominated by the Company and elected by more than half of the all the supervisors.

The general manager of the Joint Venture Company shall be appointed or dismissed by the board of directors. The deputy general manager, the person in charge of financial affairs (Chief Accountant/Chief Financial Officer) and other senior management personnel shall be nominated by the general manager and appointed or dismissed by the board of directors.

The shareholders' meeting of the Joint Venture Company is the authority organ of the Joint Venture Company and shall exercise the following functions and powers:

(1) to decide on the company's operational policies and investment plans;

(2) to elect and replace directors and supervisors who are not employee representatives, and to decide on matters relating to the remuneration of directors and supervisors;

(3) to examine and approve the reports of the board of directors;

(4) to examine and approve the reports of the board of supervisors;

(5) to examine and approve the annual financial budget plan and final account plan of the company;

(6) to examine and approve the profit distribution plans and plan for making up losses of the company;

(7) to adopt resolutions on the issuance of corporate bonds and various debt financing instruments;

(8) to adopt resolutions on the increase or reduce of the company's registered capital;

(9) to adopt resolutions on merger, division, dissolution, liquidation or the alteration of the form of the company;

(10) to amend the articles of association;

(11) other functions and powers stipulated by the articles of association.

The resolutions set out in item (6), item (8), item (9) and item (10) above shall be passed by shareholders representing more than two-thirds of the voting rights, and resolutions of the rest of the matters shall be approved by shareholders representing more than half of the voting rights. The place of the shareholders' meeting can be determined according to the specific circumstances when the time comes.

The board of directors is accountable to the shareholders' meeting and shall exercise the following functions and powers:

(1) to convene and report to the shareholders' meeting;

(2) to implement the resolutions approved by the shareholders' meetings;

(3) to determine the company's business plans and investment proposals;

(4) to formulate the company's annual financial budget and final account plan;

(5) to formulate the company's profit distribution plan and plan for making up losses;

(6) to formulate plans for the company to issue corporate bonds and various debt financing instruments;

(7) to formulate plans for the company to increase or decrease the company's registered capital;

(8) to prepare plans for the company on merger, division, dissolution or alteration of the Company form;

(9) to decide the establishment of the company's internal management structure;

(10) to decide on the appointment or dismissal and the remuneration of the company's general manager, and to decide on the appointment or dismissal of the company's deputy general manager, the person in charge of financial affairs and other senior management personnel and their remuneration according to the nominations of the general manager;

(11) to formulate the company's basic management system;

(12) to formulate the proposal for amendment of the articles of association;

(13) other functions and powers stipulated by the articles of association.

The resolutions set out in item (5), item (7), item (8) and item (12) above shall be passed by more than two-thirds of the directors, and resolutions of the rest of the matters shall be passed by more than half of the directors.

The general manager is accountable to the board of directors and shall exercise the following functions and powers:

(1) to be in charge of the company's production, operation and management, and to organize the implementation of the board resolutions;

(2) to organize the implementation of the company's annual business plan and investment proposal;

(3) to formulate plans for the establishment of the company's internal management structure;

(4) to formulate the company's basic management system;

(5) to formulate specific rules and regulations for the company;

(6) to propose the appointment or dismissal of the company's deputy general managers, the person in charge of financial affairs and other senior management personnel;

(7) to decide on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the board of directors;

(8) other functions and powers conferred by the board of directors.

Transition period

Apart from the matters that have obtained the prior written consent of or known to the parties on the date of the Joint Venture Agreement, during the transition period (i.e. the period between the Valuation Reference Date and the Completion Date) all aspects of the coal-fired power generation companies involved in the Subject Assets shall remain stable without significant adverse changes.

During the transition period, GD Power continues to be responsible for all work in relation to the GD Contributed Assets, and the Company continues to be responsible for all work in relation to the Shenhua Contributed Assets.

During the transition period, the parties shall perform the obligation of properly managing the Subject Assets and ensure that no circumstance exists to impede the transfer of the title of any of the Subject Assets; the parties shall reasonably and cautiously operate and manage the Subject Assets and will not engage in any activity which is outside the scope of normal operation and without duly authorization, and may damage the interest of the Joint Venture Company or shareholders.

During the transition period, the profits or losses associated with operating activities of the Subject Assets is retained or borne by the Joint Venture Company.

During the transition period, apart from the profits or losses associated with operating activities, the parties shall, respectively, make their best endeavours that the rights and interests of the Subject Assets will remain unchanged. To maintain the agreed shareholding percentages of the Company and GD Power in the Joint Venture Company, when the rights and interests of the Subject Assets decrease due to capital reduction, changes in ownership, distribution of interest or forth, the relevant party shall, by cash or other legally allowed methods, make up the contributed amount corresponding to the deduction of the rights or interests aforementioned. When the rights and interests of the Subject Assets increase due to capital increase, changes in ownership and so forth, the Joint Venture Company shall, by cash or other legally allowed methods, return such amount to the relevant party to ensure that both parties will hold the interests of the Joint Venture Company as negotiated and agreed.

The parties will conduct a supplemental audit for auditing the Subject Assets with the Completion Date as the reference date for the purpose of differentiating the profits and losses due to other reasons apart from operating activities during the transition period.

Credits and debts

As confirmed by the parties, the Subject Assets in the transaction include equities and assets of the relevant coal-fired power generation companies. The transaction will not change position of the Subject Assets as independent legal entities of the coal-fired power generation companies. The creditor's rights and debts of those companies shall continue to be carried out by those companies after the transaction.

As for the branch companies contained the Subject Assets, according to the "Debts go with the Assets" principle, since the Completion Date, the creditor's rights and debts in relation to the non-equity assets of the Subject Assets shall be transferred together with the relevant assets to the Joint Venture Company and the relevant party shall be responsible for the related procedures of such transfer. As for the transferred creditor's rights and debts, the relevant party shall carry out the notification obligation and/or approval procedures that are required by law and regulations in relation to the transfer of the creditor's rights and debts.

Condition precedent to the effectiveness of the Joint Venture Agreement

The Joint Venture Agreement shall be formulated from the date on which the legal representative or authorized representative of the parties affix their signatures and common seals of their companies, and will become effective upon satisfaction of all of the following conditions:

1. The transaction is considered and approved by the board of directors and the general meeting of GD Power;

2. The transaction is considered and approved by the board of directors and the general meeting of the Company;

3. The approvals from competent authorities for this transaction are obtained.

Liabilities for breach of contract

1. If a party to the Joint Venture Agreement breaches any of its representations, warranties, undertakings, makes any misstatements, or fails to perform any of its responsibilities or obligations under the Joint Venture Agreement, the party commits a breach of the agreement. The defaulting party shall, at the request of the other party, continue to perform its obligations or take measures to remedy the breach or give full, prompt, adequate and effective compensation.

2. If the Joint Venture Agreement fails to become effective or to be completed for reasons not attributable to the parties, none of the parties shall be liable for breach of contract.

Governing law and dispute resolution

The Joint Venture Agreement is governed by the laws of the PRC.

Any dispute between the parties in relation to the context or the execution of the Joint Venture Agreement shall be settled first through negotiations. If the dispute fails to be resolved within 60 days after it arises, either party shall have the right to submit the dispute to the China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with the prevailing effective arbitration rules. The arbitral award is conclusive and binding on both parties.

The terms of the Joint Venture Agreement were arrived after arm's length negotiation between the parties.

Information of the Shenhua Contributed Assets

Basic information of the Shenhua Contributed Assets

No.	Company	Shareholding percentage	Date of establishment	Registered capital *(RMB0'000)*	Address	Principal activities in recent three years
1	Guohua Taicang Power Co., Ltd.	50%	2005.1.26	200,000	No.1 Taicang Port Power Plant Road, Taicang City	Generation and sale of electricity
2	Jiangsu Guohua Chenjiagang Power Co., Ltd.	55%	2007.11.16	133,574	No. 188 Huanghai Avenue, Chenjiagang Town, Xiangshui County	Generation and sale of electricity
3	Guohua Xuzhou Power Generation Co., Ltd.	100%	2004.3.30	179,043	Northern suburb of Xuzhou	Generation and sale of electricity

No.	Company	Shareholding percentage	Date of establishment	Registered capital *(RMB0'000)*	Address	Principal activities in recent three years
4	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	80%	2008.9.12	92,223	Baorixile Town, Chenbaerhu Banner, Hulunbeier City, Inner Mongolia Autonomous Region	Generation and sale of electricity and heating
5	Ningxia Guohua Ningdong Power Generation Co., Ltd.	100%	2009.2.2	54,000	Hanjiagou, Majiatan Town, Lingwu City, Ningxia	Generation and sale of electricity and heating
6	Shenhua Guohua Ningdong Power Generation Co., Ltd. *Note 1*	56.77%	2016.9.1	100,000	Corporate Headquarter, Ningdong Town, Ningxia	Investment, construction, operation and management of electricity project
7	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	60%	2002.7.25	325,478.24	No. 155 Miduqiao Road, Hangzhou City (27/F of New Century Mansion, Zhejiang)	Generation and sale of electricity
8	Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. *Note 2*	51%	1996.7.16	80,351.8243	Waishanzui, Baiquan Town, Dinghai District, Zhoushan City	Generation and sale of electricity
9	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.	80%	2003.12.15	47,500	No.588 Fengshan West Road, Yuyao	Generation and sale of electricity
10	Shenhua Guohua International Power Co.,	70%	2001.1.22	400,996.5366	No.3, Liyuanli, Chaoyang District, Beijing	Generation and sale of electricity Ltd. and heating
11	Shenwan Energy Co., Ltd	51%	2011.7.8	469,649.745	No.8 Ma'anshan Road, Baohe District, Hefei, Anhui	Generation and sale of electricity
12	Baode Shendong Power Generation Co., Ltd. *Note 4*	91.3%	2004.5.19	23,000	Xialiuqi Village, Qiaotou Twon, Baode County	Generation and sale of electricity
13	Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd. *Note 4*	80%	2014.3.13	64,000	Gaomao Village west, Louziying Town, Hequ County, Xinzhou City (within the yard of former Aoda Power Company	Generation and sale of electricity
14	Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. *Note 4*	100%	2013.12.5	11,000	Wucaiwan Area, Xinjiang Zhundong Economic and Technological Development Zone, Jimusaer County, Changji Prefecture, Xinjiang	Generation and sale of electricity
15	Shenhua Shendong Power Co., Ltd. Salaqi Power Plant *Note 4*	–	2009.12.3	–	Xiao'aodui Village, Salaqi Town, Tuyou Banner, Baotou City, Inner Mongolia Autonomous Region	Generation and sale of electricity

No.	Company	Shareholding percentage	Date of establishment	Registered capital *(RMB0'000)*	Address	Principal activities in recent three years
16	Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant *Note 4*	–	2009.7.24	–	Shangwan Thermal Power Plant, Wulanmulun Town, Yi Banner, Erdos City, Inner Mongolia Autonomous Region	Generation and sale of electricity and heating
17	Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant *Note 4*	–	2008.8.26	–	North of Shengli West Road, Gumudi West Road Subdistrict Office, Midong District, Urumqi, Xinjiang	Generation and sale of electricity and heating
18	Zhejiang Zheneng Jiahua Power Generation Co., Ltd.	20%	2001.7.9	342,219	Room 1401, 1501 and 1601, No.85, Jiefang Road, Hangzhou City	Generation and sale of electricity

Note1: In January 2018, the registered capital of Shenhua Guohua Ningdong Power Generation Co., Ltd. increased from RMB400,000,000 to RMB1,000,000,000.

Note 2: In October 2017, the registered capital of Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. increased from RMB755,424,020 to RMB803,518,243.

Note 3: In January 2018, the registered capital of Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. increased from RMB30,000,000 to RMB110,000,000.

Note 4: For the purpose of this transaction, the 9th meeting of the fourth session of the board of directors of the Company approved Shenhua Shendong Power Co., Ltd., a wholly-owned subsidiary of the Company, to transfer 91.3% of the shareholdings it holds in Baode Shendong Power Generation Co., Ltd., 80% of the shareholdings it holds in Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd., all of the shareholdings it holds in Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd., and all of the assets and liabilities it holds as at 31 December 2016 in Shenhua Shendong Power Co., Ltd. Salaqi Power Plant, Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant and Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant to the Company.

The Shenhua Contributed Assets are with good and clear title, free from mortgage, pledge or other rights of third party. None of the Shenhua Contributed Assets has been involved in any litigation, arbitration or subject to seizure, freezing or any other judicial action which has significant impacts on the transaction.

For any equity contribution in the Shenhua Contributed Assets which requires the waiver of right of first refusal, other shareholders have waived right of first refusal in written.

Valuation of the Shenhua Contributed Assets

CEA considered both asset-based approach and income approach to make valuation of the Subject Assets. At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprises in the short term based on the income approach. Therefore, CEA concluded that asset-based approach is an appropriate approach.

According to the valuation results prepared by CEA, as at the Valuation Reference Date, the valuations of the Shenhua Contributed Assets are set out as below:

Unit: RMB0'000

No.	Contributed assets	Book value of the net assets A	Estimated value B	Estimated appreciated value C = B – A	Estimated appreciation rate D = C/A x 100%
1	50% equity in Guohua Taicang Power Co., Ltd.	136,771.96	137,058.98	287.02	0.21%
2	55% equity in Jiangsu Guohua Chenjiagang Power Co., Ltd.	91,979.25	46,528.77	-45,450.48	-49.41%
3	100% equity in Guohua Xuzhou Power Generation Co., Ltd.	249,488.87	279,016.05	29,527.18	11.84%
4	80% equity in Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	87,221.42	75,409.22	-11,812.20	-13.54%
5	100% equity in Ningxia Guohua Ningdong Power Generation Co., Ltd.	32,183.08	32,537.05	353.97	1.10%
6	56.77% equity in Shenhua Guohua Ningdong Power Generation Co., Ltd.	21,743.88	24,650.50	2,906.63	13.37%
7	60% equity in Zhejiang Guohua Zheneng Power Generation Co., Ltd.	352,072.87	361,938.07	9,865.20	2.80%
8	51% equity in Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.	49,747.59	66,613.68	16,866.09	33.90%
9	80% equity in Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.	32,562.24	30,973.45	-1,588.79	-4.88%
10	70% equity in Shenhua Guohua International Power Co., Ltd.	430,744.51	596,469.45	165,724.94	38.47%
11	51% equity in Shenwan Energy Co., Ltd.	312,722.23	497,869.97	185,147.74	59.21%
12	91.3% equity in Baode Shendong Power Generation Co., Ltd.	16,125.06	14,544.03	-1,581.03	-9.80%
13	80% equity in Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd.	46,055.58	51,380.46	5,324.88	11.56%

No.	Contributed assets	Book value of the net assets A	Estimated value B	Estimated appreciated value C = B – A	Estimated appreciation rate D = C/A x 100%
14	100% equity in Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.	144,453.30	141,541.33	-2,911.97	-2.02%
15	Shenhua Shendong Power Co., Ltd. Salaqi Power Plant	87,049.81	97,427.82	10,378.01	11.92%
16	Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant	55,720.99	59,776.09	4,055.10	7.28%
17	Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant	102,649.81	103,626.52	976.71	0.95%
18	20% equity in Zhejiang Zheneng Jiahua Power Generation Co., Ltd.	111,516.43	153,622.26	42,105.83	37.76%
	Total	**2,360,808.88**	**2,770,983.69**	**410,174.81**	**17.37%**

Note: the above book value of the net assets is the book value of the equity in the accounts of each subject company multiplied by respective shareholding percentage.

The detailed valuation methodology and result are disclosed in Appendix I of the circular.

It is disclosed in the summary of valuation reports of the Shenhua Contributed Assets that there are various title defects in some of the Shenhua Contributed Assets. Considering that these defected assets only account for less than 5% of the total assets of the Shenhua Contributed Assets and there is no dispute involved, the Directors consider that these defected assets will not have material impact on the Joint Venture Company and it is fair and reasonable to contribute them to the Joint Venture Company.

With respect to the Shenhua Contributed Assets, the difference between the book value and the appraised value were mainly presented in four accounting items, including the long term equity investment, the fixed assets, land use right and other non-current liabilities.

(1) Long-term equity investment

The decrease and increase of the long term equity investment was caused by the difference between the appraised value of net assets and the entry value of long term equity investment in the subsidiaries of power plant which the Company is entitled to according to its percentage of shareholding. The decrease and increase in the appraised value of net assets of such subsidiaries are mainly presented in three accounting items, including the fixed assets, the land use right and other non-current liabilities.

(2) Fixed assets

In this valuation, the decrease in the original value of the fixed assets were caused by the gradually declining cost of thermal power generating unit in recent years; the construction and installation projects were depreciated due to the change from business tax to the value added tax in 2016; part of the equipment and facilities bought before 2008 were depreciated due to the consumptive value-added tax reform in 2009; the economic service life used in net value calculation is usually different from the period of depreciation, which decreases or increases the net value of the fixed assets (but the depreciation decrease is lower than the original value decrease).

There are decreases in the appraised value of the fixed assets of Guohua Taicang Power Co., Ltd., Jiangsu Guohua Chenjiagang Power Co., Ltd., Guohua Xuzhou Power Generation Co., Ltd., Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd., Ningxia Guohua Ningdong Power Generation Co, Ltd., Shenhua Guohua Ningdong Power Generation Co., Ltd., Zhejiang Guohua Zheneng Power Generation Co., Ltd., Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd., Sanhe Power Generation Co., Ltd and Suizhong Power Generation Co., Ltd. (controlling subsidiaries of Shenhua Guohua International Power Co., Ltd., "**Shenhua Guohua International**"), Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant, Baode Shendong Power Generation Co., Ltd., Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. and Shenwan Hefei Lujiang Power Generation Co., Ltd (a wholly-owned subsidiary of Shenwan Energy Co., Ltd., "**Shenwan Energy**").

There are increases in the appraised value of the fixed assets of Shenhua Guohua (Zhoushan) Power Generation Co., Ltd., Inner Mongolia Guohua Power Zhunge'er Power Generation Co., Ltd. and Tianjin Guohua Panshan Power Generation Co., Ltd. (controlling subsidiaries of Shenhua Guohua International), Shenhua Shendong Power Co., Ltd. Salaqi Power Plant, Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant, Anhui Chizhou Jiuhua Power Generation Co., Ltd., Anhui Anqing Wanjiang Power Generation Co., Ltd. and Anhui Ma'anshan Wannengda Power Generation Co., Ltd (wholly-owned subsidiaries of Shenwan Energy), Zhejiang Zheneng Jiahua Power Generation Co., Ltd. and Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd.

(3) Land use rights

The reason for increase in land use rights is that the land was obtained in early years, and the land market price rises as of the Valuation Reference Date. Part of the land was allocated with no or lower book value, thus the increase is quite large.

(4) Other non-current liabilities

With respect to Zhejiang Guohua Zheneng Power Generation Co., Ltd, Shenhua Guohua (Zhoushan) Power Generation Co. Ltd., Sanhe Power Generation Co., Ltd., Suizhong Power Generation Co., Ltd, Inner Mongolia Guohua Power Zhunge'er Power Generation Co., Ltd., and Tianjin Guohua Panshan Power Generation Co., Ltd. (subsidiaries of Shenhua Guohua International), and Zhejiang Zheneng Jiahua Power Generation Co., Ltd., the decrease in the other non-current liabilities is resulted from the deferred income when the enterprise receives the allowances and subsidies, in the valuation, the appraised value was determined according to the future income taxes, and therefore the decrease is formed.

Major financial indicators of the Shenhua Contributed Assets

According to the audited financial statements of the Shenhua Contributed Assets for the year ended on 31 December 2015, the year ended on 31 December 2016 and nine months ended on 30 September 2017 (KPMG Huazhen Shen Zi No.1800020 to 1800037), which are prepared under Enterprise Accounting Standards of the PRC by KPMG Huazhen Certified Public Accountants (Special Limited Partnership), which is qualified for the securities and futures business, the major financial indicators of the Shenhua Contributed are set out below:

Unit: RMB0'000

No.	Company	Financial period	Total assets	Net assets	Revenue	Net profit before taxation	Net profit after taxation
1	Guohua Taicang Power Co., Ltd.	The year of 2015/as at 31 December 2015	352,488.37	271,425.36	216,205.31	55,323.93	41,455.40
		The year of 2016/as at 31 December 2016	344,486.50	262,891.58	200,159.01	38,746.31	28,776.08
		January to September 2017/as at 30 September 2017	329,140.70	279,668.77	165,360.03	22,815.96	16,777.19
2	Jiangsu Guohua Chenjiagang Power Co., Ltd.	The year of 2015/as at 31 December 2015	570,664.36	170,624.11	225,874.56	46,466.45	34,519.01
		The year of 2016/as at 31 December 2016	554,893.82	159,764.49	204,062.39	27,919.06	20,207.49
		January to September 2017/as at 30 September 2017	523,997.46	153,305.23	163,436.30	15,268.55	11,727.47
3	Guohua Xuzhou Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	726,661.27	312,859.87	406,967.61	85,216.22	63,230.87
		The year of 2016/as at 31 December 2016	598,237.48	249,918.76	317,352.14	29,128.57	20,959.61
		January to September 2017/as at 30 September 2017	579,378.77	249,986.15	247,100.49	-869.46	-1,051.14
4	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	372,930.62	104,926.34	103,257.08	12,492.15	8,264.98
		The year of 2016/as at 31 December 2016	348,424.34	104,350.62	97,990.29	9,611.56	6,862.75
		January to September 2017/as at 30 September 2017	335,938.01	107,802.32	74,788.18	9,186.62	6,539.94
5	Ningxia Guohua Ningdong Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	349,121.62	37,081.57	72,591.68	337.77	337.31
		The year of 2016/as at 31 December 2016	474,142.71	37,438.92	64,176.10	345.09	357.35
		January to September 2017/as at 30 September 2017	398,325.34	27,673.94	50,314.49	-9,764.98	-9,764.98
6	Shenhua Guohua Ningdong Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	–	–	–	–	–
		The year of 2016/as at 31 December 2016	274,036.85	38,740.77	–	-1,678.96	-1,259.23
		January to September 2017/as at 30 September 2017	377,341.02	89,268.70	5,058.84	-821.42	-616.07
7	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	1,177,735.87	595,215.76	727,470.81	216,739.10	161,840.60
		The year of 2016/as at 31 December 2016	1,161,550.42	552,932.23	647,569.71	134,699.48	103,373.01
		January to September 2017/as at 30 September 2017	1,174,903.45	606,486.55	521,655.18	74,526.48	53,554.32

No.	Company	Financial period	Total assets	Net assets	Revenue	Net profit before taxation	Net profit after taxation
8	Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	280,840.96	105,843.84	149,386.12	30,827.57	23,823.66
		The year of 2016/as at 31 December 2016	281,633.48	94,756.44	143,214.53	14,155.31	10,353.89
		January to September 2017/as at 30 September 2017	287,139.80	96,035.81	123,084.42	7,985.87	5,788.45
9	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.	The year of 2015/as at 31 December 2015	176,227.12	36,958.13	122,446.25	-2,018.46	-508.04
		The year of 2016/as at 31 December 2016	151,009.36	36,559.54	94,873.58	340.99	-398.59
		January to September 2017/as at 30 September 2017	158,294.94	41,174.07	75,205.54	5,348.55	4,614.53
10	Shenhua Guohua International Power Co., Ltd.	The year of 2015/as at 31 December 2015	2,222,848.86	1,084,254.56	1,064,493.26	100,451.20	58,531.44
		The year of 2016/as at 31 December 2016	2,057,176.30	1,071,913.07	979,439.19	75,372.34	46,576.96
		January to September 2017/as at 30 September 2017	1,921,278.79	1,028,640.26	771,260.06	22,540.08	10,046.96
11	Shenwan Energy Co., Ltd.	The year of 2015/as at 31 December 2015	1,349,877.77	772,876.55	585,943.34	164,483.40	121,227.10
		The year of 2016/as at 31 December 2016	1,343,740.48	811,467.37	632,384.05	104,432.30	88,590.82
		January to September 2017/as at 30 September 2017	1,343,537.18	823,235.24	517,601.32	45,666.24	33,167.87
12	Baode Shendong Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	87,844.72	26,174.89	24,483.16	-864.64	-864.64
		The year of 2016/as at 31 December 2016	83,120.27	22,188.08	21,471.80	-3,986.81	-3,986.81
		January to September 2017/as at 30 September 2017	80,778.58	15,081.63	18,022.98	-7,106.46	-7,106.46
13	Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	266,341.55	55,523.74	806.59	-6,129.86	-6,142.00
		The year of 2016/as at 31 December 2016	270,443.91	59,139.68	54,043.74	4,678.49	3,615.94
		January to September 2017/as at 30 September 2017	273,260.32	56,134.09	53,947.82	-4,080.28	-3,005.59
14	Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	249,416.67	135,359.58	59,405.69	5,902.90	4,890.17
		The year of 2016/as at 31 December 2016	260,396.54	135,577.11	41,313.72	248.72	217.52
		January to September 2017/as at 30 September 2017	272,432.94	145,198.54	35,807.25	2,178.95	1,823.91
15	Shenhua Shendong Power Co., Ltd. Salaqi Power Plant	The year of 2015/as at 31 December 2015	247,232.81	104,025.03	58,375.06	-3,254.36	-3,254.36
		The year of 2016/as at 31 December 2016	221,411.40	96,096.74	40,465.07	-7,928.29	-7,928.29
		January to September 2017/as at 30 September 2017	219,220.25	82,488.91	33,461.86	-13,607.83	-13,607.83
16	Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant	The year of 2015/as at 31 December 2015	115,621.02	53,707.02	38,515.14	9,817.39	7,363.04
		The year of 2016/as at 31 December 2016	103,865.60	53,707.02	33,154.82	4,053.69	3,040.27
		January to September 2017/as at 30 September 2017	99,781.79	54,717.67	22,270.31	2,008.08	1,010.65
17	Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant	The year of 2015/as at 31 December 2015	209,216.28	105,600.00	55,109.83	1,442.11	1,225.79
		The year of 2016/as at 31 December 2016	202,968.51	102,438.22	36,817.60	-3,161.78	-3,161.78
		January to September 2017/as at 30 September 2017	199,347.29	102,476.89	29,830.56	45.49	38.67
18	Zhejiang Zheneng Jiahua Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	1,247,346.79	571,098.23	722,842.02	205,017.73	153,397.39
		The year of 2016/as at 31 December 2016	1,154,421.25	543,705.18	675,192.72	131,704.30	98,414.60
		January to September 2017/as at 30 September 2017	1,146,307.80	579,274.07	552,400.05	47,834.63	35,568.89

Power generators in the Shenhua Contributed Assets

As at 30 September 2017, details of the power generators in the Shenhua Contributed Assets are set out as below:

No.	Company	Regional grid	Location of the power plant	Installed capacity of power generations in operation *(Unit: 0'000KW)*	Installed capacity of power generations in construction *(Unit: 0'000KW)*	Components of power generators
Wholly-owned/controlling subsidiary						
1	Guohua Taicang Power Co., Ltd.	Jiangsu Power Grid	Jiangsu	126	–	2×630MW
2	Jiangsu Guohua Chenjiagang Power Co., Ltd.	Jiangsu Power Grid	Jiangsu	132	–	2×660MW
3	Guohua Xuzhou Power Generation Co., Ltd.	Jiangsu Power Grid	Jiangsu	200	–	2×1,000MW
4	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	Liaoning Power Grid	Inner Mongolia	120	–	2×600MW
5	Ningxia Guohua Ningdong Power Generation Co., Ltd.	Zhejiang Power Grid	Ningxia	66	–	2×330MW
6	Shenhua Guohua Ningdong Power Generation Co., Ltd.	Ningxia Power Grid	Ningxia	66	66	1×660MW+1×660MW *(under construction)*
7	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	Zhejiang Power Grid	Zhejiang	449	–	1×600MW+3×630MW +2×1,000MW
8	Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. *Note 1*	Zhejiang Power Grid	Zhejiang	91	–	1×125MW+1×135MW +1×300MW+1×350MW
9	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.	Zhejiang Power Grid	Zhejiang	78	–	1×780MW
10	Shenhua Guohua International Power Co., Ltd.	Jingjintang Power Grid	Hebei	744	–	Sanhe Power: 2×350MW+2×300MW
		Liaoning Power Grid and Jingjintang Power Grid	Liaoning			Suizhong Power: 2×880MW+2×1,000MW
		West Inner Mongolia Power Grid	Inner Mongolia			Zhunge'er Power: 2×330MW+2×330MW
		Jingjintang Power Grid	Tianjin			Panshan Power: 2×530MW

No.	Company	Regional grid	Location of the power plant	Installed capacity of power generations in operation *(Unit: 0'000KW)*	Installed capacity of power generations in construction *(Unit: 0'000KW)*	Components of power generators
11	Shenwan Energy Co., Ltd.	Anhui Power Grid	Anhui	460	132	Lujiang Power: 2×660MW *(under construction)* Chizhou Power: 2×320MW Ma'anshan Power: 2×330MW+2×330MW Anqing Wanjiang Power: 2×320MW+2×1,000MW
12	Baode Shendong Power Generation Company Limited *Note 2*	Shanxi Power Grid	Shanxi	27	–	2×135MW
13	Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd.	Shanxi Power Grid	Shanxi	70	–	2×350MW
14	Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.	Xinjiang Power Grid	Xinjiang	70	132	2×350MW+2×660MW *(under construction)*
	Sub-total			2,699.00	330.00	
Branch company						
15	Shenhua Shendong Power Co., Ltd. Salaqi Power Plant	West Inner Mongolia Power Grid	Inner Mongolia	60	–	2×300MW
16	Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant	West Inner Mongolia Power Grid	Inner Mongolia	30	–	2×150MW
17	Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant	Xinjiang Power Grid	Xinjiang	60	–	1×300MW+1×300MW
	Sub-total			150.00	–	

No.	Company	Regional grid	Location of the power plant	Installed capacity of power generations in operation *(Unit: 0'000KW)*	Installed capacity of power generations in construction *(Unit: 0'000KW)*	Components of power generators
Associated company						
18	Zhejiang Zheneng Jiahua Power Generation Co., Ltd.	Zhejiang Power Grid	Zhejiang	464	–	4×660MW+2×1000MW
	Sub-total			464	–	
	Total			3,313.00	330.00	

Note 1: According to the Publicity of the Plan to Eliminate Outdated Production Capacities in the Power Sector during the "13th Five-Year" in Zhejiang Province issued by Zhejiang Provincial Development and Reform Commission on 12 February 2018, the No. 1 and No. 2 generating units (125 MW and 135 MW respectively) owned by Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. were included in the Schedule to Eliminate Outdated Production Capacities in the Power Sector during the "13th Five-Year" in Zhejiang Province, and they are to be discontinued by the end of December 2020.

Note 2: Pursuant to the requirements of relevant documents on the limits of ultra-low emission standards in Shanxi Province, the relevant generating units of Baode Shendong Power Generation Co., Ltd. were temporarily suspended on 1 January 2018 and relevant coping schemes and solutions are being actively studied. This matter is a temporary factor and did not have a material impact on the operation of Baode Shendong Power Generation Co., Ltd.

Information of the GD Contributed Assets

Basic information of the GD Contributed Assets

No.	Company	Shareholding percentage	Date of establishment	Registered Capital *(RMB0'000)*	Address	Principal activities in recent three years
1	Guodian Jiangsu Power Generation Co., Ltd. *Note 1*	100%	2008.12.31	366,453.025632	37F Building2, No.272 Jiqingmen Ave., Gulou District, Nanjing	Coal-fired power generation business
2	Guodian Anhui Power Co., Ltd. *Note 2*	100%	2010.12.15	175,707.17976	No.12 Mengyuan Road, Gaoxin District, Hefei, Anhui	Coal-fired power generation business
3	Guodian Xinjiang Power Co., Ltd. *Note 3*	100%	2007.12.13	345,882.4487	No.358, Xihong Dong Road, Shuimogou District, Urumchi, Xinjiang	Coal-fired power generation business
4	GD Power Datong Power Generation Co., Ltd.	60%	2002.4.26	190,277.6	No.1, Guanghua Road, Datong City, Shanxi Province	Coal-fired power generation business
5	Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd.	55%	2005.12.8	50,000	No.18, Fuxing Bei Road, Dongsheng District, Erdos City	Coal-fired power generation business
6	GD Power Dalian Zhuanghe Power Generation Co., Ltd	51%	2004.12.23	105,200	Leng Village, Heidao Town, Zhuanghe City, Liaoning Province	Coal-fired power generation business
7	GD Power Chaoyang Thermal Power Co., Ltd. *Note 4*	100%	2009.7.30	64,463.70	No.225 of Wuduan, Huanghe Road, Longcheng District, Chaoyang City, Liaoning Province	Coal-fired power generation business
8	Guodian Jiangsu Jianbi Power Generation Co., Ltd.	100%	2001.12.29	48,000	Within Jianbi Power Plant, Zhenjiang City	Coal-fired power generation and coal sale business
9	Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd.	70%	2000.4.6	85,000	Room 1701, Block 1, EAC World Trade Lijing Building, No.18 Jiaogong Road, Hangzhou City	Coal-fired power generation business

No.	Company	Shareholding percentage	Date of establishment	Registered Capital *(RMB0'000)*	Address	Principal activities in recent three years
10	Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd.	50%	2006.12.31	140,000	No.66, Jingang West Road, Beilun District, Ningbo City	Coal-fired power generation business
11	Guodian Ningxia Shizuishan Power Generation Co., Ltd.	50%	1997.12.23	79,440	Guanghua Road, Hebin Industrial Park, Shizuishan City, Ningxia	Coal-fired power generation business
12	Guodian Dawukou Thermal Power Co., Ltd.	60%	2008.5.20	49,680	No.18, Weidian Road, Dawukou District, Shizuishan City, Ningxia	Coal-fired power generation business
13	Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd. *Note 5*	100%	2012.7.27	19,575	Floor 3, Block 18, North of Shiyuan West Road and West of Nanxun Avenue, Nanxun Town, Huzhou City (within the Science Park)	Gas power generation business
14	Guodian Shizuishan No. 1 Power Generation Co., Ltd.	60%	2006.9.20	50,000	Hebin Industrial Park, Huinong District, Shizuishan City, Ningxia	Coal-fired power generation business
15	GD Power Jiuquan Power Generation Co., Ltd.	100%	2007.9.26	55,938.2	No.6, Yiren East Road, Jiuquan Industrial Park (South zone), Gansu Province	Coal-fired power generation business
16	Shanghai Waigaoqiao No.2 Power Generation Co., Ltd.	40%	2000.6.9	322,000	No.1181, Haixu Road, Pudong New Area, Shanghai	Coal-fired power generation business
17	Guodian Zheneng Ningdong Power Generation Co., Ltd. *Note 6*	51%	2015.8.27	140,000	Zhenxisan Village, Majiatan Town, Lingwu City, Ningxia	Coal-fired power generation business
18	Zhejiang Zheneng Beilun Power Generation Co., Ltd.	49%	1997.4.18	230,000	Room 1601, Gongyuan Building (North block), Xihu District, Hangzhou City, Zhejiang Province	Coal-fired power generation business
19	Zhejiang Zheneng Yueqing Power Generation Co., Ltd.	23%	2005.5.20	190,000	No.8866, Hongnan Avenue, Nanyue Town, Yueqing City	Coal-fired power generation business

No.	Company	Shareholding percentage	Date of establishment	Registered Capital *(RMB0'000)*	Address	Principal activities in recent three years
20	GD Power Development Co., Ltd. Datong No. 2 Power Plant	–	2001.6.28	–	No.1, Guanghua Road, Datong City, Shanxi Province	Coal-fired power generation business
21	GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant	–	2000.8.18	–	No. 4, Huanghai West Road, Dalian Economic and Technological Development Zone, Liaoning Province	Coal-fired power generation business
22	GD Power Development Co., Ltd. Dawukou Branch	–	2004.5.28	–	Gongren Street, Dawukou District, Shizuishan City, Ningxia	No actual operations, no power generation units in operation or under construction. Only land and plant were leased to Guodian Dawukou Thermal Power Co., Ltd. for its use

Note 1: In June 2017, the registered capital of Guodian Jiangsu Power Co., Ltd. ("**Guodian Jiangsu Power**") increased from RMB2,729,087,956.32 to RMB3,664,530,256.32.

Note 2: For the purpose of this transaction, the 49th meeting of the seventh session of the Board of Directors of Guodian Power approved Guodian Anhui Power Co., Ltd. ("**Guodian Anhui Power**") to directly transfer 51% of the shareholdings it holds in Guodian Anhui Energy Sales Co., Ltd. and 50% of the shareholdings it holds in Anhui Guodian Wan Energy Wind Power Co., Ltd. to Guodian Power. The primary financial indicators and appraised values of Guodian Anhui Power disclosed herein do not include the financial data and appraised value related to such shareholdings to be transferred.

Note 3: In June 2017, the registered capital of Guodian Xinjiang Power Co., Ltd. ("**Guodian Xinjiang Power**") increased from RMB2,145,970,487.64 to RMB3,458,824,487.64. For the purpose of this transaction, the 49th meeting of the seventh session of the Board of Directors of Guodian Power approved Guodian Xinjiang Power to transfer all its shareholding in its subordinates, Guodian Tacheng Power Generation Co., Ltd., Guodian Beitun Power Generation Co. Ltd., Guodian Qingsong Turpan New Energy Co., Ltd., Guodian Kumul Energy Development Co., Ltd., and Guodian Xinjiang Ebinur Lake Region Development Co., Ltd. to Guodian Xinjiang New Energy Development Co., Ltd, a subsidiary wholly owned by Guodian Power; to transfer directly all its shareholdings in its subordinates, Guodian Xinjiang Jilintai Water Power Development Co., Ltd., Guodian Aksu River Region Water Power Development Co., Ltd, Guodian Xinjiang Kaidu River Region Water Power Development Co., Ltd., Guodian Qingsong Kuqa Mining Development Co., Ltd., Kumul Energy Co., Ltd. of Xuzhou Coal Mining Group, Guodian Patrul Power Generation Co., Ltd. and Guodian Tacheng Tiechanggou Power Generation Co., Ltd. to Guodian Power. The primary financial indicators and appraised values of Guodian Xinjiang Power disclosed herein do not include the financial data and appraised value related to such shareholdings to be transferred.

Note 4: In February 2017, the registered capital of GD Power Chaoyang Thermal Power Co., Ltd. increased from RMB439,727,000 to RMB523,757,000. In November 2017, the registered capital of GD Power Chaoyang Thermal Power Co., Ltd. increased from RMB523,757,000 to RMB615,017,000. In January 2018, the registered capital of GD Power Chaoyang Thermal Power Co., Ltd. increased from RMB615,017,000 to RMB644,637,000.

Note 5: In March 2017, the registered capital of Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd. increased from RMB128,780,000 to RMB195,750,000.

Note 6: For the purpose of this transaction, the 49th meeting of the seventh session of the Board of Directors of Guodian Power approved GD Yinglite Energy & Chemicals Group Co., Ltd. to transfer directly 51% of the shareholdings it holds in GD Zheneng Ningdong Generating Co., Ltd. to Guodian Power.

The GD Contributed Assets are with good and clear title, free from mortgage, pledge or other rights of third party. None of the GD Contributed Assets has been involved in any litigation, arbitration or subject to seizure, freezing or any other judicial action which has significant impacts on the transaction.

As at the Latest Practicable Date, regarding the equity contribution in the GD Contributed Assets that requires the waiver of the right of first refusal, except that written replies of Inner Mongolia Mengtai Coal-fired Power Group Co., Ltd., the shareholder of Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd., and Shanghai Electric Power Co., Ltd., the shareholders of Shanghai Waigaoqiao No. 2 Power Generation Co., Ltd. have not been obtained, all the other shareholders have waived the right of first refusal in written form. As at the Latest Practicable Date, relevant work is progressing in an orderly manner.

Valuation of the GD Contributed Assets

CEA considered both asset-based approach and income approach to make valuation of the Subject Assets. At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprises in the short term based on the income approach. Therefore, CEA concluded that asset-based approach is an appropriate approach.

According to the valuation results prepared by CEA on 30 June 2017 as of the valuation reference date, the valuations of the GD Contributed Assets are set out as below:

Unit: RMB0'000

No.	Contributed assets	Book value of the net assets A	Estimated value B	Estimated appreciated value C=B–A	Estimated appreciation rate D=C/A×100%
1	100% equity in Guodian Jiangsu Power Generation Co., Ltd.	583,608.94	966,672.39	383,063.45	65.64%
2	100% equity in Guodian Anhui Power Co., Ltd.	235,172.43	270,433.59	35,261.16	14.99%
3	100% equity in Guodian Xinjiang Power Co., Ltd.	319,950.61	284,585.29	-35,365.32	-11.05%
4	60% equity in GD Power Datong Power Generation Co., Ltd.	139,637.77	145,904.21	6,266.45	4.49%
5	55% equity in Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd.	36,246.98	20,320.11	-15,926.87	-43.94%
6	51% equity in GD Power Dalian Zhuanghe Power Generation Co., Ltd.	40,615.03	36,316.51	-4,298.52	-10.58%
7	100% equity in GD Power Chaoyang Thermal Power Co., Ltd.	59,621.86	61,179.12	1,557.26	2.61%
8	100% equity in Guodian Jiangsu Jianbi Power Generation Co., Ltd.	75,287.74	133,667.71	58,379.97	77.54%
9	70% equity in Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd.	127,227.96	271,961.03	144,733.06	113.76%
10	50% equity in Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd.	111,415.22	131,040.50	19,625.28	17.61%
11	50% equity in Guodian Ningxia Shizuishan Power Generation Co., Ltd.	56,077.88	95,702.09	39,624.22	70.66%
12	60% equity in Guodian Dawukou Thermal Power Co., Ltd.	24,872.90	22,634.07	-2,238.83	-9.00%
13	100% equity in Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd.	20,041.74	20,346.46	304.72	1.52%
14	60% equity interest Guodian Shizuishan No. 1 Power Generation Co., Ltd.	24,118.48	16,133.06	-7,985.42	-33.11%
15	100% equity in GD Power Jiuquan Power Generation Co., Ltd.	47,563.86	40,137.38	-7,426.48	-15.61%
16	40% equity in Shanghai Waigaoqiao No.2 Power Generation Co., Ltd.	163,697.13	173,185.70	9,488.57	5.80%
17	51% equity in Guodian Zheneng Ningdong Power Generation Co., Ltd.	42,636.00	46,277.13	3,641.13	8.54%
18	49% equity in Zhejiang Zheneng Beilun Power Generation Co., Ltd.	167,287.98	255,689.85	88,401.87	52.84%
19	23% equity in Zhejiang Zheneng Yueqing Power Generation Co., Ltd.	53,388.83	87,269.73	33,880.91	63.46%
20	GD Power Development Co., Ltd. Datong No. 2 Power Plant	77,270.76	249,377.13	172,106.37	222.73%
21	GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant	434,416.95	407,138.87	-27,278.08	-6.28%
22	GD Power Development Co., Ltd. Dawukou Branch	-509.84	8,955.19	9,465.03	N/A
	Total	**2,839,647.21**	**3,744,927.12**	**905,279.91**	**31.88%**

Note: the above book value of the net assets is the book value of the equity in the accounts of each subject company multiplied by respective shareholding percentage.

The detailed valuation methodology and result are disclosed in Appendix II of the circular.

It is disclosed in the summary of valuation reports of the GD Contributed Assets that there are various title defects in some of the GD Contributed Assets. Considering that these defected assets only account for less than 5% of the total assets of the GD Contributed Assets and there is no dispute involved, the Directors consider that these defected assets will not have material impact on the Joint Venture Company and it is fair and reasonable to contribute them to the Joint Venture Company.

The amount of increase and decrease in the difference between the appraised value and the book value of the assets invested by GD Power was mainly reflected in four accounting subjects, including long-term equity investment, fixed assets, land use rights and other non-current liabilities.

(1) Long-term equity investment

The increase or decrease in long-term equity investment resulted from the difference between the appraised value of net assets in respect of the shareholding ratio of various power plant subsidiaries held by GD Power through assets invested and the entry value of long-term equity investment. The increase or decrease in the appraised value of net assets of the above power plant subsidiaries was mainly reflected in three accounting subjects including fixed assets, land use rights and other non-current liabilities.

(2) Fixed assets

During the valuation, the original value of the fixed assets was appraised to depreciate because the cost level of thermal power generating unit decreased year by year, the constructions and installations depreciated due to the change from business tax to value-added tax in 2016 and a part of machinery equipment purchased before 2008 depreciated due to the reform of value-added tax for consumption; generally different from the depreciable life used by enterprises, the economic lifetime used for calculation of net value would cause the net value of fixed assets to increase or decrease (but the decrease resulted from depreciate is relatively less than the decrease in the original value).

The value of the fixed assets of GD Power Datong Power Generation Co., Ltd., Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd., GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant, GD Power Dalian Zhuanghe Power Generation Co., Ltd., Guodian Taizhou Power Generation Co., Ltd. and Guodian Suqian Thermal Power Co., Ltd. (controlling subsidiaries of Guodian Jiangsu Power), Guodian Tongling Power Generation Co., Ltd. and Guodian Bengbu Power Generation Co., Ltd. (controlling subsidiaries of Guodian Anhui Power), Guodian Shizuishan First Power Generation Co., Ltd., Guodian Dawukou Thermal Power Co., Ltd. and GD Power Jiuquan Power Generation Co., Ltd. was appraised to decrease.

The value of the fixed assets of GD Power Development Co., Ltd. Datong No. 2 Power Plant, GD Power Chaoyang Thermal Power Co., Ltd., Guodian Jiangsu Jianbi Power Generation Co., Ltd., Guodian Jiangsu Power and its controlling subsidiary Guodian Changzhou Power Generation Co., Ltd., Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd., Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd., Guodian Suzhou No. 2 Thermal Power Co., Ltd. and Guodian Suzhou Thermal Power Co., Ltd. (controlling subsidiaries of Guodian Anhui Power), Guodian Ningxia Shizuishan Power Generation Co., Ltd., Guodian Xinjiang Hongyanchi Power Generation Co., Ltd., Guodian Kuche Power Generation Co., Ltd., Guodian Hami Coal–fired Power Development Co., Ltd. and Guodian Kelamayi Power Generation Co., Ltd. (four controlling subsidiaries of Guodian Xinjiang Power), Shanghai Waigaoqiao No. 2 Power Generation Co., Ltd., Zhejiang Zheneng Beilun Power Generation Co., Ltd. and Zhejiang Zheneng Yueqing Power Generation Co., Ltd. was appraised to increase.

(3) Land Use Rights

The appreciation of land use rights was caused by the rise in the price of the lands which were early acquired by the target of valuation because of the change at land market as of the Valuation Reference Date. Some of such lands were allotted lands without book value or with low book value, so a significant amount of increase was established.

(4) Other non-current liabilities

The non-current liabilities with value appraised to decrease of GD Power Development Co., Ltd. Datong No. 2 Power Plant, GD Power Datong Power Generation Co., Ltd., Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd., GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant, GD Power Dalian Zhuanghe Power Generation Co., Ltd., Guodian Jiangsu Jianbi Power Generation Co., Ltd., Guodian Jiangsu Power Co., Ltd. and its controlling subsidiaries Guodian Taizhou Power Generation Co., Ltd. and Guodian Suqian Thermal Power Co., Ltd., Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd., Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd., Guodian Bengbu Power Generation Co., Ltd. (a controlling subsidiary of Guodian Anhui Power), Guodian Dawukou Thermal Power Co., Ltd., Guodian Xinjiang Hongyanchi Power Generation Co., Ltd., Guodian Kuche Power Generation Co., Ltd. and Guodian Kelamayi Power Generation Co., Ltd. (three controlling subsidiaries of Guodian Xinjiang Power), GD Power Jiuquan Power Generation Co., Ltd., Shanghai Waigaoqiao No. 2 Power Generation Co., Ltd., Zhejiang Zheneng Beilun Power Generation Co., Ltd. and Zhejiang Zheneng Yueqing Power Generation Co., Ltd. were deferred incomes formed by various subsidies received by the enterprise. The appraised value was determined based on the payable amount of income tax to form the amount of decrease.

Major financial indicators of the GD Contributed Assets

According to the audited financial statements of the GD Contributed Assets for the year ended on 31 December 2015, the year ended on 31 December 2016 and nine months ended on 30 September 2017 (Rui Hua Zhuan Shen Zi [2018]01470001–01470010, Rui Hua Zhuan Shen Zi [2018]21040002–21040003, Rui Hua Zhuan Shen Zi [2018]21040005–21040012, Rui Hua Zhuan Shen Zi [2018]32110001–32110002), which are prepared under Enterprise Accounting Standards of the PRC by Ruihua Certified Public Accountants (Special Limited Partnership), which is qualified for the securities and futures business, the major financial indicators of the GD Contributed are set out below:

Unit: RMB0'000

No.	Company	Financial period	Total assets	Net assets	Revenue	Net profit before taxation	Net profit after taxation
1	Guodian Jiangsu Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	2,242,726.95	961,147.60	1,413,904.93	364,092.97	260,725.82
		The year of 2016/as at 31 December 2016	2,158,019.22	1,042,014.30	1,643,344.44	304,091.42	236,992.16
		January to September 2017/as at 30 September 2017	2,106,016.57	995,334.17	1,286,679.38	92,051.05	67,027.80
2	Guodian Anhui Power Co., Ltd.	The year of 2015/as at 31 December 2015	1,015,505.30	417,969.57	511,222.92	120,547.08	87,647.55
		The year of 2016/as at 31 December 2016	1,112,489.35	410,470.89	429,374.43	36,724.76	25,808.22
		January to September 2017/as at 30 September 2017	1,134,661.27	376,668.76	328,998.79	-22,283.00	-22,369.59
3	Guodian Xinjiang Power Co., Ltd.	The year of 2015/as at 31 December 2015	1,473,309.56	301,950.58	172,352.82	-12,073.85	-12,323.44
		The year of 2016/as at 31 December 2016	1,562,408.94	345,476.31	230,273.37	-12,946.43	-12,983.05
		January to September 2017/as at 30 September 2017	1,558,945.02	330,635.05	168,566.05	-26,176.47	-26,201.91
4	GD Power Datong Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	613,818.42	232,576.08	344,609.14	113,786.56	84,414.36
		The year of 2016/as at 31 December 2016	600,826.95	283,504.34	330,602.81	75,493.40	56,380.96
		January to September 2017/as at 30 September 2017	539,403.67	242,286.49	237,340.26	13,010.01	9,445.96
5	Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd.	The year of 2015/as at 31 December 2015	338,117.30	72,557.23	84,736.63	17,929.27	14,957.72
		The year of 2016/as at 31 December 2016	321,204.02	67,092.94	76,686.56	10,525.32	8,749.22
		January to September 2017/as at 30 September 2017	323,389.22	60,020.75	53,718.50	933.96	1,048.06
6	GD Power Dalian Zhuanghe Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	339,710.03	76,418.07	145,867.57	20,097.05	14,847.20
		The year of 2016/as at 31 December 2016	341,280.84	84,941.62	143,390.62	11,090.08	8,523.55
		January to September 2017/as at 30 September 2017	332,682.12	70,826.37	98,180.94	-14,081.44	-14,115.24
7	GD Power Chaoyang Thermal Power Co., Ltd.	The year of 2015/as at 31 December 2015	104,088.98	49,109.05	2,506.06	-493.95	-516.01
		The year of 2016/as at 31 December 2016	206,765.92	61,279.64	3,249.48	-508.73	-517.41
		January to September 2017/as at 30 September 2017	282,376.51	74,392.70	5,675.36	3,433.20	2,798.06
8	Guodian Jiangsu Jianbi Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	123,688.86	81,186.00	358,663.62	32,247.99	24,252.98
		The year of 2016/as at 31 December 2016	126,418.55	74,378.19	404,432.42	22,757.92	15,373.64
		January to September 2017/as at 30 September 2017	126,235.09	81,480.72	337,595.53	8,021.90	7,102.53
9	Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd.	The year of 2015/as at 31 December 2015	263,756.64	180,333.25	227,706.72	67,422.59	49,519.89
		The year of 2016/as at 31 December 2016	226,871.34	212,212.91	204,954.54	48,613.75	35,105.19
		January to September 2017/as at 30 September 2017	227,129.47	194,192.35	148,037.79	22,003.17	16,863.96

No.	Company	Financial period	Total assets	Net assets	Revenue	Net profit before taxation	Net profit after taxation
10	Guodian Zhejiang	The year of 2015/as at 31 December 2015	444,937.45	191,361.71	355,596.67	118,323.70	87,924.14
	Beilun No. 3 Power	The year of 2016/as at 31 December 2016	414,090.32	256,293.97	330,776.17	88,646.06	65,843.67
	Generation Co., Ltd.	January to September 2017/as at 30 September 2017	367,379.73	227,642.15	276,495.82	41,092.77	30,607.48
11	Guodian Ningxia	The year of 2015/as at 31 December 2015	213,360.52	140,780.58	143,177.94	26,643.46	23,719.92
	Shizuishan Power	The year of 2016/as at 31 December 2016	222,754.97	126,825.43	126,218.60	9,947.15	7,392.78
	Generation Co., Ltd.	January to September 2017/as at 30 September 2017	221,272.57	105,263.02	99,101.67	-16,210.96	-14,908.91
12	Guodian Dawukou	The year of 2015/as at 31 December 2015	230,761.55	59,355.01	91,233.20	7,695.13	6,520.40
	Thermal Power Co.,	The year of 2016/as at 31 December 2016	233,895.93	51,209.69	79,364.53	-1,683.70	-2,276.96
	Ltd.	January to September 2017/as at 30 September 2017	216,285.27	33,628.98	59,208.75	-17,582.47	-17,580.71
13	Guodian Huzhou Nanxun	The year of 2015/as at 31 December 2015	34,740.40	12,878.00	–	–	–
	Natural Gas Thermal	The year of 2016/as at 31 December 2016	71,485.93	19,575.00	–	–	–
	Power Co., Ltd.	January to September 2017/as at 30 September 2017	90,012.94	20,851.74	–	–	–
14	Guodian Shizuishan No.	The year of 2015/as at 31 December 2015	182,183.25	58,936.62	71,821.18	5,013.23	4,706.28
	1 Power Generation	The year of 2016/as at 31 December 2016	188,619.00	50,314.26	62,681.50	-3,932.08	-4,386.70
	Co., Ltd.	January to September 2017/as at 30 September 2017	187,552.40	28,227.37	44,905.45	-22,060.65	-22,086.89
15	GD Power Jiuquan Power	The year of 2015/as at 31 December 2015	271,977.39	61,349.98	67,374.55	4,682.81	4,325.33
	Generation Co., Ltd.	The year of 2016/as at 31 December 2016	277,026.54	51,439.69	48,424.35	-6,017.49	-6,017.49
		January to September 2017/as at 30 September 2017	263,591.61	39,194.02	29,008.75	-12,235.32	-12,245.67
16	Shanghai Waigaoqiao	The year of 2015/as at 31 December 2015	525,414.27	394,067.09	279,357.10	70,324.74	52,998.75
	No. 2 Power	The year of 2016/as at 31 December 2016	498,335.54	413,036.43	260,356.03	64,991.99	48,969.34
	Generation Co., Ltd.	January to September 2017/as at 30 September 2017	455,386.81	412,943.67	198,929.74	32,634.65	23,907.24
17	Guodian Zheneng	The year of 2015/as at 31 December 2015	73,739.10	10,000.00	–	–	–
	Ningdong Power	The year of 2016/as at 31 December 2016	322,370.13	53,600.00	–	–	–
	Generation Co., Ltd.	January to September 2017/as at 30 September 2017	467,341.14	83,600.00	–	–	–
18	Zhejiang Zheneng Beilun	The year of 2015/as at 31 December 2015	432,857.02	379,258.47	369,144.86	91,212.82	68,099.66
	Power Generation	The year of 2016/as at 31 December 2016	423,349.16	366,365.41	303,330.65	56,593.11	42,350.63
	Co., Ltd.	January to September 2017/as at 30 September 2017	406,036.36	347,088.34	242,428.57	24,825.16	18,838.49
19	Zhejiang Zheneng	The year of 2015/as at 31 December 2015	731,766.85	282,541.39	463,068.51	91,285.95	68,491.64
	Yueqing Power	The year of 2016/as at 31 December 2016	700,170.66	250,538.58	394,099.79	39,550.62	29,639.67
	Generation Co., Ltd.	January to September 2017/as at 30 September 2017	677,393.49	238,978.96	334,911.73	19,554.34	14,648.08
20	GD Power Development	The year of 2015/as at 31 December 2015	119,383.80	65,992.99	170,335.13	59,418.36	59,418.36
	Co., Ltd. Datong No.	The year of 2016/as at 31 December 2016	123,255.48	79,917.08	144,215.96	29,547.91	29,547.91
	2 Power Plant	January to September 2017/as at 30 September 2017	113,221.75	73,276.55	112,206.43	4,624.71	4,624.71
21	GD Power Development	The year of 2015/as at 31 December 2015	455,285.69	428,872.83	108,456.79	14,831.06	14,831.06
	Co., Ltd. Dalian	The year of 2016/as at 31 December 2016	469,605.19	439,459.61	100,510.10	9,491.10	9,491.10
	Development Zone	January to September 2017/as at 30 September 2017	455,393.02	425,859.99	76,687.81	-5,967.25	-5,967.25
	Thermal Power Plant						
22	GD Power Development	The year of 2015/as at 31 December 2015	26,914.65	-7,867.87	2,520.50	-524.690725	-524.69
	Co., Ltd. Dawukou	The year of 2016/as at 31 December 2016	26,092.12	-927.33	2,776.18	-402.639697	-402.64
	Branch	January to September 2017/as at 30 September 2017	25,391.53	-441.64	777.54	719.57	719.57

Power generators in the GD Contributed Assets

As at 30 September 2017, details of the power generators in the GD Contributed Assets are set out as below:

No.	Company	Regional grid	Location of the power plant	Installed capacity of power generations in operation *(Unit: 0'000KW)*	Installed capacity of power generations in construction *(Unit: 0'000KW)*	Components of power generators
Wholly-owned/controlling subsidiary						
1	Guodian Jiangsu Power Generation Co., Ltd.	Jiangsu Power Grid	Jiangsu	753	132	Changzhou Power: 2×630MW Taizhou Power: 2×1,000MW+2×1,000MW Suqian Thermal Power: 2×135MW +2×660MW *(under construction)* Jianbi Power Plant: 2×1,000MW
2	Guodian Anhui Power Co., Ltd.	Anhui Power Grid, East China Power Grid	Anhui	322	132	Suzhou No. 2 Thermal Power: 2×350MW Tongling Power: 2×630MW Bengbu Power: 2×630MW+ 2×660MW *(under construction)*
3	Guodian Xinjiang Power Co., Ltd.	Xinjiang Power Grid	Xinjiang	361	132	Hongyanchi Power: 2×330MW Kuche Power: 2×135MW+2×330MW Kelamayi Power: 2×350MW Hami Coal-Fired Power: 2×660MW Zhundong: 2×660MW *(under construction)*
4	GD Power Datong Power Generation Co., Ltd.	Jinjingtang Power Grid	Shanxi	252	–	2×600MW+2×660MW
5	Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd.	West Inner Mongolia Power Grid	Inner Mongolia	66	–	2×330MW
6	GD Power Dalian Zhuanghe Power Generation Co., Ltd.	Liaoning Power Grid	Liaoning	120	–	2×600MW
7	GD Power Chaoyang Thermal Power Co., Ltd.	Liaoning Power Grid	Liaoning	–	70	2×350MW *(under construction)*
8	Guodian Jiangsu Jianbi Power Generation Co., Ltd.	Jiangsu Power Grid	Jiangsu	66	–	2×330MW
9	Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd.	Zhejiang Power Grid	Zhejiang	120	–	2×600MW
10	Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd.	Zhejiang Power Grid	Zhejiang	200	–	2×1,000MW

No.	Company	Regional grid	Location of the power plant	Installed capacity of power generations in operation *(Unit: 0'000KW)*	Installed capacity of power generations in construction *(Unit: 0'000KW)*	Components of power generators
11	Guodian Ningxia Shizuishan Power Generation Co., Ltd.	Ningxia Power Grid	Ningxia	132	–	4×330MW
12	Guodian Dawukou Thermal Power Co., Ltd.	Ningxia Power Grid	Ningxia	66	70	2×330MW+2×350MW *(under construction)*
13	Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd.	Zhejiang Power Grid	Zhejiang	–	20	2×100MW *(under construction)*
14	Guodian Shizuishan No. 1 Power Generation Co., Ltd.	Ningxia Power Grid	Ningxia	68	–	1×350MW+1×330MW
15	GD Power Jiuquan Power Generation Co., Ltd.	Gansu Power Grid	Gansu	66	–	2×330MW
16	Shanghai Waigaoqiao No.2 Power Generation Co., Ltd. *(Note 1)*	Shanghai Power Grid	Shanghai	72	–	2×900MW
17	Guodian Zheneng Ningdong Power Generation Co., Ltd.	Ningxia Power Grid	Ningxia	–	200	2×1,000MW *(under construction)*
	Sub-total			2,664.00	756.00	
Branch company						
18	GD Power Development Co., Ltd. Datong No. 2 Power Plant	Jinjingtang Power Grid	Shanxi	120	–	6×200MW
19	GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant	Liaoning Power Grid	Liaoning	70	–	2×350MW
20	GD Power Development Co., Ltd. Dawukou Branch	Ningxia Power Grid	Ningxia	–	–	–
	Sub-total			190.00	–	
Associated company						
21	Zhejiang Zheneng Beilun Power Generation Co., Ltd.	Zhejiang Power Grid	Zhejiang	198	–	3×660MW
22	Zhejiang Zheneng Yueqing Power Generation Co., Ltd.	Zhejiang Power Grid	Zhejiang	264	–	2×660MW+2×660MW
	Sub-total			462.00	–	
	Total			3,316.00	756.00	

Note 1: Each of GD Power and Shenergy Company Limited holds 40% equity in Shanghai Waigaoqiao No.2 Power Generation Co., Ltd. and thus control the company together. The installed capacity of power generators equals to the total installed capacity multiplied by the shareholding percentage of GD Power.

Reasons for Entering into the Joint Venture Agreement and Its Benefits to the Company

Under the background of vigorously pushing forward the structural reform on supply side, intensifying reform of state-owned enterprises and optimizing and adjusting the deployment of state-owned economy in China, based on intense research and negotiation, taking advantage of synergy effect of coal and power and solving competition issue, the parties selected their respective coal-fired power generation businesses, which have a high overlapping degree in the same locations of assets for integration. It will reinforce the business cooperation relationship between the parties, expand the market share, and establish long-term and stable coal supply relationship. In addition, the transaction will facilitate the scale operation and professional management of power generation business, strengthen its regional competitiveness and avoid disordered competition. The transaction is in line with the long-term development needs of the Company and interests of the Shareholders as a whole.

Implication of the Joint Venture Agreement

Impact on financial condition and profitability of the Company

Upon the completion of the Joint Venture Transaction, the Joint Venture Company will be reported by the Company based on the equity method. The transaction drove up slightly the Company's net profits attributable to the parent company for 2015 and 2016, and the earnings per share for respective year increased slightly; meanwhile, the transaction slightly drove down the Company's equity attributable to the parent company, but as the Company still use the equity method to conduct business accounting on the Joint Venture Company, insignificant impact was caused on the equity attributable to the parent company. In the long term, with implementation of specialized management measures and gradual release of synergistic effect, the transaction will help improve the long-term profitability of the Company.

New continuing connected transactions

After the completion of the Merger of the Group Companies, the transactions between the Company and associates of Guodian Group Co will constitute new continuing connected transactions of the Company. After the completion of the Joint Venture Transaction, the transactions between other business segments within the Company and the Shenhua Contributed Assets will also constitute new continuing connected transaction of the Company. For these new continuing connected transactions, the Company will comply with relevant requirements under the Hong Kong Listing Rules in due course.

Financial assistance

As a result of the transaction, the Shenhua Contributed Assets will not be consolidated into the financial statements of the Company and will not continue to be subsidiaries of the Company. Historically the Group provided the Shenhua Contributed Assets with loan and finance leasing services. As at 31 December 2017, the total outstanding balance is approximately RMB19.19 billion.

(1) Financial assistance provided by the Company and its subsidiaries (excluding Finance Company and Shenhua (Tianjin) Finance Lease Co., Ltd.) to the Shenhua Contributed Assets

The Company and its subsidiaries provided Shenwan Energy Co., Ltd. and its wholly-owned subsidiary (Anhui Anqing Wanjiang Power Generation Co., Ltd.), Baode Shendong Power Generation Co., Ltd., Shenhua Shendong Power Co., Ltd. Salaqi Power Plant, Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant, Zhejiang Guohua Zheneng Power Generation Co., Ltd., Shenhua Guohua International Power Co., Ltd. and its subsidiaries (Suizhong Power Generation Co., Ltd., Sanhe Power Generation Co., Ltd. and Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.), Guohua Xuzhou Power Generation Co., Ltd., Jiangsu Guohua Chenjiagang Power Co., Ltd., Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd., Ningxia Guohua Ningdong Power Generation Co., Ltd., Shenhua Guohua Ningdong Power Generation Co., Ltd., Shenhua Guohua Zhoushan Power Generation Co., Ltd. and Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd. with entrusted loans. The underlying interest rates range between 3.8280% and 5.6620%. As of 31 December 2017, the total balance was approximately RMB17.33 billion.

After the completion of the Merger of the Group Companies and the Joint Venture Transaction, the above financial assistance provided by the Company and its subsidiaries to the Shenhua Contributed Assets will constitute connected transactions of the Company. Each borrower will make repayment on the maturity date or by the end of 2018, whichever is the earlier.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the total balance exceeds 0.1% but all are less than 5%, financial assistance provided by the Company and its subsidiaries (excluding Finance Company and Shenhua (Tianjin) Finance Lease Co., Ltd.) to the Shenhua Contributed Assets is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. However, pursuant to the Shanghai Listing Rules, the Company shall submit this matter to the shareholders' general meeting for consideration and approval.

If any of the above financial assistance is not repaid by the end of 2018 or the transaction terms are varied, the Company will re-comply with the requirements under Chapter 14A of the Hong Kong Listing Rules (as appropriate).

(2) Financial assistance provided by Finance Company to the Shenhua Contributed Assets

Finance Company provided wholly-owned subsidiaries of Shenwan Energy Co., Ltd. (Anhui Chizhou Jiuhua Power Generation Co., Ltd., Anhui Ma'anshan Wannengda Power Generation Co., Ltd., Anhui Anqing Wanjiang Power Generation Co., Ltd. and Shenwan Hefei Lujiang Power Generation Co., Ltd.), Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd., and Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. with loans. As of 31 December 2017, the total balance was approximately RMB1.41 billion.

After the completion of the Merger of the Group Companies and the Joint Venture Transaction, the above financial assistance provided by Finance Company to the Shenhua Contributed Assets will constitute connected transactions of the Company, and will be within the bounds of the Existing Financial Services Agreement and its annual caps. However, pursuant to the Shanghai Listing Rules, the Company shall submit this matter to the shareholders' general meeting for consideration and approval.

The repayment schedules are:

Borrower	**Balance as at 31 December 2017**	**Maturity date**	**Interest rate**
Anhui Chizhou Jiuhua Power Generation Co., Ltd.	RMB50,000,000	11 October 2020	4.3500%
Anhui Ma'anshan Wannengda Power Generation Co., Ltd.	RMB70,000,000	11 October 2020	4.3500%
Anhui Anqing Wanjiang Power Generation Co., Ltd.	RMB590,000,000	15 February 2020	3.9150%
Shenwan Hefei Lujiang Power Generation Co., Ltd.	RMB400,000,000	17 November 2031	4.4100%
Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	RMB200,000,000	13 October 2020	4.3500%
Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.	RMB96,000,000	30 June 2025	4.4100%

Finance Company is principally engaged in the provision of financial consultation services, credit appraisal and other related consultancy and agency services to members of the CHNENERGY Group and the Group; assistance to members in the collection and payment of transaction amount; authorised insurance agency services; provision of guarantee between members; providing entrusted loans and entrusted investments between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement planning to members; accepting deposits from members; provision of loans and finance leasing to members; provision of inter-bank lending; authorised issue of bonds; underwriting of corporate bonds of members; equity investments in financial institutions; investments in negotiable securities; provision of consumer credit facilities, buyers' credit and finance leasing. As at the date hereof, the Company directly and indirectly holds 100% interest in Finance Company.

(3) Finance leasing services provided by Shenhua (Tianjin) Finance Lease Co., Ltd. to Anhui Anqing Wanjiang Power Generation Co., Ltd.)

Shenhua (Tianjin) Finance Lease Co., Ltd., a subsidiary of the Company, provided Anhui Anqing Wanjiang Power Generation Co., Ltd. with finance leasing services. As of 31 December 2017, the total balance was approximately RMB450 million.

After the completion of the Merger of the Group Companies and the Joint Venture Transaction, the above finance leasing transactions will constitute connected transactions of the Company. According to the existing agreements, Anhui Anqing Wanjiang Power Generation Co., Ltd. will repay RMB69,930,000 by 4 March 2021, and RMB378,460,000 by 1 April 2021.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the total balance exceeds 0.1% but all are less than 5%, finance leasing services provided by Shenhua (Tianjin) Finance Lease Co., Ltd. to Anhui Anqing Wanjiang Power Generation Co., Ltd. is subject to the reporting and announcement requirements but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. However, pursuant to the Shanghai Listing Rules, the Company shall submit this matter to the shareholders' general meeting for consideration and approval.

If any of the above finance leasing is not repaid as scheduled or the transaction terms are varied, the Company will re-comply with the requirements under Chapter 14A of the Hong Kong Listing Rules (as appropriate).

Hong Kong Listing Rules Implications

As at the date hereof, CHNENERGY holds 73.06% interest in the Company, and is the controlling shareholder of the Company. As approved by *the Notice regarding the Reorganization of China Guodian Corporation and Shenhua Group Corporation Limited* (Guo Zi Fa Gai Ge [2017] No. 146) issued by SASAC, Shenhua Group Co and Guodian Group Co will be reorganized. Shenhua Group Co has changed its company name to China Energy Investment Corporation Limited. CHNENERGY will be the parent company after the reorganization, and merge with Guodian Group Co by way of merger by absorption of Guodian Group Co. After the completion of the Merger of the Group Companies, GD Power will become a subsidiary of CHNENERGY. As such, GD Power is a connected person of the Company under the Hong Kong Listing Rules, and the Joint Venture Agreement and the transaction contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in respect of the transaction will exceed 5%, but all will be below 25%, therefore, the Company shall comply with reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules. The transaction also constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

On 19 January 2017, the Company and Shenhua Renewables Co., Ltd., a subsidiary of CHNENERGY, entered into an investment agreement in relation to the joint establishment of Shenhua Guohua Jiangsu Power Sales Co., Ltd. to establish a joint venture company, Shenhua Guohua Jiangsu Power Sales Co., Ltd. Shenhua Guohua Jiangsu Power Sales Co., Ltd. was established on 6 March 2017. 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 CHNENERGY and its ultimate beneficial owners within a 12-month period or otherwise related, which would, together with this transaction, be regarded as a series of transactions and treated as if they are one transaction under Rule 14.22 or Rules 14A.81 of the Hong Kong Listing Rules.

REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS

Background

The Company is a world-leading coal-based integrated energy company. The main business of the Group includes production and sales of coal and power, railway, port and ship transportation, and coal-to-olefins and other coal related chemical processing business.

CHNENERGY and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities. CHNENERGY is the controlling shareholder of the Company. As at the date hereof, CHNENERGY holds 73.06% interest in the Company.

As disclosed in the announcements dated 24 March 2016 and the circular dated 29 April 2016, the Company has entered into the Existing Mutual Coal Supply Agreement with CHNENERGY on 24 March 2016 to provide for the mutual supply of coal between the Group and the CHNENERGY Group. In accordance with the Hong Kong Listing Rules, the Company has been monitoring all of its transactions carried out pursuant to the Existing Mutual Coal Supply Agreement.

As approved by *the Notice regarding the Reorganization of China Guodian Corporation and Shenhua Group Corporation Limited* (Guo Zi Fa Gai Ge [2017] No. 146) issued by SASAC, Shenhua Group Co and Guodian Group Co will be reorganized. Shenhua Group Co has changed its company name to China Energy Investment Corporation Limited. CHNENERGY will be the parent company after the reorganization, and merge with Guodian Group Co by way of merger by absorption of Guodian Group Co. After the completion of the Merger of the Group Companies, the associates of Guodian Group Co will become the associates of CHNENERGY. As such, the existing transaction of coal supply by the Group to the associates of Guodian Group Co will become continuing connected transactions of the Company and be governed by the Existing Mutual Coal Supply Agreement.

In addition, the Company and GD Power intend to establish the Joint Venture Company. The Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company, and GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power. GD Power will hold 57.47% of equity interests in the Joint Venture Company, and the Company will hold 42.53% of equity interests in the Joint Venture Company. As a result of the transaction, the Shenhua Contributed Assets will not be consolidated into the financial statements of the Company. Therefore, the existing transaction of coal supply by the Group to the Shenhua Contributed Assets will become continuing connected transactions of the Company and be governed by the Existing Mutual Coal Supply Agreement.

Coal price has continuously increased during recent years. The Directors expect that the existing annual caps in respect of the mutual coal supply between the Group and the CHNENERGY Group for the years ended 31 December 2018 and 31 December 2019 will not be sufficient for the Group's needs. The Directors therefore propose to revise them.

As disclosed in the announcements dated 24 March 2016 and the circular dated 29 April 2016, the Company has entered into the Existing Mutual Supplies and Services Agreement with CHNENERGY on 24 March 2016 to provide for the mutual supply of products and services between the Group and the CHNENERGY Group. In accordance with the Hong Kong Listing Rules, the Company has been monitoring all of its transactions carried out pursuant to the Existing Mutual Supplies and Services Agreement.

The Directors expect that after the completion of the Merger of the Group Companies, the mutual supplies of products and services between the Group and the associates of Guodian Group Co will increase, and the existing annual caps in respect of the mutual supply of products and services between the Group and the CHNENERGY Group for the years ended 31 December 2018 and 31 December 2019 will not be sufficient for the Group's needs. The Directors therefore propose to revise them.

Existing Mutual Coal Supply Agreement

Date

24 March 2016

Parties

The Company and CHNENERGY

Mutual coal supply

Pursuant to the Existing Mutual Coal Supply Agreement:

(1) the Group has agreed to sell and supply coal to the CHNENERGY Group; and

(2) the CHNENERGY Group has agreed to sell and supply coal to the Group.

Term and termination

The Existing Mutual Coal Supply Agreement is effective from 1 January 2017 and will end on 31 December 2019.

Price determination

The supply price under the Existing Mutual Coal Supply Agreement is the product of the unit price RMB/tonne multiplied by the actual weight. The unit price of coal shall be determined by both parties after arm's length negotiations with reference to the market price and conditions and the following factors, provided that the transaction terms shall not be less favourable than those provided by third parties:

(1) the national industrial policy as well as industry and market conditions in the PRC;

(2) the specified guidelines issued by NDRC setting out the coal purchase prices (if any);

(3) the existing transacted coal prices of the local coal exchange or market in the PRC, i.e., the coal price with comparable quality that is offered to or offered by third parties under normal market conditions and normal commercial terms in the same or nearby regions. For local spot coal price, reference is made to (i) the spot price index of the local coal exchange or market in Bohai-rim region or nearby provinces as published on the website of 中國煤炭市場網 (www.cctd.com.cn) organised by China Coal Transportation & Sale Society (《中國煤炭運銷協會》) in the PRC as determined by both parties at arm's length negotiation; (ii) the sale price of local large coal enterprises as published by each coal industry website (if any); and/or (iii) price quotation of one or more other enterprises with comparable quality, quantity and location (if any). Considering that the CHNENERGY Group (including the Group) is the largest and most technologically advanced coal enterprise in China, and is the largest coal dealer in the world, there are certain types of coal that other coal enterprises do not produce or sell. Therefore, for certain types of coal, the Company may not be able to obtain price quotation of one or more other enterprises with comparable quality, quantity and location. If the Company can obtain any price quotation(s) of one or more other enterprises with comparable quality, quantity and location, the Company will obtain such price quotation(s), and will adopt the most favourable price obtained;

(4) the quality of the coal (including the estimated calorific value of coal as required by different coal-fired power generating units);

(5) the quantity of coal; and

(6) the estimated transportation fees.

Established in August 1998, China Coal Transportation & Sale Society is a national organization of government authorities supervising and administrating coal industry and enterprises engaging in coal production, sale and transportation. China Coal Transportation & Sale Society is supervised by SASAC and Ministry of Civil Affairs of the PRC. The coal price index published by China Coal Transportation & Sale Society is recognized by the coal industry to be authoritative. The website 中國煤炭市場網 (www.cctd.com.cn) is the official website of China Coal Transportation & Sale Society to publish coal price index.

Proposed revised annual caps

As approved by *the Notice regarding the Reorganization of China Guodian Corporation and Shenhua Group Corporation Limited* (Guo Zi Fa Gai Ge [2017] No. 146) issued by SASAC, Shenhua Group Co and Guodian Group Co will be reorganized. Shenhua Group Co has changed its company name to China Energy Investment Corporation Limited. CHNENERGY will be the parent company after the reorganization, and merge with Guodian Group Co by way of merger by absorption of Guodian Group Co. After the completion of the Merger of the Group Companies, the associates of Guodian Group Co will become the associates of CHNENERGY. As such, and the existing transaction of coal supply by the Group to the associates of Guodian Group Co will become continuing connected transactions of the Company and be governed by the Existing Mutual Coal Supply Agreement.

In addition, the Company and GD Power intend to establish the Joint Venture Company. The Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company, and GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power. GD Power will hold 57.47% of equity interests in the Joint Venture Company, and the Company will hold 42.53% of equity interests in the Joint Venture Company. As a result of the transaction, the Shenhua Contributed Assets will not be consolidated into the financial statements of the Company. Therefore, the existing transaction of coal supply by the Group to the Shenhua Contributed Assets will become continuing connected transactions of the Company and be governed by the Existing Mutual Coal Supply Agreement.

Coal price has continuously increased during recent years. The Directors expect that the existing annual caps in respect of the mutual coal supply between the Group and the CHNENERGY Group for the years ended 31 December 2018 and 31 December 2019 will not be sufficient for the Group's needs. The Directors therefore propose to revise them.

The existing annual caps for the years ended on 31 December 2018 and 31 December 2019 and the proposed revised annual caps are set out below. The Company also sets out below the historic transaction amounts under the same categories for the year ended 31 December 2017.

Supply of coal by the Group to the CHNENERGY Group

Year ended 31 December 2017		Year ended 31 December 2018		Year ended 31 December 2019	
Annual cap	**Transaction amount** (unaudited)	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
11,300	approximately 6,248	13,500	65,500	16,000	65,500

The proposed revised annual caps of the Existing Mutual Coal Supply Agreement for the supply of coal by the Group to the CHNENERGY Group have been set taking into account the following factors:

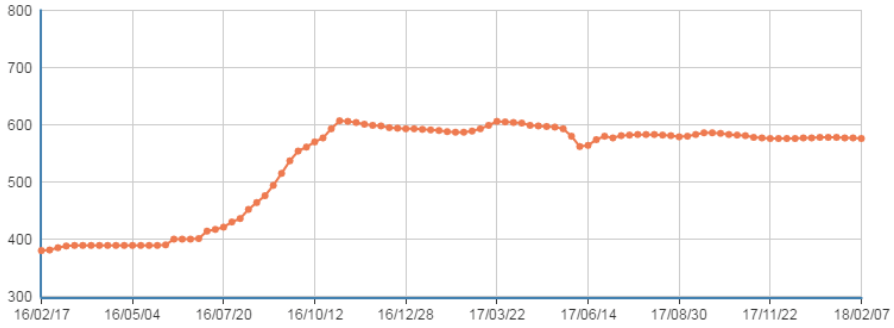
(a) The Guodian Group is one of the largest power generation groups in the PRC, and has been one of the major customers of the Group for many years. For the year ended on 31 December 2017, the Group sold approximately 18.18 million tonnes of coal to the Guodian Group with transaction amount of approximately RMB8,690 million (unaudited). The Merger of the Group Companies and the Joint Venture Transaction are part of supply side structural reform of the PRC in coal and power sector for the purpose of leveraging and integrating the strength and resources of the Group and the Guodian Group in coal and power. Therefore, the Company has agreed with the Guodian Group that after the completion of the Merger of the Group Companies and the Joint Venture Transaction, the Company has the right, but is not obliged to, increase the supply of coal to the Guodian Group by 30 million tonnes in 2018 and 2019. Therefore, based on the Bohai Bay Thermal Coal Price Index in the week of 1 March 2018 (i.e. RMB574 per tonne for 5,500 kcal thermal coal), the transaction amount of the continuing connected transactions may increase by up to approximately RMB17.2 billion in 2018 and in 2019. Affected by factors such as calorific value of coals to be sold, transportation distance and price fluctuation, the above estimated data may be different from the actual transaction amount.

(b) The Group will continue to supply coal to the Shenhua Contributed Assets. For the year ended on 31 December 2017, the Group sold approximately 29.26 million tonnes of coal to the Shenhua Contributed Assets with transaction amount of approximately RMB11,262 million (unaudited). After the completion of the Merger of the Group Companies and the Joint Venture Transaction, the Group will continue to supply coal to the Shenhua Contributed Assets. These transactions will constitute continuing connected transactions of the Company after the completion of the Merger of the Group Companies and the Joint Venture Transaction.

(c) coal price has continuously increased during recent years. In the week of 24 March 2016 (i.e. the date on which the Existing Mutual Coal Supply Agreement was entered into), the Bohai Bay Thermal Coal Price Index was RMB389 per tonne, and in the week of 1 March 2018, the Bohai Bay Thermal Coal Price Index was approximately RMB574 per tonne. The Company expects that coal price may fluctuate at current level or continue to rise. For the year ended on 31 December 2017, the Group sold approximately 16.50 million tonnes of coal to the CHNENERGY Group with transaction amount of approximately RMB6,248 million (unaudited). The Group will continue to supply coal to the CHNENERGY Group.

The chart of the historical changes of the Bohai Bay Thermal Coal Price Index during the last two years is set out below:

RMB/tonne



(d) the Company is of the view that when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. Considering the fluctuation of the coal price and sales volume, the Company has applied a buffer of 15% for the expected transaction amount when estimating revised annual caps. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CHNENERGY Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CHNENERGY Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive directors and auditors will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

Supply of coal by the CHNENERGY Group to the Group

Year ended 31 December 2017		Year ended 31 December 2018		Year ended 31 December 2019	
Annual cap	Transaction amount (unaudited)	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
9,400	approximately 8,021	11,400	20,700	13,500	24,500

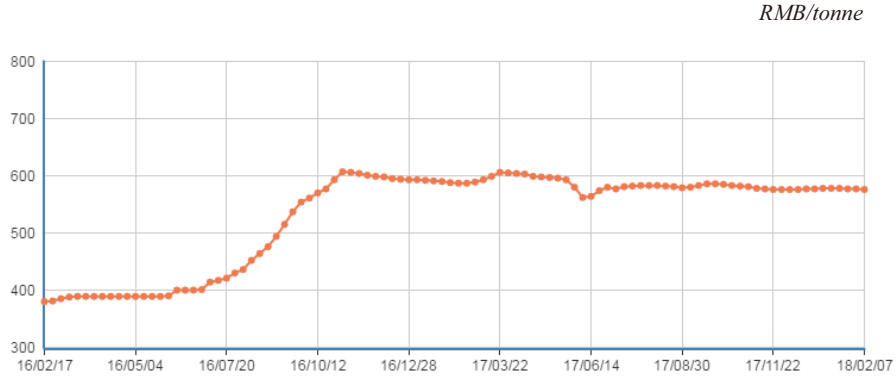
The proposed revised annual caps of the Existing Mutual Coal Supply Agreement for the supply of coal by the CHNENERGY Group to the Group have been set taking into account the following factors:

(a) In 2017, the Guodian Group sold coals to the Group for approximately RMB50 million. After the completion of the Merger of the Group Companies, Guodian Group will continue to supply coal to the Group.

(b) In 2017, the Group purchased approximately 1.75 million tonnes and approximately 8.60 million tonnes of coal from Shenhua Hangjin Energy Co., Ltd. and Shanxi Jinshen Energy Co., Ltd. for re-sale, respectively. Both of Shenhua Hangjin Energy Co., Ltd. and Shanxi Jinshen Energy Co., Ltd. are subsidiaries of the CHNENERGY Group. The transaction amount was approximately RMB568 million (unaudited) and RMB3,068 million (unaudited), respectively. A number of customers of the Group have agreed to purchase additional 20.79 million tonnes and 25.21 million tonnes of coal from the Group in 2018 and 2019, respectively. To satisfy the market need, in 2018 and 2019, the Group may respectively purchase additional 9.25 million tonnes and 10.35 million tonnes of coal from Shenhua Hangjin Energy Co., Ltd., and additional 7.4 million tonnes and 9 million tonnes of coal from Shanxi Jinshen Energy Co., Ltd. Therefore, based on the Bohai Bay Thermal Coal Price Index in the week of 1 March 2018 (i.e. RMB574 per tonne for 5,500 kcal thermal coal), the transaction amount of the continuing connected transactions may increase by approximately RMB11.9 billion in 2018 and approximately RMB14.5 billion in 2019. Affected by factors such as calorific value of coals to be bought, transportation distance and price fluctuation, the above estimated data may be different from the actual transaction amount.

(c) coal price has continuously increased during recent years. In the week of 24 March 2016 (i.e. the date on which the Existing Mutual Coal Supply Agreement was entered into), the Bohai Bay Thermal Coal Price Index was RMB389 per tonne, and in the week of 1 March 2018, the Bohai Bay Thermal Coal Price Index was approximately RMB574 per tonne. The Company expects that coal price may fluctuate at current level or continue to rise.

The chart of the historical changes of the Bohai Bay Thermal Coal Price Index during the last two years is set out below:



(d) the Company is of the view that when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. Considering the fluctuation of the coal price and sales volume, the Company has applied a buffer of 15% for the expected transaction amount when estimating revised annual caps. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CHNENERGY Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CHNENERGY Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive directors and auditors will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

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 Existing Mutual Coal Supply Agreement with members of the CHNENERGY 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 Existing Mutual Coal Supply Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Existing Mutual Coal Supply Agreement and the annual caps.

All payment made pursuant to the Existing Mutual Coal Supply Agreement and its implementation agreements will be in cash.

Reasons for entering into the Existing Mutual Coal Supply Agreement and their benefits to the Company

The Group continue to sell coal to a number of power plants, coal to liquid and coal-based chemical subsidiaries owned by the CHNENERGY Group. In return, the Group receive payment for the supply of coal as in any other ordinary commercial transaction. The CHNENERGY Group also continue to supply the Group with various types of coal for the purposes of coal blending and re-sale. These continuing connected transactions ensure that the Group and the CHNENERGY Group receive a steady supply of high quality coal. These continuing connected transactions also reduce business risks and costs which ultimately benefit the operations of the Company.

EXISTING MUTUAL SUPPLIES AND SERVICES AGREEMENT

Date

24 March 2016

Parties

The Company and CHNENERGY

Mutual Supplies and Services

Pursuant to the Existing Mutual Supplies and Services Agreement:

(a) the Group has agreed to supply products and provide services to the CHNENERGY Group, including:

  (i) production: alternative power generation and other related or similar services;

  (ii) production supplies: chemical products, production equipment and spare parts, office products and other related or similar product supplies or services;

  (iii) ancillary production services: rail transportation, hardware and software equipment and related services, information technology services, logistics and support services, training and other related or similar services; and

  (iv) administrative services: various daily administrative services and other ancillary production services to the headquarter of CHNENERGY (exclusive of financial management and services).

(b) the CHNENERGY Group has agreed to supply products and provide services to the Group, including:

(i) production supplies: oil products, and other related or similar production supplies and services;

(ii) ancillary production services: construction, logistics and support services, tendering services, technical consulting and other related or similar services; and

(iii) administrative services: social security and pension management services and staff data recording services.

Term and termination

The Existing Mutual Supplies and Services Agreement is effective from 1 January 2017 and will end on 31 December 2019.

Price determination

The pricing of the products and services provided under the Existing Mutual Supplies and Services Agreement shall be determined in accordance with the general principles and in the order of the section below:

(a) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government guided price;

(b) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price ultimately determined in accordance with the tender and bidding process;

(c) Market price: the price of the same or similar products or services provided by an independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable deals with independent third parties for the same period when determining whether the price for any product transaction under this Agreement is the market price; and

(d) Agreed price: to be determined by adding a reasonable profit margin over a reasonable cost. The management shall consider at least two comparable deals with independent third parties for the same period when determining the reasonable profit of any product transaction under this Agreement.

In addition to the above, for certain types of product or service, specific pricing policy is adopted as follows:

(a) Rail transportation: price prescribed by NDRC or other related government authorities;

(b) Construction: where tender and bidding process is necessary under applicable laws, regulations and rules, the price ultimately determined in accordance with the tender and bidding process; where tender and bidding process is not necessary under applicable laws, the market price;

(c) Oil products: government-guided price;

(d) Alternative power generation: price prescribed by NDRC or other related government authorities;

(e) Hardware and software equipment and related services: market price (including tender and bidding price);

(f) Chemical products: market price;

(g) Production equipment and spare parts, office products: market price;

(h) Tendering services: price prescribed by NDRC;

(i) Technical consulting services: agreed price with a profit margin of approximately 10%;

(j) Information technology services: the budget is reviewed by professional institution(s) with pricing reviewing qualification according to relevant rules and regulations on construction pricing, pricing mechanism and fee standards, with reference to the market customs of the information technology industry, actual standards and market price, taking into account the actual condition of the Company's information technology construction. The parties negotiate and agree on the service price within the scope of budget;

(k) Logistics and support services and training services: agreed price (cost plus a profit margin of approximately 5%);

(l) Social security and pension management services and staff data recording services: agreed price (cost plus a profit margin of approximately 5%); and

(m) Various daily administrative services to the headquarters of CHNENERGY (exclusive of financial management and services): agreed price (cost plus a profit margin of approximately 5%).

Proposed revised annual caps

The Directors expect that after the completion of the Merger of the Group Companies, the mutual supplies of products and services between the Group and the associates of Guodian Group Co will increase, and the existing annual caps in respect of the mutual supply of products and services between the Group and the CHNENERGY Group for the years ended 31 December 2018 and 31 December 2019 will not be sufficient for the Group's needs. The Directors therefore propose to revise them.

The existing annual caps for the years ended on 31 December 2018 and 31 December 2019 and the proposed revised annual caps are set out below. The Company also sets out below the historic transaction amounts under the same categories for the year ended 31 December 2017.

Supply of products and provision of services by the Group to the CHNENERGY Group

Year ended 31 December 2017		**Year ended 31 December 2018**		**Year ended 31 December 2019**	
Annual cap	**Transaction amount** (unaudited)	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
11,800	approximately 6,830	11,200	13,000	11,900	13,000

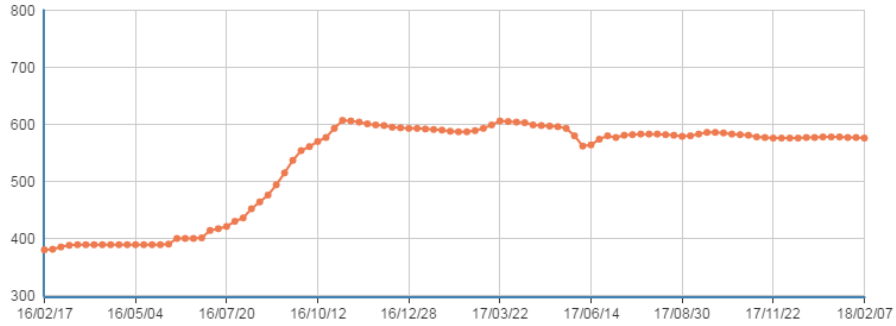
The proposed revised annual caps of the Mutual Supplies and Services Agreement by the Group to the CHNENERGY Group have been set taking into account the following factors:

(a) the transaction amount of the supply of coal by the Group to the CHNENERGY Group may increase, and accordingly, the related service transaction amount may increase, such as coal transportation.

(b) coal price has continuously increased during recent years. In the week of 24 March 2016 (i.e. the date on which the Existing Mutual Supplies and Services Agreement was entered into), the Bohai Bay Thermal Coal Price Index was RMB389 per tonne, and in the week of 1 March 2018, the Bohai Bay Thermal Coal Price Index was RMB574 per tonne. The Company expects that coal price may fluctuate at current level or continue to increase. When coal price increase, the suppliers of products and services in the coal industry will be expected to receive more profit and raise price accordingly.

The chart of the historical changes of the Bohai Bay Thermal Coal Price Index during the last two years is set out below:

RMB/tonne



(c) the prices of the raw materials, crude oil and services during the recent years have continuously increased. For example, since 24 March 2016(i.e. the date on which the Existing Mutual Supplies and Services Agreement was entered into), Brent crude oil spot price has risen by approximately 67%, the Platts 62% Fe Iron Ore Index has risen by approximately 41% and National Cement Index has risen by approximately 92%. Therefore, the Company is of the view that the prices of raw materials, crude oil and services may continue to increase in the next two years.

(d) the Company is of the view that when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CHNENERGY Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CHNENERGY Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive directors and auditors will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

Supply of products and provision of services by the CHNENERGY Group to the Group

Year ended 31 December 2017		Year ended 31 December 2018		Year ended 31 December 2019	
Annual cap	Transaction amount (unaudited)	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
8,800	approximately 2,280	8,800	23,500	8,800	23,500

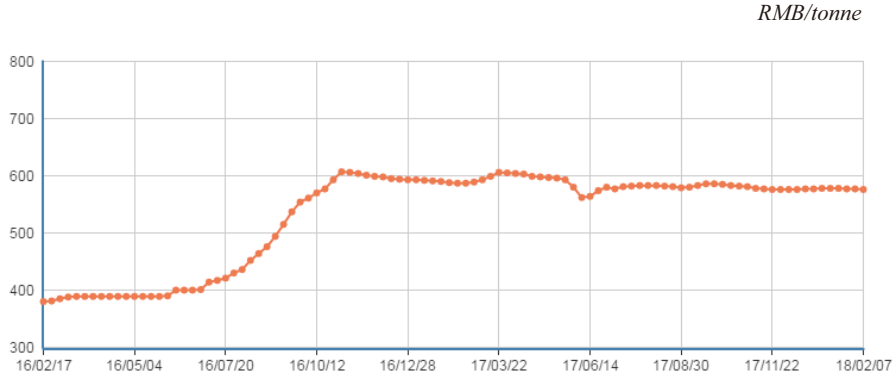
The proposed revised annual caps of the Mutual Supplies and Services Agreement by the CHNENERGY Group to the Group have been set taking into account the following factors:

(a) In 2017, the Group purchased products and services of approximately RMB698 million (unaudited) from China Shenhua Coal Liquefaction and Chemical Company Limited, a subsidiary of the CHNENERGY Group. In 2018, an aluminium oxide production project of the Group will be constructed by Beijing Construction Branch Company of China Shenhua Coal Liquefaction and Chemical Company Limited. The Group may purchase construction service from the CHNENERGY Group for approximately RMB3,000 million per year in 2018 and 2019 respectively.

In 2018 and 2019, the Group may respectively purchase approximately 259,000 tonnes of methyl alcohol, 253,000 tonnes of coal tar and 3,950,000 tonnes of coke from Shenhua Wuhai Energy Co., Ltd., a subsidiary of the CHNENERGY Group. Based on the recent methyl alcohol price of RMB1,900 per tonne, the recent coal tar price of RMB3,000 per tonne and the recent coke price of RMB1,400 per tonne, the transaction amount of the continuing connected transactions may increase by up to approximately RMB7,000 million per year in 2018 and 2019.

(b) coal price has continuously increased during recent years. In the week of 24 March 2016 (i.e. the date on which the Existing Mutual Supplies and Services Agreement was entered into), the Bohai Bay Thermal Coal Price Index was RMB389 per tonne, and in the week of 1 March 2018, the Bohai Bay Thermal Coal Price Index was approximately RMB574 per tonne. The Company expects that coal price may fluctuate at current level or continue to increase.

The chart of the historical changes of the Bohai Bay Thermal Coal Price Index during the last two years is set out below:



(c) the prices of the raw materials, crude oil and services during the recent years have continuously increased. For example, since 24 March 2016(i.e. the date on which the Existing Mutual Supplies and Services Agreement was entered into), Brent crude oil spot price has risen by approximately 67%, the Platts 62% Fe Iron Ore Index has risen by approximately 41% and National Cement Index has risen by approximately 92%. Therefore, the Company is of the view that the prices of raw materials, crude oil and services may continue to increase in the next two years.

(d) the Company expects that associates of legacy Guodian Group Co will substantially increase the amount of products and services to be supplied to the Group, such as environmental protection services.

(e) the Company is of the view that when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CHNENERGY Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CHNENERGY Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive directors and auditors will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

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 Existing Supplies and Services Agreement with members of the CHNENERGY 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 Existing Mutual Supplies and Services Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Existing Mutual Supplies and Services Agreement and the annual caps.

All payment made pursuant to the Existing Mutual Supplies and Services Agreement and its implementation agreements will be in cash.

Reasons for entering into the Existing Mutual Supplies and Services Agreements and their benefits to the Company

As disclosed in the Prospectus, the CHNENERGY Group retained certain assets and businesses which are necessary for and beneficial to the business development of the Group and has continued to provide certain goods and ancillary services to the Group's core businesses on an arm's length basis after the listing of the Company. In addition, the Group provides certain goods and services to the CHNENERGY Group on an arm's length basis to support the businesses retained by the CHNENERGY Group. Due to the long term co-operation relationship between the Company and the CHNENERGY Group and the advantages, good reputation and gigantic scale of the CHNENERGY Group in various aspects, the above-mentioned continuing connected transactions ensure that the Group and the CHNENERGY Group receive a reliable supply of high quality products and services which ultimately benefit the normal production and operations of the Company. The Board is of the opinion that the entering into such transactions on an continuing basis is essential to the continuation of the Group's business and will be beneficial to the Group as the transactions under the Existing Mutual Supplies and Services Agreement facilitate and will facilitate the business operation and growth of the Group and reduce the unnecessary risks which might be incurred during the course of operation.

Procedures and Internal Control System for Pricing and Terms of the Continuing Connected Transactions

The Company has established a series of procedures and internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable than the terms provided by any independent third party, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

(1) The transactions contemplated under the connected transactions agreements are conducted on a non-exclusive basis.

(2) The Company has adopted internal control rules such as Connected Transaction Decision Making System, Connected Transaction Management Measures and Connected Transaction Application and Reporting Rules.

Connected Transaction Decision Making System of China Shenhua Energy Company Limited

Connected Transaction Decision Making System (the "**Decision Making System**") contains seventeen articles. The Decision Making System defines the meaning of "connected person" and "connected transaction". It specifies the situations subject to reporting and examination and the principles to be followed when conducting connected transactions. Abstention measures to be taken when executing the connected transaction contract are also included. The Decision Making System also specifies the powers and duties of the Company's audit committee, board and directors, general meeting of shareholders and its shareholders. The Decision Making System also contains matters such as abstention mechanism when conflict of interest arises, voting procedures of general meetings of shareholders, and so on. Rules in the system are consistent with the connected transactions rules under the Shanghai Listing Rules and the Hong Kong Listing Rules.

Connected Transaction Management Measures of China Shenhua Energy Company Limited

Connected Transaction Management Measures (the "**Management Measures**") consist of thirty articles divided into ten chapters. The Management Measures define the configuration of the connected transaction leading group and the scope of official duties of the company leadership and related departments. The measures also specify the duties of branches and subsidiaries when conducting connected transactions. Rules related to information collection and management are also contained in the Management Measures. The legal department of the Company is responsible for information collection and management and related parties are obliged to provide such information actively and without delay. As to connected transactions which have been disclosed, the Management Measures spell out the key of management is to ensure the annual transaction amounts are within the annual caps with detailed management procedures included. As to new connected transactions, disclosure, examination and approval are necessary before the transactions take place. Detailed management procedures are also included. The Management Measures also contain matters related to self-assessment and supervisory review process.

Connected Transaction Application and Reporting Rules of China Shenhua Energy Company Limited

Connected Transaction Application and Reporting Rules (the "**Application and Reporting Rules**") are divided into five parts. Subsidiaries of the Company are required to specify the reasons for the transaction, the reasons of conducting a connected transaction and offer basic information of connected persons. Furthermore, pricing policy of the connected transaction and measures taken to ensure the fairness of the transaction also require explanations. Applicants are asked to clarify when they have signed the contracts, cleared and issued the notes, and finished the application and reporting process within the required time. According to the Application and Reporting Rules, all of the continuing connected transactions shall be conducted within the annual caps. Besides, the applicable scope and the related documents to be submitted are also provided in the Application and Reporting Rules.

(3) Under the leadership of the Board, the Company has set up a connected transaction leading group headed by the Chief Financial Officer. This connected transaction leading group is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organising the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions.

(4) Each subsidiary of the Group has established the connected transaction group headed by a senior manager responsible for finance. Specific personnel are arranged to be in charge of the pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies for the continuing connected transaction disclosed in this circular to set the price for each transaction. (i) For the Mutual Coal Supply Agreement, specific personnel seek to obtain information about spot market price of coal through various channels; (ii) For the Mutual Supplies and Services Agreement, according to the Group's internal rules and regulations for procurement and sales, when the government-prescribed price or government-guided price is absent, the Company will seek to obtain information about market price through various channels, for example, considering at least two comparable transactions with independent third parties for the same period, comparable transactions among independent third parties for the same period, conducting market price research through various independent industry information vendors (e.g., industry websites), and participating in activities organised by leading industry organisations. Such price is determined by the contracting parties (i.e., the subsidiaries of the Group on the one hand and the subsidiaries of the CHNENERGY Group on the other hand) on normal commercial terms with reference to the information obtained as mentioned above. Where tender and bidding process is necessary under applicable laws, regulations and rules, the Group and the CHNENERGY Group shall entrust professional tender and bidding companies to organise tender and bidding procedures, and the subsidiaries of the Group and the CHNENERGY Group shall participate fairly. For products and services with agreed prices, the supplier shall provide a cost list and the purchaser conducts comparison with the comparable average cost of similar enterprises in the neighbouring areas or the cost of the same type of products to determine the reasonable cost for ascertaining the price of the connected transaction; (iii) For the Financial Services Agreement, specific personnel shall obtain interest rates and fee rates prescribed by the People's Bank of China or the China Banking Regulatory Commission and seek to obtain interests rates and fee rates charged by major commercial banks provided to Members of CHNENERGY Group. Once the price is executed, unilateral change is prohibited. The Company's connected transaction leading group reviews the pricing of continuing connected transactions periodically to ensure every transaction is priced strictly according to the pricing principles and policies for the continuing connected transaction disclosed in this circular.

(5) The Group has adopted the ERP system. ERP system is composed of a category of business-management software that the Company uses to collect, store, manage and interpret data from many business activities. ERP systems track business resources such as cash, inventory, production capacity as well as the status of business commitments such as orders, purchase orders, and payroll. Departments with different functions and subsidiaries at different levels use the ERP system to share information, execute internal authorization and approval and facilitate transactions, production and sales. When specific personnel recommend pricing of continuing connected transactions, they shall submit the same to the ERP system for the connected transaction groups and finance departments of the subsidiaries of the Group to determine the pricing on the ERP system. The connected transaction groups and finance departments also monitor the pricing through the ERP system and ensure that the implementation price of continuing connected transactions is consistent with the agreed price.

(6) Under the leadership of the connected transaction leading group, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Further, the legal departments conduct prudent review of the connected transaction contracts, the financial departments control pricing of the connected transactions and the contract implementation departments monitor the transaction amounts in a timely manner.

(7) The Company implements connected transactions in accordance with the internal control process, and requires all of the subsidiaries to submit implementation reports of connected transactions on a monthly basis. The Company consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified.

(8) The Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports which consist of the implementation of the continuing connected transactions on a half-yearly basis on matters mainly including: whether the Company and relevant connected person performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amount incurred are within the annual caps as approved at the general meeting. The independent non-executive directors report to the general meeting of the Company on an annual basis on their performance of duties. Such reports include opinions on (i) whether the actual transaction amount incurred are within the annual caps as approved at the general meeting; (ii) whether the continuing connected transactions are conducted pursuant to the agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole.

(9) The Supervisory Board supervises the matters relating to the continuing connected transactions. It reviews the annual financial reports and interim financial reports which consist of the implementation of the continuing connected transactions on an annual basis. It also reviews the domestic and overseas compliance of the connected transactions, whether the prices are fair and reasonable and whether there are any acts which are detrimental to the interests of the Company and the Shareholders.

(10) The Audit Committee reviews the annual reports, annual financial reports, interim reports and the interim financial reports which consist of the implementation of the continuing connected transactions and opine on the connected transactions during the relevant periods on matters mainly including the fairness of the connected transactions and whether the actual transaction amount incurred are within the annual caps.

(11) The external auditor of the Company conducts interim and year-end audit for each financial year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies and whether the actual connected transaction amount incurred is within the annual caps during the preceding year pursuant to the Hong Kong Listing Rules and submits the same to the Stock Exchange.

By implementing the above internal control measures and procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing of each transaction will be conducted in strict accordance with the various pricing principles and policies of continuing connected transactions as disclosed in this circular on normal commercial terms or better, and will be fair and reasonable to the Company and the Shareholders as a whole.

Hong Kong Listing Rules Implications

At the date hereof, CHNENERGY holds 73.06% interest in the Company, and is the controlling shareholder of the Company. As such, CHNENERGY is a connected person of the Company under the Hong Kong Listing Rules, and the Existing Mutual Coal Supply Agreement, the Existing Mutual Supplies and Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed revised annual caps under the Existing Mutual Coal Supply Agreement and the Existing Mutual Supplies and Services Agreement, as one or more of the applicable percentage ratios exceeds 5% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the proposed revision of the annual caps is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

Background

The Company is a world-leading coal-based integrated energy company. The main business of the Group includes production and sales of coal and power, railway, port and ship transportation, and coal-to-olefins and other coal related chemical processing business.

CHNENERGY and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities. CHNENERGY is the controlling shareholder of the Company. As at the date hereof, CHNENERGY holds 73.06% interest in the Company.

The Company was established on 8 November 2004 with CHNENERGY as the sole promoter. As part of the restructuring in connection with the global offering of the Company in 2005, CHNENERGY transferred to the Company substantially all of its coal production and sales operations, railroad and port transportation and power generation operations, as well as mining rights related to our coal operations and other related assets, liabilities and interests. CHNENERGY has retained the ownership of, and continues to operate assets and liabilities relating to, the remaining businesses and operations, including the coal liquefaction, coal-based chemical processing business, investment and finance business as well as limited coal production and power generation assets (the "Retained Businesses"). In connection with the restructuring and pursuant to the Hong Kong Listing Rules, on 24 May 2005, CHNENERGY and the Company entered into the Existing Non-Competition Agreement.

Pursuant to the Existing Non-Competition Agreement, during the term of the Existing Non-Competition Agreement, CHNENERGY has undertaken that other than the Retained Businesses, CHNENERGY Group will not, and CHNENERGY Group shall procure that any other company in which CHNENERGY Group is a substantial shareholder (as defined in the Hong Kong Listing Rules) will not compete with the Company, directly or indirectly, whether on its own or jointly with another entity by participating in or providing any support to, any activities or business which directly or indirectly competes with our core businesses, whether inside or outside the PRC.

CHNENERGY has undertaken in the Existing Non-competition Agreement that during the period of the Existing Non-competition Agreement:

(a) if CHNENERGY becomes aware of a business opportunity which directly or indirectly competes, or may lead to competition, with core business of the Company, it or any of its subsidiaries will notify the Company of such business opportunity immediately upon becoming aware of it. CHNENERGY is also obliged to use its best efforts to procure that such opportunity is first offered to the Company upon terms which are fair and reasonable. CHNENERGY shall also use its best endeavours to procure that companies in which it holds an interest as a substantial shareholder comply with this provision. Independent non-executive Directors of the Company will decide whether to take up such business opportunity; and

(b) the Company has been granted by CHNENERGY for the duration of the Existing Non-Competition Agreement:

(i) options (the "**Options**") to purchase on the basis of valuations conducted by an independent valuer jointly appointed by CHNENERGY and the Company, subject to any relevant laws and applicable listing rules and existing third party pre-emption rights:

- any interest in the Retained Businesses which directly or indirectly competes or is likely to compete with core businesses of the Company and which is retained by CHNENERGY as part of the restructuring; and

- any interest in any business of CHNENERGY resulting from the business opportunity referred to above which has been offered to, but has not been purchased or taken up by the Company and has been retained by CHNENERGY or its affiliates;

(ii) pre-emptive rights (the "**Pre-emptive Rights**") to purchase on no less favourable terms, if CHNENERGY or any of its affiliates intends to transfer, sell, lease or license to any third party:

- any interest in the Retained Businesses which directly or indirectly competes with or is likely to compete with core businesses of the Company;

- any interest in any business of CHNENERGY resulting from the business opportunity referred to above, which has been offered to, but has not been purchased or taken up by the Company and has been retained by CHNENERGY or any of its subsidiaries or affiliates; and

(iii) an option to acquire the interest held by CHNENERGY in its coal liquefaction and coal-based chemical processing business, on terms and at a price which is fair and reasonable; and a pre-emptive right to purchase such interest from CHNENERGY on terms no less favourable than those offered to any third party. On the exercise of this option or the pre-emptive right, CHNENERGY shall transfer such interest into the Company or our nominated subsidiary.

In relation to the pre-emptive rights described in paragraph (b)(ii) above, under the Existing Non-Competition Agreement, CHNENERGY must notify the Company before the transfer of its relevant interest to a third party. It is further provided that such notice must set out full terms of the proposed transfer and any information which may reasonably be required by the Company in order for us to make a decision as to whether we ought to exercise the pre-emptive rights.

The Existing Non-Competition Agreement took effect on 24 May 2004 and shall remain effective until the earlier of (a) the date on which CHNENERGY directly or indirectly beneficially holds less than 30% of the issued share capital of the Company; and (b) the date on which the shares of the Company cease to be listed on the Hong Kong Stock Exchange, or any other recognised international stock exchange.

Pursuant to the Existing Non-Competition Agreement, the core businesses mean "coal exploration, mining, processing, sales; production and sales of comprehensive utilization of coal products; development and management of coal products; railway transportation; port transportation; production and sales of electric power and the industry and systematic service related to the businesses aforementioned."

On 27 June 2014, the Company issued the Announcement on the Performance of Non-Competition Undertaking and confirmed that for the fourteen assets that CHNENERGY promised to divest and inject into the Company under the Existing Non-Competition Agreement, the Company will commence acquisition before 30 June 2019.

These fourteen assets are:

Asset No.1: 51% Equity Interest in Shenhua Ningxia Coal Industrial Group Co., Ltd.

Asset No.2: 100% Equity Interest in Shenhua Guoneng Energy Group Corporation Limited

Asset No.3: 100% Equity Interest in China Shenhua Coal to Liquid and Chemical Co., Ltd.

Asset No.4: 100% Equity Interest in Shenhua Xinjiang Energy Company Limited

Asset No.5: 100% Equity Interest in Xinjiang Shenhua Mining Industry Company Limited

Asset No.6: 100% Equity Interest in Shenhua Wuhai Coal Group Corporation Limited

Asset No.7: 100% Equity Interest in Shenhua Group Baotou Mining Co., Ltd.

Asset No.8: 51% Equity Interest in Shaanxi Shenyan Coal Co., Ltd.

Asset No.9: 100% Equity Interest in Shenhua Hangjin Energy Company Limited

Asset No.10: 100% Equity Interest in Guohua Xuzhou Power Generation Co., Ltd.

Asset No.11: 100% Equity Interest in Ningxia Guohua Ningdong Power Generation Co., Ltd.

Asset No. 12: 51% Equity Interest in Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.

Asset No.13: 45% Equity Interest in Jiangsu Guohua Gaozi Power Generation Co., Ltd. held by Guohua Power

Asset No.14: 49% Equity Interest in Shanxi Province Jinshen Energy Co., Ltd.

In 2015, the Company acquired assets No.10–12. The other eleven assets have not been injected into the Company.

As approved by the Notice regarding the Reorganization of China Guodian Corporation and Shenhua Group Corporation Limited (Guo Zi Fa Gai Ge [2017] No. 146) issued by SASAC, Shenhua Group Co and Guodian Group Co will be reorganized. Shenhua Group Co has changed its company name to China Energy Investment Corporation Limited. CHNENERGY will be the parent company after the reorganization, and merge with Guodian Group Co by way of merger by absorption of Guodian Group Co. After the completion of the Merger of the Group Companies, Guodian Group Co will be deregistered, and CHNENERGY will assume all of the assets, liabilities, business, personnel, contracts, licenses and other rights and liabilities.

In addition, the Company and GD Power intend to establish the Joint Venture Company. The Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company, and GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power. GD Power will hold 57.47% of equity interests in the Joint Venture Company, and the Company will hold 42.53% of equity interests in the Joint Venture Company. As a result of the Joint Venture Transaction, the Shenhua Contributed Assets will not be consolidated into the financial statements of the Company.

The Guodian Group is one of the largest power generation groups in the PRC, and GD Power is the major listed company in power production and sales sector in the Guodian Group. After the completion of the Merger of the Group Companies, CHNENERGY will be the subsisting company to comply with the existing non-competition undertaking that was granted by the legacy Guodian Group Co for the benefit of GD Power.

Therefore, it will not be practical for CHNENERGY to continue to undertake not to compete with the Company in the power production and sales sector. To meet the regulatory requirements to avoid competition between the controlling shareholder and the listed companies, CHNENERGY proposes to amend the Existing Non-Competition Agreement.

The Supplemental Agreement to the Existing Non-Competition Agreement

On 1 March 2018, CHNENERGY and the Company has entered into the Supplemental Agreement to the Existing Non-Competition Agreement. The Supplemental Agreement to the Existing Non-Competition Agreement will become effective after the approval of independent shareholders is obtained in the EGM and conditions precedent of the Merger of Group Companies are satisfied.

Pursuant to the Supplemental Agreement to the Existing Non-Competition Agreement, the parties agree to continue to perform the Non-Competition Agreement. The Company will be the coal platform and will be responsible for the integration of the new coal business of the CHNENERGY Group in future. CHNENERGY will continue to grant the Company the Option and Pre-emptive Rights, and the Company will also be responsible for the development, construction and subsequent management of these businesses.

The Supplemental Agreement to the Existing Non-Competition Agreement amends the Existing Non-Competition Agreement as follows:

1. "production and sales of electric power" is deleted and the core businesses in clause 1 "Definitions" of the Non-Competition Agreement are amended to "coal exploration, mining, processing, sales; production and sales of comprehensive utilization of coal products; development and management of coal products; railway transportation; port transportation; the industry and systematic service related to the businesses aforementioned".

2. In consideration that the Company has completed acquisition of the assets No. 10-12 under the 2014 Non-Competition Undertakings, and the Company will contribute relevant coal-fired power generation equities and assets to establish the Joint Venture Company, the parties agree to amend the Retained Businesses in clause 1 "Definitions" of the Existing Non-Competition Agreement to:

Retained Businesses mean:

(1) businesses retained by CHNENERGY as a result of reorganization for the listing purpose, which directly or indirectly compete with the core businesses of the Company, i.e. assets other than the Conventional Power Generation Business in assets No. 1–9, No. 13 and 14 which were confirmed in 2014 Non-Competition Undertakings;

(2) unlisted businesses obtained by CHNENERGY as a result of the Merger of Group Companies which directly or indirectly compete with the core businesses of the Company, i.e. unlisted businesses held by legacy Guodian Group which directly or indirectly compete with the core businesses of the Company excluding the relevant assets that Guodian Group Co undertook to inject into Inner Mongolia Pingzhuang Energy Co., Ltd. in 2007.

3. A new clauses is added: CHNENERGY entrusts the Company to manage the Retained Businesses, with details to be determined by the parties separately; within the five years after the completion of the Merger of Group Companies, the Company will discretionally exercise the Options and the Pre-emptive Rights to acquire the assets within the Retained Businesses, and will no longer commence the acquisition before 30 June 2019 as stated in the 2014 Non-Competition Undertakings.

In addition, due to the adjustment of the core businesses, the parties agree and confirm that in respect of (1) the new Conventional Power Generation Business of the CHNENERGY Group and (2) the Conventional Power Generation Business contained in assets No. 1–9, No. 13 and 14 which were confirmed in 2014 Non-Competition Undertakings, the Company will no longer have Options and Pre-emptive Rights granted under the Existing Non-Competition Agreement.

Other than above amendments, the clauses of the Existing Non-Competition Agreement will not be changed.

Power Generation Business Retained by the Company

Except for some coal-fired power plants (including coal-electricity integrated projects) in Inner Mongolia and Hebei, the Company will inject all the overlapping coal-fired power plants with GD Power into the Joint Venture Company. The Company will retain its coal-electricity integrated projects in Inner Mongolia as it is difficult to divide coal mines and power plants in these coal-electricity integrated projects. Hebei Guohua Cangdong Power Co., Ltd. and Hebei Guohua Dingzhou Power Generation Co., Ltd. have strong profitability and the Company decides to retain them. Therefore, upon the completion of the Joint Venture Transaction, the Shenhua Contributed Assets will be consolidated by the Joint Venture Company, and the Group will continue to own the following operating power generation business:

No.	Company	Regional grid	Location	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Coal-fired power plant				
1	Shenhua Zhunge'er Energy Co., Ltd.*	West Inner Mongolia Power Grid	Inner Mongolia	96
2	Shenhua Shendong Power Co., Ltd. YiLi Power Plant*	West Inner Mongolia Power Grid	Inner Mongolia	80
3	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	Hebei	252
4	Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	Hebei	252
5	Guangdong Guohua Yudean Taishan Power Co., Ltd.	Guangdong Power Grid	Guangdong	503
6	Guohua Huizhou Thermal Power Branch of the Company	Guangdong Power Grid	Guangdong	66
7	Shenhua Fujian Energy Co., Ltd.	Fujian Power Grid	Fujian	270
8	Shaanxi Guohua Jinjie Energy Co., Ltd.*	Hebei South Power Grid	Shaanxi	240
9	CLP Guohua Shenmu Power Co., Ltd.	Shaanxi Power Grid	Shaanxi	22
10	Shenhua Shendong Power Co., Ltd. Dianta Power Plant	Shaanxi Power Grid	Shaanxi	159

No.	Company	Regional grid	Location	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
11	Shenhua Shendong Power Co., Ltd. Guojiawan Power Plant	Shaanxi Power Grid	Shaanxi	60
12	Shenhua Shendong Power Co., Ltd. Daliuta Power Plant	Shaanxi Power Grid	Shaanxi	2.4
13	Shenhua Sichuan Energy Co., Ltd. (coal-fired power)	Sichuan Power Grid	Sichuan	126
14	Shenhua Guohua Mengjin Power Generation Co., Ltd.	Henan Power Grid	Henan	120
15	Shenhua Guohua Shouguang Power Generation Company Limited	Shandong Power Grid	Shandong	200
16	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.	Guangxi Power Grid	Guangxi	70
17	Shenhua Shendong Power Co., Ltd. Wanzhou Power Plant	Chongqing Power Grid	Chongqing	210
18	PT.GH EMM INDONESIA	PLN	Indonesia	30
Sub-total				2,758.4
Others				
19	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.	Guangdong Power Grid	Guangdong	1.6
20	Shenhua Sichuan Energy Co., Ltd. (hydropower)	Sichuan Power Grid	Sichuan	12.5
21	Shenhua Guohua (Beijing) Gas-fired Power Co., Ltd.	Jingjintang Power Grid	Beijing	95
Sub-total				109.1
Total				**2,867.5**

* *Coal-electricity integrated project*

Overlapping coal-fired power plants of the Company and the Joint Venture Company

Upon the completion of the Joint Venture Transaction, the Joint Venture Company will have the following coal-fired power plants, among the others, in Inner Mongolia and Hebei, which overlap with certain power plants (including coal-electricity integrated projects) of the Company in terms of location.

Location	Company/power plant owned by the Joint Venture Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Inner Mongolia	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	Liaoning Power Grid	120	Shenhua Zhunge'er Energy Co., Ltd.*	West Inner Mongolia Power Grid	96
	Shenhua Guohua International Power Co., Ltd. Zhunge'er Power	West Inner Mongolia Power Grid	132	Shenhua Shendong Power Co., Ltd. Yili Power Plant*	West Inner Mongolia Power Grid	80
	Shenhua Shendong Power Co., Ltd. Salaqi Power Plant	West Inner Mongolia Power Grid	60			
	Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant	West Inner Mongolia Power Grid	30			
	Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd.	West Inner Mongolia Power Grid	66			
Hebei	Shenhua Guohua International Power Co., Ltd. Sanhe Power	Jingjintang Power Grid	130	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	252
				Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	252

* *Coal-electricity integrated projects*

The Company is of the view there is no competition among overlapping coal-fired power plants in Hebei because power generated by coal-fired plants of the Company in Hebei is sold to Hebei South Power Grid while power generated by coal-fired plants of the Joint Venture Company is sold to Jingjintang Power Grid. Hebei South Power Grid and Jingjintang Power Grid are different regional grids. When a power plant is constructed, it is physically connected to a regional grid. The connection will not change over time. As disclosed above, all of the power plants retained by the Company in Inner Mongolia are coal-electricity integrated projects which are different from regular coal-fired power plants of the Joint Venture Company in Inner Mongolia. Coal-electricity integrated project is a type of coal-fired power plant, and it is difficult to divide coal mines and power plants in these coal-electricity integrated projects. In a coal-electricity integrated project, power plant and coal mine are constructed next to each other. Compared to regular coal-fired power plant, coal-electricity integrated power projects can save the cost of transportation for coal and have a lower cost of generating electricity as the power plant does not need to purchase coal from the third parties.

Overlapping coal-fired power plants of the Company and Shenhua Guoneng

On 12 June 2012, the Company announced that CHNENERGY consulted with the Company in respect of its proposed acquisition of State Grid Energy Development Co., Ltd. ("**State Grid Energy**") and having been approved by the Independent Non-executive Directors of the Company, the Company had decided not to participate in the acquisition, and agreed CHNENERGY to acquire State Grid Energy. CHNENERGY granted the Company the option and pre-emptive right over State Grid Energy pursuant to the Existing Non-Competition Agreement. The company name of State Grid Energy was later changed to Shenhua Guoneng Energy Group Corporation Limited, which is one of the fourteen assets confirmed by CHNENERGY in 2014 Non-Competition Undertaking. Upon the completion of the Merger of the Group Companies and the Joint Venture Transaction, Shenhua Guoneng will have the following coal-fired power plants, among the others, in Inner Mongolia, Hebei, Shaanxi, Sichuan and Henan, which overlap with certain power plants (including coal-electricity integrated projects) of the Company in terms of location.

Location	Company/power plant owned by Shenhua Guoneng	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Inner Mongolia	E'wenke Power Plant	Liaoning Power Grid	120	Shenhua Zhunge'er Energy Co., Ltd.*	West Inner Mongolia Power Grid	96
				Shenhua Shendong Power Co., Ltd. Yili Power Plant*	West Inner Mongolia Power Grid	80

Location	Company/power plant owned by Shenhua Guoneng	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Hebei	Qinhuangdao Power Plant	Jingjintang Power Grid	107	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	252
				Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	252
Shaanxi	Shaanxi Fugu Power Plant	Hebei South Power Grid	120	Shaanxi Guohua Jinjie Energy Co., Ltd.*	Hebei South Power Grid	240
				CLP Guohua Shenmu Power Co., Ltd.	Shaanxi Power Grid	22
				Shenhua Shendong Power Co., Ltd. Dianta Power Plant	Shaanxi Power Grid	159
				Shenhua Shendong Power Co., Ltd. Guojiawan Power Plant	Shaanxi Power Grid	60
				Shenhua Shendong Power Co., Ltd. Daliuta Power Plant	Shaanxi Power Grid	2.4
Sichuan	Sichuan Baima Power Plant	Sichuan Power Grid	90	Shenhua Sichuan Energy Co., Ltd (coal-fired power)	Sichuan Power Grid	126
Henan	Henan Jiaozuo Power Plant	Henan Power Grid	132	Shenhua Guohua Mengjin Power Generation Co., Ltd.	Henan Power Grid	120

* *Coal-electricity integrated projects*

The Company is of the view there is no competition among overlapping coal-fired power plants in Hebei and Inner Mongolia because power generated by coal-fired plants of the Company in Hebei and Inner Mongolia is sold to Hebei South Power Grid and West Inner Mongolia Power Grid respectively while power generated by coal-fired plants of Shenhua Guoneng is sold to Jingjintang Power Grid and Liaoning Power Grid respectively. Hebei South Power Grid and Jingjintang Power Grid are different regional grids, and West Inner Mongolia Power Grid and Liaoning Power Grid are different regional grids. In addition, power plants retained by the Company in Inner Mongolia are coal-electricity integrated projects which are different from regular coal-fired power plants of Shenhua Guoneng in Inner Mongolia. As announced on 12 June 2012, the Company had taken required procedure in relation to the acquisition of Shenhua Guoneng by CHNENERGY, and the existing overlapping of power plants in these provinces had been recognized by the Company in due course.

Overlapping coal-fired power plants of the Company and the Guodian Group and GD Power (excluding the Joint Venture Company)

The Guodian Group is one of the largest power generation groups in the PRC, and GD Power is the major listed company in power production and sales sector in the Guodian Group. The Guodian Group and GD Power (excluding the Joint Venture Company) currently have coal-fired power plants which overlap with coal-fired fired power plants of the Company in some provinces. Upon the completion of the Merger of the Group Companies and the Joint Venture Transaction, the Guodian Group and GD Power (excluding the Joint Venture Company) will continue to have the following coal-fired power plants (including coal-electricity integrated projects) which overlap with certain power plants (including coal-electricity integrated projects) of the Company in terms of location.

Guodian Group (excluding GD Power)

Location	Company/power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Inner Mongolia	Inner Mongolia Yuanbaoshan Power Plant	Northeast China Power Grid	180	Shenhua Zhunge'er Energy Co., Ltd.*	West Inner Mongolia Power Grid	96
				Shenhua Shendong Power Co., Ltd. Yili Power Plant*	West Inner Mongolia Power Grid	80

Location	Company/power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Hebei	Guodian Hebei Longshan Power Generation Co.,Ltd.	Hebei South Power Grid	120	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	252
	Guodian Huai'an Thermal Power Co., Ltd.	Hebei North Power Grid	66	Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	252
	Guodian Chengde Thermal Power Co., Ltd.	Hebei North Power Grid	66			
	Guodian Luanhe Thermal Power Co., Ltd.	Hebei North Power Grid	33			
	Guodian North China Power Co., Ltd. Langfang Thermal Power Plant	Hebei North Power Grid	70			
	Hebei Hengfeng Power Generation Co., Ltd.	Hebei South Power Grid	66			
Guangdong	Guodian Zhaoqing Thermal Power Co., Ltd.	Guangdong Power Grid	70	Guangdong Guohua Yudean Taishan Power Co., Ltd.	Guangdong Power Grid	503
				Guohua Huizhou Thermal Power Branch Company	Guangdong Power Grid	66
Shaanxi	Guodian Baoji No.2 Power Generation Co.,Ltd.	Shaanxi Power Grid	120	Shaanxi Guohua Jinjie Energy Co., Ltd.	Hebei South Power Grid	240
	Guodian Baoji Power Generation Co.,Ltd.	Shaanxi Power Grid	132	CLP Guohua Shenmu Power Co., Ltd.	Shaanxi Power Grid	22
				Shenhua Shendong Power Co., Ltd. Dianta Power Plant	Shaanxi Power Grid	159
				Shenhua Shendong Power Co., Ltd. Guojiawan Power Plant	Shaanxi Power Grid	60

Location	Company/power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
				Shenhua Shendong Power Co., Ltd. Daliuta Power Plant	Shaanxi Power Grid	2.4
Henan	Guodian Xingyang Coal-Electricity Integrated Co., Ltd.*	Henan Power Grid	126	Shenhua Guohua Mengjin Power Generation Co., Ltd.	Henan Power Grid	120
	Guodian Puyang Thermal Power Co., Ltd.	Henan Power Grid	42			
	Guodian Minquan Power Generation Co., Ltd.	Henan Power Grid	120			
	Guodian Zhumadian Thermal Power Co., Ltd.	Henan Power Grid	66			
	Guodian Yuyuan Power Generation Co., Ltd.	Henan Power Grid	30			
Shandong	Guodian Penglai Power Generation Co., Ltd.	Shandong Power Grid	66	Shenhua Guohua Shouguang Power Generation Company Limited	Shandong Power Grid	200
	Guodian Tai'an Thermal Power Co., Ltd.	Shandong Power Grid	70			
	Shandong China Power Generation Co.,Ltd. Shiheng Power Plant	Shandong Power Grid	126			
	Guodian Shiheng Power Generation Co., Ltd.	Shandong Power Grid	66			

Location	Company/power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
	Shandong China Power Generation Co.,Ltd. Liaocheng Power Plant	Shandong Power Grid	120			
	Guodian Liaocheng Power Generation Co., Ltd.	Shandong Power Grid	120			
	Shandong China Power Generation Co.,Ltd. Heze Power Plant	Shandong Power Grid	60			
	Guodian Heze Power Generation Co., Ltd.	Shandong Power Grid	66			
	Guodian Feixian Power Generation Co., Ltd.	Shandong Power Grid	130			
Guangxi	Guodian Nanning Power Generation Co., Ltd.	Guangxi Power Grid	132	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.	Guangxi Power Grid	70
	Guodian Yongfu Power Generation Co., Ltd.	Guangxi Power Grid	64			
Chongqing	Guodian Chongqing Hengtai Power Generation Co., Ltd.	Chongqing Power Grid	60	Shenhua Shendong Power Co., Ltd. Wanzhou Power Plant	Chongqing Power Grid	210
Fujian	Guodian Fuzhou Power Generation Co., Ltd.	Fujian Power Grid	120	Shenhua (Fujian) Energy Co., Ltd.	Fujian Power Grid	270
	Guodian Quanzhou Thermal Power Co., Ltd.	Fujian Power Grid	194			

Location	Company/power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Sichuan	Guodian Chengdu Jintang Power Generation Co., Ltd.	Sichuan Power Grid	120	Shenhua Sichuan Energy Co., Ltd. (coal-fired power)	Sichuan Power Grid	126
	Guodian Dazhou Power Generation Co., Ltd.	Sichuan Power Grid	60			
	Guodian Shen Neng Sichuan Huayingshan Power Generation Co., Ltd.	Sichuan Power Grid	60			

* *Coal-electricity integrated projects*

GD Power (excluding the Joint Venture Company)

Location	Company/power plant owned by GD Power (excluding the Joint Venture Company)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Inner Mongolia	Guodian Construction and Investment Inner Mongolia Energy Co., Ltd. (Bulian)*	West Inner Mongolia Power Grid	132	Shenhua Zhunge'er Energy Co., Ltd.*	West Inner Mongolia Power Grid	96
				Shenhua Shendong Power Co., Ltd. Yili Power Plant*	West Inner Mongolia Power Grid	80
Hebei	Hebei Handan Thermal Power Co., Ltd.	Hebei South Power Grid	44	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	252
	GD Power Handan Thermal Power Plant	Hebei South Power Grid	22	Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	252

* *Coal-electricity integrated projects*

As the Guodian Group and GD Power are independent third parties before the Merger of Group Companies and the Joint Venture Transaction, the existing overlapping of power plants in these provinces are results of normal market competition among power generation companies in the PRC. After the completion of Merger of Group Companies and the Joint Venture Transaction, the Company will continue to operate these overlapping power plants independently with a view to maximize the profit for the benefit of the Company and its Shareholders. Under current power regulatory system of the PRC, the on-grid electricity tariff is determined and approved by the competent pricing departments led by the NDRC based on the economic life cycle of power generation projects and in accordance with the principle of making reasonable compensation for costs, a reasonable determination of income and recording electricity tariff in the tax in accordance with the law. Therefore, the power generation enterprises cannot control or change the approved standard for on-grid electricity tariff. Regional grids determine and dispatch quantity of electricity generated by each power plant. Therefore, the Company considers that the profitability of these overlapping power plants will not be affected.

Other than the above, upon the completion of the Group Companies and the Joint Venture Transaction, there will be no other overlapping coal-fired power plants under operation (including coal-electricity integrated projects) between the CHNENERGY Group and the Group.

The Group also has a wind farm in Guangdong, a hydropower plant in Sichuan and a gas-fired power plant in Beijing. For the year ended on 31 December 2016, revenue and profit before taxation generated by all these three power plants only accounted for approximately 1.3% and approximately 1.1% of the total revenue and profit before taxation of the Company, respectively. For the nine months ended on 30 September 2017, revenue and profit before taxation generated by these power plants of the Company only accounted for approximately 0.98% and approximately 0.52% of the total revenue and profit before taxation of the Company, respectively. As at the Latest Practical Date, the CHNENERGY Group, GD Power and China Longyuan Power Group Corporation Limited (a subsidiary of Guodian Group Co listed on the Hong Kong Stock Exchange) have overlapping wind farms in Guangdong and the Guodian Group and GD Power have overlapping hydropower stations in Sichuan. Since the establishment of the Group, the Group has been focusing on coal-fired power generation rather than other types of power generation. As these three power plants only contribute minimal revenue and profit to the Company, the Company is of the view that the overlapping will not have impact on the Group.

The Merger of the Group Companies is one of the national measures to push forward the structural reform on supply side in coal and power sector. It will reinforce the business cooperation relationship between the Shenhua Group and the Guodian Group and is in the interest of the Company and its Shareholders as a whole. Upon the completion of the Group Companies and the Joint Venture Transaction, to delineate the business between the Group and GD Power, under the Supplemental Agreement to the Existing Non-Competition Agreement, the Company will no longer have "production and sales of electric power" as one of the core businesses, and the Group will mainly engage in the production and sale of coal, railway, port and shipping transportation, and coal-to-olefins businesses. GD Power will mainly engage in production and sales of electric power business. When the Company is aware of a new business opportunity in relation to the production and sales of electric power, a board committee comprising only the independent non-executive Directors will review, consider and decide whether it is in the interest of the Company and the Shareholders as a whole to pursue the new business opportunity. In assessing whether or not to pursue the new business opportunity, the independent non-executive Directors should consider all factors they consider relevant, including feasibility studies, estimated profitability, market, commercial and

counterparty risks, compliance with the business strategy of the Group, possible synergy with the Group's operation, the financial resources available to the Group and the qualifications and/or eligibility the Group has at that time, as well as the relevant legal, regulatory and contractual requirements, with a view to arriving at a decision which is in the best interest of the Company and the Shareholders as a whole. Such board committee may appoint financial advisors or professional experts to provide advice, at the cost of the Company, on whether to pursue or decline any new business opportunity. In case that the Company and GD Power compete for a same business opportunity, directors nominated by or associated with CHNENERGY will abstain from voting in the meetings of the board of directors of the Company and GD Power.

Nonetheless, as disclosed above, the Company has decided to retain certain premium power generation assets, including a number of coal-electricity integrated projects. As at the date hereof, the Company does not have any plan to dispose these power generation business. Certain coal-fired power plants (including coal-electricity integrated projects) retained by the Company overlap with certain coal-fired power plants (including coal-electricity integrated projects) of the Joint Venture Company, Shenhua Guoneng, the Guodian Group and GD Power in terms of location. For the year ended on 31 December 2016, revenue and profit before taxation generated by all of the overlapping coal-fired power plants (including coal-electricity integrated projects) of the Company only accounted for approximately 13% and approximately 10% of the total revenue and profit before taxation of the Company, respectively. For the nine months ended on 30 September 2017, revenue and profit before taxation generated by all of the overlapping coal-fired power plants (including coal-electricity integrated projects) of the Company only accounted for approximately 12% and approximately 3% of the total revenue and profit before taxation of the Company, respectively. The Company is of the view that considering the benefit of the retained power generation businesses and their size, it will not give rise to substantial competition issue and it is in the interest of the Company and its Shareholders as a whole.

To safeguard the interest of the Group, the following measures will be taken by CHNENERGY, the Company and GD Power:

(1) It is proposed by CHNENERGY that GD Power will be responsible for the development, construction and subsequent management of its new Conventional Power Generation Business, and CHNENERGY will not pursue new business opportunity in the Conventional Power Generation Business by itself.

(2) Besides the power plants of GD Power and the Joint Venture Company which are held by GD Power, CHNENERGY will entrust GD Power to manage the unlisted Conventional Power Generation Business including the overlapping power plants as disclosed above and other Conventional Power Generation Business held by legacy Guodian Group Co and legacy Shenhua Group Co *Note*.

(3) Within the five years after the completion of the Merger of Group Companies, GD Power will discretionally exercise the options and the pre-emptive rights to acquire the unlisted Conventional Power Generation Business retained by CHNENERGY.

(4) The Company will continue to be independent from CHNENERGY and GD Power. In particular, the senior management and all staff of the overlapping power plants will continue to be employed by the Company, and their remunerations are linked to the performance of power generation business of the Company. Operational decisions are made by the directors and the senior management who only consider the benefit of the Company and its Shareholders. Finance departments and financial systems are also independent from CHNENERGY and GD Power.

(5) CHNENERGY has undertaken that it will not intervene with the decision-making of the Company and GD Power to avoid contradicting the interest of the Company and its Shareholders. Where there is a situation which involves a potential conflict of interest among the Company, CHNENERGY and GD Power, directors nominated by or associated with CHNENERGY will abstain from voting in the meetings of the board of directors of the Company and GD Power.

(6) Specific personnel in each overlapping power plants of the Group are assigned to be in charge of the competition issues. These personnel are required to strictly observe the competition among CHNENERGY, the Company and GD Power, and if any situation which may contradict the interest of the Company and its Shareholders is identified, it shall be immediately reported to independent non-executive Directors of the Company.

(7) The independent non-executive Directors of the Company will review competition issues on an annual basis.

Note: In March 2012, Guodian Group Co and its listed subsidiary Guodian Changyuan Electric Power Co., Ltd. ("**Changyuan Power**") entered into the Entrust Management Agreement, pursuant to which Guodian Group Co has agreed to entrust Changyuan Power to manage its Conventional Power Generation Business in Hubei. After the completion of the Merger of Group Companies, CHNENERGY will assume the obligation of legacy Guodian Group Co and continue to entrust Changyuan Power to manage its Conventional Power Generation Business in Hubei. Changyuan Power is listed on Shenzhen Stock Exchange. All of power generation businesses of Changyuan Power are located in Hubei and connected to Hubei Power Grid. The Group does not have any power generation business in Hubei and there is no overlap between the Group and the CHNENERGY Group in Hubei.

GD Power is listed on Shanghai Stock Exchange, and it is independent from CHNENERGY and the Company. The Company is of the view that by taking the above measures, the interest of the Company and its Shareholders can be effectively protected.

Reasons for entering into the Supplemental Agreement to the Existing Non-Competition Agreement and their benefits to the Company

After the amendments to the Existing Non-Competition Agreement take effect, CHNENERGY is free to pursue the business of production and sales of electric power, but it has undertaken that it will not pursue new business opportunity in the Conventional Power Generation Business by itself. The Directors believe that based on the following reasons, the amendments to the Existing Non-Competition Agreement are in the interests of the Company and its Shareholders as a whole: (i) after the completion of the Joint Venture Transaction, the Company continue to retain certain premium power generation assets with total installed capacity under operation as at 30 September 2017 exceeding 28,000,000 KW, including coal-electricity integrated projects which have better profitability. Meanwhile, the Company will continue to benefit from the Joint Venture Company to share investment returns in power sector and revenue increase brought by synergy; and (ii) in 2016, the capital expenditure in power generation business accounted for more than 60% of the total capital expenditure of the Company. If the Company substantially reduce the capital expenditure in power generation business, the Company is able to invest more in the production and sale of coal, railway, port and shipping transportation, and coal-to-olefins businesses. The Company will achieve stronger development in these core businesses and increase profit of the Company.

Therefore, according to internal business allocation with the CHNENERGY Group, based on the principles of lawfulness and fully protection of the interest of public investors, the Company proposes to amend the Existing Non-Competition Agreement.

Hong Kong Listing Rules Implications

CHNENERGY holds 73.06% interest in the Company, and is the controlling shareholder of the Company. As such, CHNENERGY is a connected person of the Company under the Hong Kong Listing Rules, and the entering into the Supplemental Agreement to the Existing Non-Competition Agreement to amend the Existing Non-Competition Agreement constitutes a connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules, and is subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

PROPOSED APPOINTMENTS OF DIRECTORS

In accordance with the Articles of Association, the Company Law and applicable laws and regulations, the Board proposes the appointments of Mr. Gao Song and Mr. Mi Shuhua as executive directors of the fourth session of the Board, and Dr. Peng Suping and Dr. Huang Ming as independent non-executive directors of the fourth session of the Board.

Background of the Candidates for Directors

Mr. Gao Song

Gao Song, male, born in February 1961, aged 57, Chinese, a professor-level senior engineer. Mr. Gao has extensive management experience in power enterprises. He received a bachelor's degree in thermal power engineering from Zhejiang University in 1982.

Since November 2017, Mr. Gao has served as the deputy general manager and a member of the Leading Party Members' Group of China Energy Investment Corporation Limited (國家能源投資集團有限責任公司). Since September 2012, he has worked as a director of GD Power Development Co., Ltd. (國電電力發展股份有限公司).

Prior to the foregoing, Mr. Gao had served in various capacities, including the deputy general manager, a member of the Leading Party Members' Group and the director of the working committee of China Guodian Corporation (中國國電集團公司), the general manager and deputy secretary of the Leading Party Members' Group of GD Power Development Co., Ltd., the general manager assistant of China Guodian Corporation, the secretary to the Leading Party Members' Group and general manager of the North China branch of China Guodian Corporation and chief engineer of Hebei Electric Power Corporation (河北省電力公司).

Save as disclosed above, Mr. Gao has not held any directorship in any listed companies in the past three years.

Save as disclosed above, Mr. Gao has no relationship with any directors, members of the senior management or substantial or controlling shareholders of the Company. As at the date hereof, Mr. Gao does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Upon approval of Mr. Gao's appointment by the Shareholders, Mr. Gao will enter into a service contract with the Company till the expiry of the tenure of the fourth session of the Board (on 22 June 2020) commencing from the date of appointment. Pursuant to the Articles Association, Mr. Gao shall be elected and appointed at a general meeting of the Company and may be re-elected and re-appointed at a general meeting of the Company.

Mr. Gao's annual remuneration package will not be fixed in the service contract and will be determined by Shareholders at a general meeting of the Company pursuant to the Articles of Association and with reference to recommendations of the Remuneration Committee of the Board in accordance with its terms of reference, taking into account, among other matters, his duties and responsibilities.

Save for disclosed above, there is no any other information required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, and the Company is not aware of any other matters that need to be brought to the attention of Shareholders.

Mr. Mi Shuhua

Mi Shuhua, male, born in October 1962, aged 55, Chinese, a senior engineer, Mr. Mi has extensive management experience in power enterprises. He received a bachelor's degree in thermal power engineering from Northeast Electric Power Institute (東北電力學院) in 1984.

Since November 2017, Mr. Mi has served as the deputy general manager and a member of the Leading Party Members' Group of China Energy Investment Corporation Limited (國家能源投資集團有限責任公司). Since April 2014, he has worked as a director of GD Power Development Co., Ltd. (國電電力發展股份有限公司). Since December 2016, he has worked as the dean of Guodian New Energy Technology Research Institute.

Prior to the foregoing, Mr. Mi had served in various capacities, including the deputy general manager and a member of the Leading Party Members' Group of China Guodian Corporation (中國國電集團公司), the general manager and deputy secretary to the Leading Party Members' Group of GD Power Development Co., Ltd., the general manager assistant of China Guodian Corporation, the secretary to the Leading Party Members' Group, an executive director and the general manager of Guodian Northeast Electric Power Co., Ltd (國電東北電力有限公司).

Save as disclosed above, Mr. Mi has not held any directorship in any listed companies in the past three years.

Save as disclosed above, Mr. Mi has no relationship with any directors, members of the senior management or substantial or controlling shareholders of the Company. As at the date hereof, Mr. Mi does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Upon approval of Mr. Mi's appointment by the Shareholders, Mr. Mi will enter into a service contract with the Company till the expiry of the tenure of the fourth session of the Board (on 22 June 2020) commencing from the date of appointment. Pursuant to the Articles Association, Mr. Mi shall be elected and appointed at a general meeting of the Company and may be re-elected and re-appointed at a general meeting of the Company.

Mr. Mi's annual remuneration package will not be fixed in the service contract and will be determined by Shareholders at a general meeting of the Company pursuant to the Articles of Association and with reference to recommendations of the Remuneration Committee of the Board in accordance with its terms of reference, taking into account, among other matters, his duties and responsibilities.

Save for disclosed above, there is no any other information required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, and the Company is not aware of any other matters that need to be brought to the attention of Shareholders.

Dr. Peng Suping

Peng Suping, male, born in June 1959, aged 58, Chinese, a professor of China University of Mining and Technology (中國礦業大學), Dr. Peng has long engaged in the teaching and research of mining geology and geophysical prospecting of mine engineering, with rich experience in coal industry. Dr. Peng received a Ph.D degree in coal geology & exploration from the Beijing Postgraduate Department of China University of Mining and Technology in 1988. He was elected as an academician of Chinese Academy of Engineering (中國工程院) in 2007.

Dr. Peng has worked as the director of State Key Laboratory of Coal Resources and Safe Mining (China University of Mining and Technology, Beijing) (中國礦業大學（北京）煤炭資源與安全開採國家重點實驗室) since January 2007, the director of the Department of Energy and Mining Engineering of Chinese Academy of Engineering (中國工程院) since July 2014, an independent director of Tiandi Science & Technology Co., Ltd. (天地科技股份有限公司) since June 2010, and an independent director of Tibet Huayu Mining Co., Ltd. (西藏華鈺礦業股份有限公司) since October 2012.

From April 2010 to June 2014, Dr. Peng served as the vice director of the Department of Energy and Mining Engineering of Chinese Academy of Engineering. From November 2011 to October 2017, Dr. Peng served as an independent director of Beijing LongRuan Technologies Inc (北京龍軟科技股份有限公司).

Save as disclosed above, Dr. Peng has not held any directorship in any listed companies in the past three years.

Save as disclosed above, Dr. Peng has no relationship with any directors, members of the senior management or substantial or controlling shareholders of the Company. As at the date hereof, Dr. Peng does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Upon approval of Dr. Peng's appointment by the Shareholders, Dr. Peng will enter into a service contract with the Company till the expiry of the tenure of the fourth session of the Board (on 22 June 2020) commencing from the date of appointment. Pursuant to the Articles Association, Dr. Peng shall be elected and appointed at a general meeting of the Company and may be re-elected and re-appointed at a general meeting of the Company.

Dr. Peng's annual remuneration package will not be fixed in the service contract and will be determined by Shareholders at a general meeting of the Company pursuant to the Articles of Association and with reference to recommendations of the Remuneration Committee of the Board in accordance with its terms of reference, taking into account, among other matters, his duties and responsibilities.

Save for disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, and the Company is not aware of any other matters that need to be brought to the attention of Shareholders.

Dr. Huang Ming

Huang Ming, male, born in March 1964, aged 53, American, a tenured professor of finance of the Johnson School of Management of Cornell University (康奈爾大學). He has long been engaged in the academic research in finance and is familiar with China's financial market and corporate finance. Dr. Huang received two Ph.D degrees of physics and finance respectively from Cornell University of America in 1991 and Stanford University (斯坦福大學) of America in 1996.

Dr. Huang has served as a tenured professor of finance of the Johnson School of Management of Cornell University since July 2005, a professor of finance of China Europe International Business School (中歐國際工商學院) concurrently since July 2010, an independent director of Yingli Green Energy Holding Co., Ltd. (英利綠色能源控股有限公司) since August 2008, an independent director of Fantasia Holdings Group Co., Limited (花樣年控股集團有限公司) since October 2009, an independent director of JD.com, Inc. (京東商城股份有限公司) since March 2014, an independent director of WH Group Limited (萬洲國際有限公司) since July 2014 and an independent director of 360 Security Technology Inc. (三六零安全科技股份有限公司) (previously known as SJEC Corporation （江南嘉捷電梯股份有限公司）) since February 2018.

Prior to the foregoing, Dr. Huang had served in various capacities, including the dean of the School of Finance of Shanghai University of Finance and Economics (上海財經大學), a professor and the deputy dean of Cheung Kong Graduate School of Business (長江商學院) and an associate professor of the Business School of Stanford University of America.

Save as disclosed above, Dr. Huang has not held any directorship in any listed companies in the past three years.

Save as disclosed above, Dr. Huang has no relationship with any directors, members of the senior management or substantial or controlling shareholders of the Company. As at the date hereof, Dr. Huang does not have any interest in the shares of the Company within the meaning of Part XV of SFO.

Upon approval of Dr. Huang's appointment by the Shareholders, Dr. Huang will enter into a service contract with the Company till the expiry of the tenure of the fourth session of the Board (on 22 June 2020) commencing from the date of appointment. Pursuant to the Articles of Association, Dr. Huang shall be elected and appointed at a general meeting of the Company and may be re-elected and re-appointed at a general meeting of the Company.

Dr. Huang's annual remuneration package will not be fixed in the service contract and will be determined by Shareholders at a general meeting of the Company pursuant to the Articles of Association and with reference to recommendations of the Remuneration Committee of the Board in accordance with its terms of reference, taking into account, among other matters, his duties and responsibilities.

Save for disclosed above, there is no other information required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules, and the Company is not aware of any other matters that need to be brought to the attention of Shareholders.

General

The proposed appointments of directors are subject to the approval of the Shareholders by way of ordinary resolutions at the EGM.

AMENDMENTS TO THE ARTICLES OF ASSOCIATION

Pursuant to the resolutions of the 8th meeting of the fourth session of the Board held on 2 January 2018, the Company proposes to make certain amendments to the Articles of Association.

Proposed Amendments to the Articles of Association

1. The Company proposes to add a new article after Article 6 of the Articles of Association:

   In accordance with the provisions of the Company Law and the Constitution of the Communist Party of China, an organization of the Communist Party of China (hereinafter the "**Party**") shall be established within the Company. The working organs of the Party shall be established, equipped with sufficient staff to deal with Party affairs and provided with sufficient funds to operate the Party organization. The leading Party members group or Party committee of the Company shall play a leadership role, set the right direction, keep in mind the big picture, ensure the implementation of Party policies and principles, and discuss and decide on major issues of the Company in accordance with regulations.

2. The Company proposes to add a new article after Article 128 of the Articles of Association:

   When making decisions on significant matters such as direction of reform and development, key objectives, and priority operational arrangements of the Company, the Board should seek advice from the leading Party members group or Party committee. When the Board appoints the management personnel of the Company, the leading Party members group or Party committee shall consider and provide comments on the candidates for management positions nominated by the Board or the president, or recommend candidates to the Board and/or the president.

3. If the serial numbering of the chapters and articles of the Articles of Association is changed due to the addition, deletion or re-arrangement of certain articles made in this amendment, the serial numbering of the chapters and articles of the Articles of Association as so amended shall be changed accordingly, including cross-references.

General

The proposed amendments to the Articles of Associations shall be approved by way of a special resolution of the Shareholders at the EGM to become effective.

The proposed amendments are made in accordance with the provisions of the Company Law and the Constitution of the Communist Party of China. A new procedure is added in the corporate governance, i.e. the leading Party members group or Party committee of the Company shall discuss and decide on major issues of the Company in accordance with regulations. The authorities of the Board and the general meetings of the Company and the disclosure rules under the Articles of Association remain unchanged. The Company and the Directors will continue to act in the interests of the Company and its Shareholders as a whole. The Company is of the view that the Board and the Shareholders will continue to exercise power and make final decisions on the matters relating to the Company. According to the Constitution of the Communist Party of China, the leading Party members group or Party committee of the Company will support the Board and the Shareholders to exercise power legitimately. Therefore, the Company is of the view that the proposed amendments to the Articles of Association are reasonable and in the interests of the Company and its Shareholders as a whole.

THE EXTRAORDINARY GENERAL MEETING

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

(1) by the Independent Shareholders, and by way of ordinary resolution(s), the Joint Venture Agreement, the terms and the transactions contemplated thereunder;

(2) by the Independent Shareholders, and by way of ordinary resolution(s), the revision of annual caps of the Existing Mutual Coal Supply Agreement and the Existing Mutual Supplies and Services Agreement;

(3) by the Independent Shareholders, and by way of ordinary resolution(s), the amendments to the Non-Competition Agreement;

(4) by the Shareholders, and by way of ordinary resolution(s), the proposed appointments of directors; and

(5) by the Shareholders, and by way of special resolution(s), the proposed amendments to the Articles of Association.

Votes for all resolution(s) at the EGM shall be taken by way of poll. Pursuant to the Hong Kong Listing Rules, CHNENERGY and its associates will abstain from voting on the resolutions relating the entering into the Joint Venture Agreement, the revision of annual caps of continuing connected transactions and the amendments to the Existing Non-Competition Agreement to be proposed, considered and voted on at the EGM. As of the Latest Practicable Date, CHNENERGY and its associates hold in aggregate 14,530,574,452 shares of the Company, which amounts to approximately 73.06% of total issued shares of the Company. Other than set out above and as of the Latest Practicable Date, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, there is no connected person of the Company, Shareholder and their respective associates (other than CHNENERGY and its associates) with a material interest in the resolutions to be proposed, considered and approved at the EGM required to abstain from voting at the EGM, and there is no connected person of the Company, Shareholder and their respective associates with a material interest in the other matters to be proposed, considered and approved at the EGM required to be abstain from voting at the EGM.

Notices convening the EGM and forms of proxy for use at the said meetings will be despatched by the Company to the Shareholders as soon as practicable in accordance with the Hong Kong Listing Rules.

RECOMMENDATION

Based on the relevant information disclosed herein, the Directors, including all the independent non-executive Directors, believe that the terms and the transactions contemplated under the Joint Venture Agreement, the revision of annual caps of the Existing Mutual Coal Supply Agreement, the revision of annual caps of the Existing Mutual Supplies and Services Agreement, the amendments to the Existing Non-Competition Agreement, the proposed appointments of Directors and the proposed amendments to the Articles of Association set out herein are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole.

The Board has resolved and approved the resolutions in respect of the above matters. Of the Directors attending the board meetings, the Abstained Directors were considered to have material interests by virtue of being employed by CHNENERGY, and had thus abstained from voting on the resolutions in relation to the entering into the Joint Venture Agreement, the revision of annual caps of continuing connected transactions and the amendments to the Existing Non-Competition Agreement.

Accordingly, the Board recommends that the Shareholders vote in favour of all resolution(s) in relation to the above matters to be proposed at the EGM. Platinum Securities Company Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the resolutions in relation to the entering into the Joint Venture Agreement, the revision of annual caps of continuing connected transactions and the amendments to the Existing Non-Competition Agreement.

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 the transactions contemplated under the Joint Venture Agreement, the revision of annual caps of the Existing Mutual Coal Supply Agreement, the revision of annual caps of the Existing Mutual Supplies and Services Agreement and the amendments to the Non-Competition Agreement set out herein are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions in relation to the entering into the Joint Venture Agreement, the revision of annual caps of continuing connected transactions and the amendments to the Existing Non-Competition Agreement to be proposed at the EGM.

Your attention is also drawn to the letter from the Independent Board Committee set out on pages 84 to 85, the letter from the Independent Financial Adviser set out on pages 86 to 192 and the other information set out in the appendices to this circular.

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

中国神华
CHINA SHENHUA

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

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

(Stock Code: 01088)

To the Independent Shareholders 12 March 2018

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION
CONNECTED TRANSACTION
CONTINUING CONNECTED TRANSACTION

ENTERING INTO JOINT VENTURE AGREEMENT
REVISION OF ANNUAL CAPS OF
CONTINUING CONNECTED TRANSACTIONS
AND
AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

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 the transactions contemplated under the Joint Venture Agreement, the revision of annual caps of the Existing Mutual Coal Supply Agreement, the revision of annual caps of the Existing Mutual Supplies and Services Agreement and the amendments to the Existing Non-Competition Agreement set out herein are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, are in the interests of the Company and its Shareholders as a whole and how to vote.

Having considered the above and the advice of the Independent Financial Adviser in relation thereto as set out on pages 86 to 192 of this circular, we are of the opinion that the terms and the transactions contemplated under the Joint Venture Agreement, the revision of annual caps of the Existing Mutual Coal Supply Agreement, the revision of annual caps of the Existing Mutual Supplies and Services Agreement and the amendments to the Existing Non-Competition Agreement set out herein are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of and approve the resolutions in relation to the entering into the Joint Venture Agreement, the revision of annual caps of continuing connected transactions and the amendments to the Existing Non-Competition Agreement to be proposed at the EGM.

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

Zhong Yingjie, Christina	**Tai Tam Wai Chu, Maria**	**Jiang Bo**
Independent Non-executive Director	*Independent Non-executive Director*	*Independent Non-executive Director*

The following is the text of the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of incorporation into this circular.



PLATINUM Securities Company Limited

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Hong Kong

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12 March 2018

To the Independent Board Committee and the Independent Shareholders

Dear Sirs or Madams,

DISCLOSEABLE TRANSACTION
CONNECTED TRANSACTION
CONTINUING CONNECTED TRANSACTION
ENTERING INTO JOINT VENTURE AGREEMENT
REVISION OF ANNUAL CAPS OF CONTINUING CONNECTED TRANSACTIONS
AND
AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to, among others, (i) the Joint Venture Agreement (the "**JV Transaction**"), (ii) revision of annual caps of continuing connected transactions (the "**Revision of Annual Caps**"), and (iii) amendments to the Existing Non-Competition Agreement (the "**Amendments to the Non-Competition Agreements**") (collectively as the "**Transactions**"). Details are contained in the circular of the Company dated 12 March 2018 (the "**Circular**") of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Board announced that, on 28 August 2017, the Company and GD Power entered into the Joint Venture Framework Agreement, the parties proposed to contribute the equities and assets of the relevant coal-fired power generation companies directly and indirectly held by the Company and GD Power, and establish the Joint Venture Company. After the completion of the JV Transaction, GD Power will control the Joint Venture Company.

On 4 January 2018, the Board announced that the company name of Shenhua Group Corporation Limited has been changed to China Energy Investment Corporation Limited ("**CHNENERGY**"). CHNENERGY will be the parent company after the completion of the restructuring and will merge with Guodian Group by way of merger by absorption of Guodian Group.

On 1 March 2018, the Board announced that the Company and GD Power entered into the Joint Venture Agreement. Pursuant to the Joint Venture Agreement, the Company and GD Power intend to establish the Joint Venture Company. GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power and the Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company.

As at the Latest Practicable Date, CHNENERGY holds 73.06% interest in the Company, and is the controlling shareholder of the Company. After the completion of the merger between CHNENERGY and Guodian Group, GD Power will become a subsidiary of CHNENERGY. As such, GD Power is a connected person of the Company under the Hong Kong Listing Rules, and the Joint Venture Agreement and the transactions contemplated thereunder constitute a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

BASIS OF OUR OPINION

In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders as to whether (i) the JV Transaction, (ii) the Revision of Annual Caps, and (iii) the Amendments to the Non-Competition Agreements, as far as the Independent Shareholders are concerned, are in the interests of the Company and the Shareholders as a whole and to give independent advice to the Independent Board Committee and recommendation to the Independent Shareholders as to whether the Independent Shareholders should vote in favour of the (i) JV Transaction, (ii) the Revision of Annual Caps, and (iii) the Amendments to the Non-Competition Agreements.

In formulating our opinion, we have relied on the information and facts supplied to us by the Directors and/or management of the Company. We have reviewed, among other things:

(i) the announcement issued by the Company dated 29 August 2017 and dated 1 March 2018 in relation to entering into the Joint Venture Framework Agreement and the Joint Venture Agreement;

(ii) the Joint Venture Framework Agreement and the Joint Venture Agreement;

(iii) the announcement issued by the Company dated 27 November 2017 and 4 January 2018 in relation to the completion of industrial and commercial registration of changes by Shenhua Group Corporation Limited and the further development of proposed implementation of joint restructuring of group companies;

(iv) the annual reports of the Company for the financial year ended 31 December 2016 (the "**2016 Annual Report**");

(v) the interim report of the Company for six months ended 30 June 2017 (the "**2017 Interim Report**");

(vi) the unaudited financial statements of the Shenhua Contributed Assets for the year ended 31 December 2015, the year ended 31 December 2016 and nine months ended 30 September 2017;

(vii) the unaudited financial statements of the GD Contributed Assets for the year ended 31 December 2015, the year ended 31 December 2016 and nine months ended 30 September 2017;

(viii) the appraisal report for valuation of the Shenhua Contributed Assets as at 30 June 2017 (the "**Appraisal Report**") conducted by 北京中企華資產評估有限責任公司(China Enterprise Appraisal Co., Ltd*) (the "**Valuer**")

(ix) the announcement issued by the Company dated 24 March 2016 and dated 1 March 2018 in relation to the continuing connected transactions and the Revision of Annual Caps of the continuing connected transactions;

(x) the announcement issued by the Company dated 1 March 2018 in relation to the Amendments to the Existing Non-Competition Agreement; and

(xi) other publicly available information in relation to the Transactions, the Company and the GD Power.

We have assumed that all information, facts, opinions and representations contained in the Circular are true, complete, accurate and not misleading at the time they were made and continue to be so in all material respects as at the Latest Practicable Date and we have relied on the same, except that no assumption is made by us in respect of our own opinions contained in the Circular. The Directors have confirmed that they collectively and individually accept full responsibility for the Circular, and have confirmed, having made all reasonable enquiries, that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive and there are no other matters the omission of which would make any statement in the Circular misleading.

We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy or completeness of the information of all facts as set out in the Circular and of the information and representations provided to us by the Directors and/or the management of the Company. Furthermore, we have no reason to suspect the reasonableness of the opinions and representations expressed by the Directors and/or management of the Company, which have been provided to us. In line with normal practice, we have not, however, conducted a verification process of the information supplied to us, nor have we conducted any independent in-depth investigation into the business and affairs and underlying assets of the Company or conducted any valuation or appraisal of any assets or liabilities of the Company or conducted any form of investigation into the commercial viability of the future prospects of the Subject Assets. We have also relied on information available to the public (such as the documents published by the Company) which we assumed to be accurate and reliable. We consider that we have reviewed sufficient information to enable us to reach an informed view and to provide a reasonable basis for our opinion, and we consider that we have taken sufficient and necessary steps based on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

We are independent from, and are not associated with the Company or any other party to the Transactions, or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules and accordingly, are considered eligible to give independent advice on the Transactions. We will receive a fee from the Company for our role as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to the Transactions. Apart from this normal professional fee payable to us in connection with this appointment, no arrangements exist whereby we will receive any fees or benefits from the Company or any other party to the Transactions or their respective substantial shareholder(s) or connected person(s), as defined under the Listing Rules.

The Independent Board Committee, comprising Ms. Zhong Yingjie, Christina, Dr. Tam Wai Chu, Maria and Dr. Jiang Bo has been established to advise the Independent Shareholders as to whether the Transactions contemplated thereunder including but not limited to the (i) JV Transaction; (ii) the Revision of Annual Caps; and (iii) the Amendments to the Non-Competition Agreements, are on normal commercial terms and the terms of respective transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

A. THE JV TRANSACTION

1. Background of the JV Transaction

On 1 March 2018, the Board announced that the Company and GD Power entered into the Joint Venture Agreement. Pursuant to the Joint Venture Agreement, the Company and GD Power intend to establish the Joint Venture Company. GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power and the Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company.

1.1 Information of the Company, the Group and CHNENERGY

The Company is a world-leading coal-based integrated energy company. The main business of the Group includes production and sales of coal and power, railway, port and ship transportation, and coal-to-olefins and other coal related chemical processing business.

CHNENERGY and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities. CHNENERGY is the controlling shareholder of the Company. As at the Latest Practicable Date, CHNENERGY holds 73.06% equity interest in the Company.

Set out below is the financial highlights of the Group's consolidated financial statements extracted from the 2016 Annual Report and 2017 Interim Report:

Table 1: Historical financial performance of the Group

	For the year ended 31 December				For the six months ended 30 June			
		FY2015		**FY2016**		**1H2016**		**1H2017**
		(Audited)		(Audited)		(Unaudited)		(Unaudited)
		RMB million		*RMB million*		*RMB million*		*RMB million*
Revenue	100%	177,069	100%	183,127	100%	78,723	100%	120,518
– Coal	46.72%	82,726	53.58%	98,126	50.58%	39,816	62.66%	75,515
– Power	40.29%	71,347	37.64%	68,935	41.18%	32,418	29.78%	35,886
– Transportation	2.16%	3,827	2.52%	4,610	2.57%	2,020	2.45%	2,950
– Coal chemical	2.83%	5,005	2.34%	4,293	2.17%	1,707	2.25%	2,717
– Others	8.00%	14,164	3.91%	7,163	3.51%	2,762	2.86%	3,450
Profit for the year		24,959		31,970		14,810		30,839
Profit for the year attributable to equity holders of the Company		17,649		24,910		10,827		26,298

The revenue stream of the Group consists of coal, power, transportation, coal chemical and others business segments, while over 80% of the incomes of the Group came from coal and power operations. As disclosed in the 2016 Annual Report, the revenue of the Group recorded RMB183,127 million in FY2016, which represents an increase of approximately 3.4% compared with the same period of last year. We noted from the 2016 Annual Report that such increase was due to the enhancement of effort in the sales of purchased coal by making good use of self-owned transportation of the Group, resulting in a year-on-year increase of approximately 6.6% in the sales of coal to approximately 394.9 million tonnes for FY2016 (FY2015: 370.5 million tonnes), thus led to the revenue generated from coal operations increased by approximately 18.6% in FY2016 compared with the same period of last year. The Group's power operations generated RMB68,935 million, representing a decrease of approximately 3.4% compared with the same period of last year. The profit of the Group attributable to equity holders in FY2016 amounted to RMB24,910 million, representing an increase of RMB7,261 million or 41.1% over FY2015. In addition, the revenue of the Group in 1H2017 amounted to RMB120,518 million, represented an increase of approximately 53.1% compared to RMB78,723 million in 1H2016, such increase was mainly due to the increase in the revenue from sales of coal and the increase of average sales price of coal. The profit attributable to equity holders of the Company was recorded RMB26,298 million in 1H2017, increased by approximately 142.9% compared with the same period of last year.

Table 2: Financial position of the Group

	As at 31 December 2015 (Audited) *RMB million*	**As at 31 December 2016** (Audited) *RMB million*	**As at 30 June 2016** (Unaudited) *RMB million*	**As at 30 June 2017** (Unaudited) *RMB million*
Cash and cash equivalents	42,323	41,188	66,189	88,335
Total assets	559,791	576,729	565,447	612,680
Equity attributable to equity holders of the Company	298,068	316,975	302,669	284,242

The cash and cash equivalents of the Group increased significantly as at 30 June 2017 to RMB88,335 million compared with RMB41,188 million as at 31 December 2016 and it was mainly due to the increase of net cash generated from Group's operating and investing activities. Total assets of the Group amounted to RMB612,680 million as at 30 June 2017, representing an increase of approximately 6.2% compared with RMB576,729 million as at 31 December 2016, while the equity attributable to equity holders of the Company recorded RMB284,242 million as at 30 June 2017, declined by approximately 10.3% comparing with RMB316,975 million as at 31 December 2016.

1.2 Information on the Shenhua Contributed Assets

The Shenhua Contributed Assets contain equity and assets of 18 relevant coal-fired power generation companies. Details of the Shenhua Contributed Assets are shown as below:

Table 3: Shenhua Contributed Assets

		Location of the power plant	Shareholding % held by the Company	Net assets as at 30 September 2017 (Unaudited) *(RMB0'000) considering shareholding % held of each subject company*	Installed capacity of power generations in operation *(Unit: 0'000KW)*	Installed capacity of power generations in construction *(Unit: 0'000KW)*
1.	Guohua Taicang Power Co., Ltd.	Jiangsu	50%	139,834.39	126	–
2.	Jiangsu Guohua Chenjiagang Power Co., Ltd.	Jiangsu	55%	84,317.88	132	–
3.	Guohua Xuzhou Power Generation Co., Ltd.	Jiangsu	100%	249,986.15	200	–
4.	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	Inner Mongolia	80%	86,241.86	120	–
5.	Ningxia Guohua Ningdong Power Generation Co., Ltd.	Ningxia	100%	27,673.94	66	–
6.	Shenhua Guohua Ningdong Power Generation Co., Ltd.	Ningxia	56.77%	50,677.84	66	66
7.	Zhejiang Guohua Zheneng Power Generation Co., Ltd.	Zhejiang	60%	363,891.93	449	–
8.	Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.	Zhejiang	51%	48,978.26	91	–
9.	Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.	Zhejiang	80%	32,939.26	78	–

		Location of the power plant	Shareholding % held by the Company	Net assets as at 30 September 2017 (Unaudited) *(RMB0'000) considering shareholding % held of each subject company*	Installed capacity of power generations in operation *(Unit: 0'000KW)*	Installed capacity of power generations in construction *(Unit: 0'000KW)*
10.	Shenhua Guohua International Power Co., Ltd.	Hebei, Liaoning, Inner Mongolia and Tianjin	70%	720,048.18	744	–
11.	Shenwan Energy Co., Ltd	Anhui	51%	419,849.97	460	132
12.	Baode Shendong Power Generation Co., Ltd.	Shanxi	91.3%	13,769.53	27	–
13	Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd.	Shanxi	80%	44,907.27	70	–
14.	Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.	Xinjiang	100%	145,198.54	70	132
15.	Shenhua Shendong Power Co., Ltd. Salaqi Power Plant	Inner Mongolia	–	82,488.91	60	–
16.	Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant	Inner Mongolia	–	54,717.67	30	–
17.	Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant	Xinjiang	–	102,476.89	60	–
18.	Zhejiang Zheneng Jiahua Power Generation Co., Ltd.	Zhejiang	20%	115,854.81	464	–
			Total	**2,783,853.28**	**3,313.00**	**330.00**

1.3 Information of GD Power and Guodian Group

GD Power is principally engaged in the generation and sale of electricity and heating. As at the end of 2014, 2015 and 2016, the controlled installed capacity of GD Power was 40.836 million kW, 46.3035 million kW and 50.8815 million kW, respectively, and the accumulated power generation by the wholly-owned and controlling electricity companies of GD Power was 179.022 billion kWh, 168.657 billion kWh and 196.885 billion kWh. As at 30 September 2017, the controlled installed capacity of GD Power was 53.0004 million kW, including coal-fired power installed capacity of 33.7475 million kW, hydropower installed capacity of 13.6878 million kW, wind power installed capacity of 5.3531 million kW and solar power installed capacity of 212,000 kW. As at 31 December 2016, the audited total assets of GD Power was RMB271,266.95 million, the equity attributable to equity holders was RMB52,020.42 million. In 2016, the revenue was RMB58,416.05 million, and net profit attributable to the parent was RMB4,727.28 million. As at 30 September 2017, the unaudited total assets of GD Power was RMB276,680.8555 million, equity attributable to equity holders was RMB52,288.3991 million. For the nine months ended 30 September 2017, the unaudited revenue was RMB 44,281.9198 million, and net profit attributable to the parent was RMB2,431.2235 million. As the date hereof, the controlling shareholder of GD Power is Guodian Group Co, and Guodian Group Co directly and indirectly holds 46.09% equity of GD Power. The ultimate controller of GD Power is SASAC. The shares of GD Power are listed on the Shanghai Stock Exchange.

As at the Latest Practicable Date, the controlling shareholder of GD Power is Guodian Group Co, and Guodian Group Co directly and indirectly holds 46.09% equity of GD Power. The ultimate controller of GD Power is SASAC. The shares of GD Power are listed on the Shanghai Stock Exchange.

1.4 Information on the GD Contributed Assets

The GD Contributed Assets contain equity and assets of 22 relevant coal-fired power generation companies. Details of the GD Contributed Assets are shown as below:

Table 4: GD Contributed Assets

		Location of the power plant	Shareholding % held by the GD Power	Net assets as at 30 September 2017 (Unaudited) *(RMB0'000) considering shareholding % held of each subject company*	Installed capacity of power generations in operation *(Unit: 0'000KW)*	Installed capacity of power generations in construction *(Unit: 0'000KW)*
1.	Guodian Jiangsu Power Generation Co., Ltd.	Jiangsu	100%	995,334.17	753	132
2.	Guodian Anhui Power Co., Ltd.	Anhui	100%	376,668.76	322	132
3.	Guodian Xinjiang Power Co., Ltd.	Xinjiang	100%	330,635.05	361	132
4.	GD Power Datong Power Generation Co., Ltd.	Shanxi	60%	145,371.89	252	–
5.	Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd.	Inner Mongolia	55%	33,011.41	66	–
6.	GD Power Dalian Zhuanghe Power Generation Co., Ltd.	Liaoning	51%	36,121.45	120	–
7.	GD Power Chaoyang Thermal Power Co., Ltd.	Liaoning	100%	74,392.70	–	70
8.	Guodian Jiangsu Jianbi Power Generation Co., Ltd.	Jiangsu	100%	81,480.72	66	–
9.	Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd.	Zhejiang	70%	135,934.65	120	–
10.	Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd.	Zhejiang	50%	113,821.08	200	–
11.	Guodian Ningxia Shizuishan Power Generation Co., Ltd.	Ningxia	50%	52,631.51	132	–

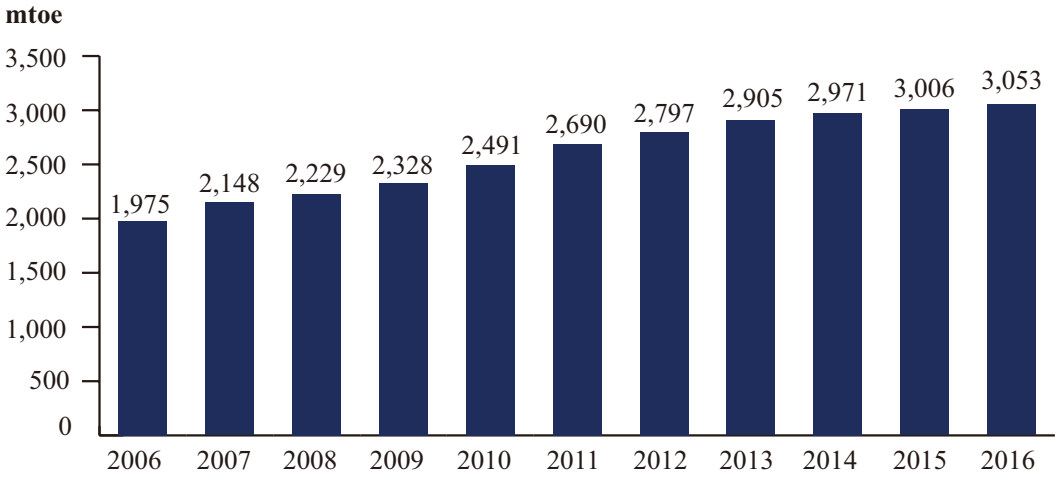
		Location of the power plant	Shareholding % held by the GD Power	Net assets as at 30 September 2017 (Unaudited) *(RMB0'000) considering shareholding % held of each subject company*	Installed capacity of power generations in operation *(Unit: 0'000KW)*	Installed capacity of power generations in construction *(Unit: 0'000KW)*
12.	Guodian Dawukou Thermal Power Co., Ltd.	Ningxia	60%	20,177.39	66	70
13.	Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd.	Zhejiang	100%	20,851.74	–	20
14.	Guodian Shizuishan No. 1 Power Generation Co., Ltd.	Ningxia	60%	16,936.42	68	–
15.	GD Power Jiuquan Power Generation Co., Ltd.	Gansu	100%	39,194.02	66	–
16.	Shanghai Waigaoqiao No.2 Power Generation Co., Ltd.	Shanghai	40%	165,177.47	72	–
17.	Guodian Zheneng Ningdong Power Generation Co., Ltd.	Ningxia	51%	42,636.00	–	200
18.	Zhejiang Zheneng Beilun Power Generation Co., Ltd.	Zhejiang	49%	170,073.29	198	–
19.	Zhejiang Zheneng Yueqing Power Generation Co., Ltd.	Zhejiang	23%	54,965.16	264	–
20.	GD Power Development Co., Ltd. Datong No. 2 Power Plant	Shanxi	–	73,276.55	120	–
21.	GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant	Liaoning	–	425,859.99	70	–
22.	GD Power Development Co., Ltd. Dawukou Branch	Ningxia	–	(441.64)	–	–
			Total	**3,404,109.77**	**3,316.00**	**756.00**

2. Industry overview

China's energy economy

With reference to BP Energy Outlook 2017, BP Statistical Review of World Energy 2016 and 2017, China has been driving the growth in global energy markets for the past two decades and it is currently the world's largest energy consumer accounting for approximately 23% in global energy consumption in 2016 totaled approximately 3 billion tonnes of oil equivalent. The reason behind is due to its ongoing high level of economic growth and its rapid expansion as an industrial giant. Massive amount of energy was required in order to keep up with the development in heavy industries and national infrastructure projects. Coal remains the dominant fuel in China's energy mix, accounting for approximately 62% of the country's primary energy consumption in 2016.

Exhibit 1: China's Energy Consumption

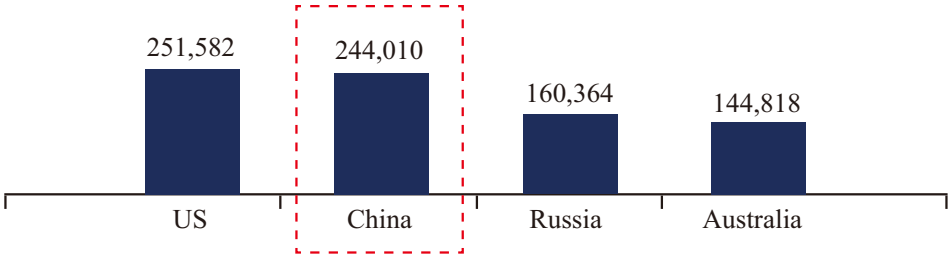


Source: BP Statistical Review of World Energy 2017
Note: 'mtoe' refers to 'million tonnes oil equivalent'

Coal industry in China

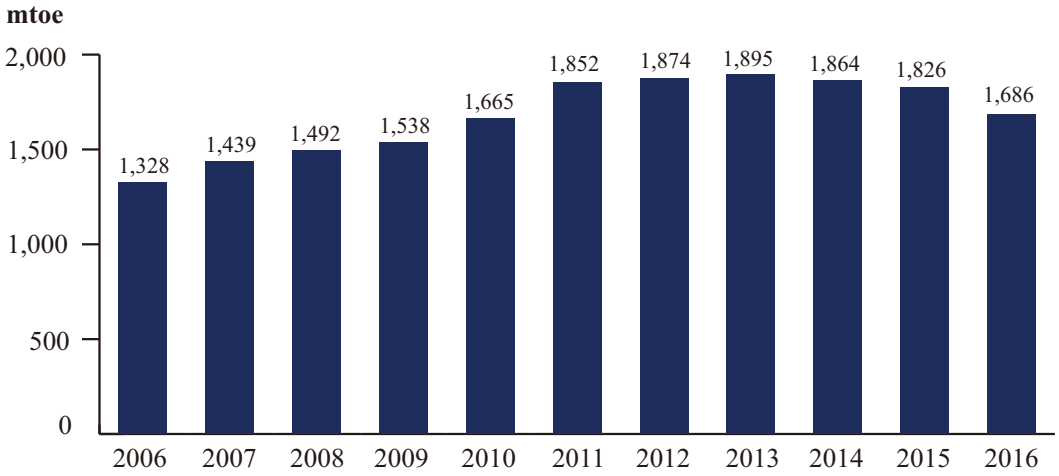
China holds the second-largest coal reserves in the world. According to industry experts' research reports, China's proven coal reserves at the end of 2016 were approximately 244 billion tonnes, constituting approximately 21% of the world's total proven coal reserves. Thus, given its availability and abundance, coal remains the basis of China's energy sector. An extensive amount of coal reserves supported the country's rapid economic growth over the years. On the supply side, with an annual production of approximately 1.7 billion tonnes oil equivalent, China accounted for approximately 46% of global coal production in 2016, making it the world's largest coal producer in the world. Over 2005 to 2015, China's coal production had increased at an annual rate of 3.9%. On the demand side, coal consumption in China totaled at approximately 1.9 billion tonnes oil equivalent, which fulfilled approximately 62% of China's primary energy consumption in 2016 whereas it accounted for almost 72% of primary energy demand over 2004 to 2013.

Exhibit 2: China's Coal Reserves (Total proved reserves at the end of 2016 (million tonnes))



Source: BP Statistical Review of World Energy 2017

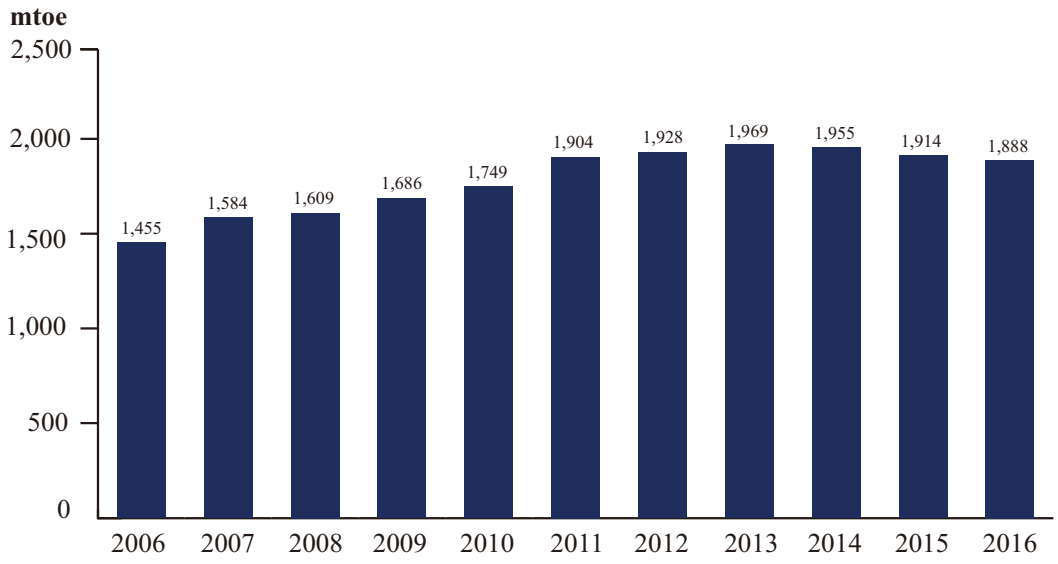
Exhibit 3: Coal Production in China



Source: BP Statistical Review of World Energy 2017

Note: Coal production includes commercial solid fuel only, i.e. bituminous coal and anthracite (hard coal), lignite and brown (sub-bituminous) coal, and other commercial solid fuels. Includes coal produced for Coal-to-Liquids and Coal-to-Gas transformations.

Exhibit 4: Coal Consumption



Source: BP Statistical Review of World Energy 2017

Energy generation by coal

Coal has long been China's most abundant, economical and reliable fossil fuel, as well as the primary sources of energy in the country. According to statistics published by China National Renewable Energy Centre, in 2016, over 65% of the electricity generated in China was produced by thermal power plants, primarily coal plants, totaled at 3,906 terawatt hours (TWh) of the country's total power output. China is ranked number 1 in coal-fired power generation (TWh) worldwide and way ahead of any other countries. Furthermore, the Chinese government has established targets for the country's energy and power sector as stated in its 13th Five Year Plan (2016–2020). By 2020, it is aimed to achieve an installed power generating capacity of approximately 2,000 Gigawatts (GW), up by over 300GW from 2016. It is expected that over half of the new capacity could come from coal-fired power plants. Therefore, coal-fired plants will continue to be China's dominant energy producer in the coming years. On the other hand, due to environmental concerns, coal's share in the country's energy mix is projected to decrease from 65% of total electricity generation in 2016 to around 57% by 2020. However, the constraints and limitations on coal production and usage make it inevitable to shift towards a more rational development model based on clean-coal technology. Given the amount of effort has put in and encouraged to adopt the new model in China's coal industry to achieve a more sustainable production and usage, the coal industry is becoming more flexible and better prepared to respond to changes in domestic and international markets.

Exhibit 5: Power Generation in 2010 (4,230 TWh)

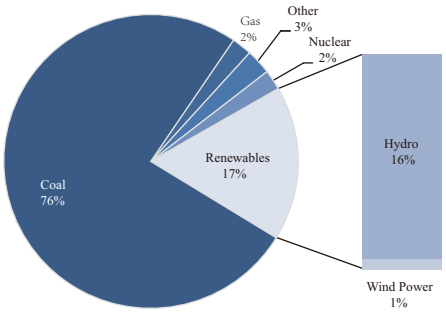
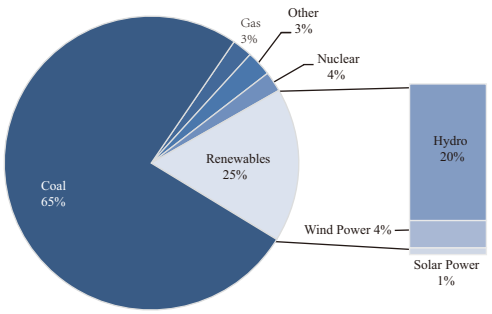


Exhibit 6: Power Generation in 2016 (5,990 TWh)



Source: CNREC

Exhibit 7: Capacity in 2016 (1,604 GW)

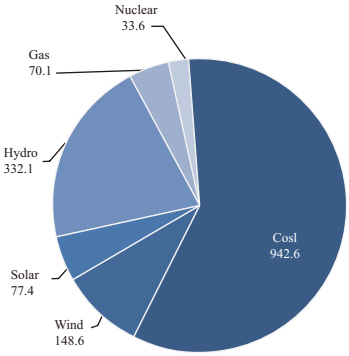
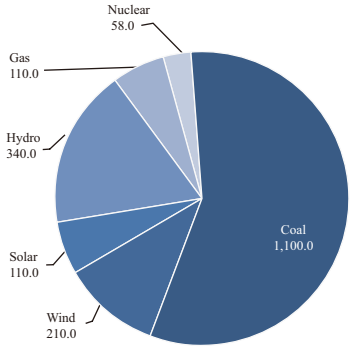


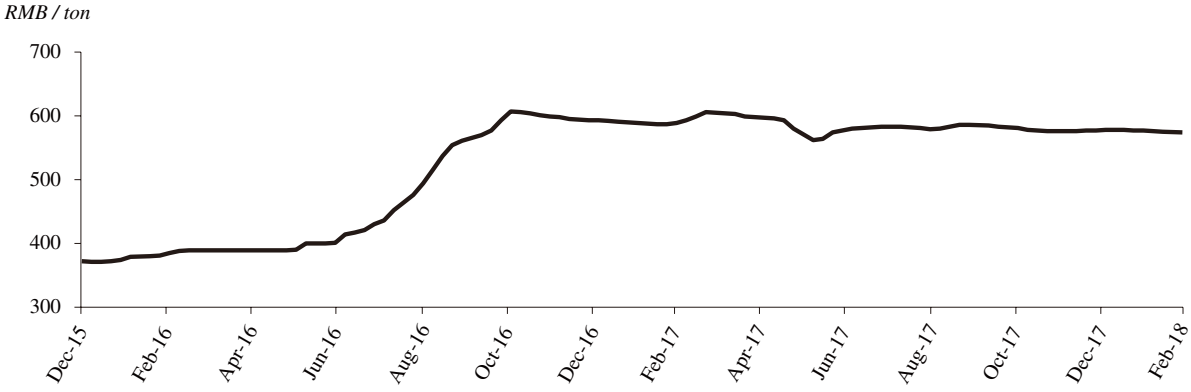
Exhibit 8: Capacity in 2020 (1,928 GW)



Source: CNREC

Coal Price

Exhibit 9: Bohai-Rim Stream-Coal Price Index (BSPI)



Source: CQCoal

The above graph is the Bohai-Rim Steam-coal Price Index (BSPI) for the past 24 months as at the Latest Practicable Date. We note that as at 2 March 2016, the Steam coal price was at RMB385 per tonne representing a substantial decrease of approximately 54.9% as compared to the record-high of RMB853 per tonne during November 2011 since its first publication in October 2010. Since then, the price has been recovering. As in the week of 1 March 2018, BSPI closed at RMB574 per tonne, representing an increase of approximately 50% compared to the historical low in March 2016. The reasons behind the price recovery are due to various factors, including but not limited to (i) governmental policies have been issued to consolidate the production capacity of the coal industry so that the annual output of each of the coal companies would exceed 3 million tonnes which are expected to eliminate backward production capacity and provide additional financial support for coal companies in China; (ii) China aim to eliminate 500 million tonnes of surplus production capacity of coal within the next three to five years as stated in the ***Opinions of the State Council on Resolving the Overcapacity Problem of the Coal Industry to Realize Development by Extricating the Coal Industry from Difficulties (《國務院關於煤炭行業化解過剩產能實現脱困發展的意見》)*** issued by the State Council on 1 February 2016; and (iii) the Ministry of Land and Resources also announced that the approval for applications on land for new coal mining projects will be suspended until 2019. In light of the above, the production of coal in China will be lowered resulting an increment in coal price and players in the industry such as the Company will be benefited in mid to long term. In contrary, the profit margin of electricity companies can be harmed due to higher coal prices. Therefore, it is essential for Chinese electricity companies to have a stable source of supply of coal with the minimal fluctuation in coal prices.

3. Reasons for entering into the Joint Venture Agreement and its benefits to the Company

3.1 The merger of coal-fired assets (the "Merger") creates synergies

By entering into the Joint Venture Agreement, it is conducive to deepen the business cooperation between the Company and GD Power to establish a long-term and stable coal supply and demand relationship as to achieve full potential of the synergistic effect of the coal-electricity industry chain. It will reinforce complementary advantages to facilitate the integration of resources, technology convergence and the scale of operation and professional management of power generation business. We also think that the similar geographic locations of Shenhua Contributed Assets and the GD Contributed Assets could further strengthen its regional competitiveness and avoid disordered competition as well as to reduce the risk of overcapacity.

In addition, we understand from the management of the Company that the Company continued to promote clean energy development and strived to achieve clean production, clean transformation and clean utilization of coal with efforts in promoting the clean development of conventional energy. We believe that the JV Transaction will enable the Company to improve its coal-dominated energy mix by advancing into clean energy segments, upgrading its industrial structure and developing new characteristics of business structure, which we think is consistent with the Company's long-term business strategies.

3.2 The JV Transaction is in line with "Supply-side structural reform" policy

Supply-side structural reform ("**SSSR**") has emerged as the main economic policy framework in China, it shapes government's efforts to reduce excess industrial capacity to initiatives designed to curb high levels of corporate debt. In recent years, excess capacity and intensifying competition have weakened power producers' bargaining positions against large users. Under the background of vigorously pushing forward the structural reform on supply side, intensifying reform of state-owned enterprises and optimizing and adjusting the deployment of state-owned economy in China, we think that the JV Transaction was prompted by SSSR and aims to rid excess production capacities and enhance efficiency in coal and power industry.

As we have discussed under the section of "Industry overview" and also consulted with the management of the Company, seeing the supply and demand in Chinese coal market stabilized in the second half of 2017, the coal price may remain at around RMB550 per metric ton in the first half of 2018. Nevertheless, such factor is one of the contradictions to the coal company and power generation company, given that the coal company would be beneficial to the coal price increase, whereas the electricity company usually suffers from the thermal power sector due to the increase of their cost to generate coal-fired power. In accordance with《關於推進供給側結構性改革防範化解煤電產能過剩風險的意見》issued by SASAC, the JV Transaction would not only integrate the coal and power assets, reducing redundant investment and homogeneity competition to improve industry efficiency, but also for the energy companies in China to develop green energy and optimize the energy production, as well as the energy consumption structure in the future.

Moreover, the JV Transaction may significantly enhance the degree of coal and electricity integration, resulting in balance and stabilizing the fluctuations in coal and electricity price, to form the core competitiveness of the Company.

In light of the above, we concur with the management of the Company that the JV Transaction is in line with the Company's business strategy and will enhance the competitiveness of the Company in the long-term. Therefore, we are of the view that the JV Transaction is in the interest of the Company and the Shareholders as a whole.

4. Principal terms of the Joint Venture Agreement

On 1 March 2018, the Company and GD Power entered into the Joint Venture Agreement.

The major clauses of the Joint Venture Agreement are set out below:

Date

1 March 2018

Parties

The Company

GD Power

Joint venture proposal

The Company and GD Power intend to establish the Joint Venture Company. GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power and the Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company.

The parties have confirmed that pursuant to the valuation of the Subject Assets that is filed with the relevant authorities, as at the Valuation Reference Date, the value of the Shenhua Contributed Assets is RMB27,709.8369 million, and the value of the GD Contributed Assets is RMB37,449.2712 million.

Based on the value of the Subject Assets that is filed with the competent authorities, the parties have negotiated and agreed that GD Power will hold 57.47% of equity interests in the Joint Venture Company, and the Company will hold 42.53% of equity interests in the Joint Venture Company.

The parties shall use their best endeavours to jointly procure the parties to complete the internal reorganization of the Subject Assets before the Completion Date (i.e. the last day of the month in which the completion date of commercial and industrial registration of the Joint Venture Company established by the Subject Assets falls).

The parties agree that the accumulated undistributed profits of the Subject Assets as at the Valuation Reference Date shall be retained by the Joint Venture Company.

Completion and business registration

The parties agree that since the Completion Date, the Joint Venture Company has all the corresponding rights and the liabilities of the Subject Assets.

The parties shall set up the Joint Venture Company as soon as practical after the effective date of the Joint Venture Agreement and GD Power shall be responsible for carrying out the commercial and industrial registration of establishment for the Joint Venture Company with assistance of the Company.

The parties shall carry out the relevant formalities for the transfer of the Subject Assets to the Joint Venture Company as soon as possible from the Completion Date.

Company name, registered capital, scope of business and purpose of the Joint Venture Company

The company name of the Joint Venture Company is the name finally registered in the business license. The Joint Venture Company is registered in Chaoyang District, Beijing, with a registered capital of RMB10 billion, in which GD Power will contribute RMB5,747.3579 million with the GD Contributed Assets and the Company will contribute RMB4,252.6421 million with the Shenhua Contributed Assets.

The purpose of the Joint Venture Company is: in compliance with laws and regulations to implement national and regional policies, to adhere to principles of reform, development, innovation and efficiency, to enhance management and make use of the overall advantages of the Joint Venture Company, to promote the development of electric power, the structure adjustment, and the optimization of resources allocation, to increase the competitiveness of the Joint Venture Company and to ensure the increase in the value of state-owned assets; the scope of business of the Joint Venture Company is the production and sale of electric power and thermal power (subject to the scope of business registered in the business license).

Corporate governance of the Joint Venture Company

The board of directors of the Joint Venture Company shall consist of five directors, among whom three of the directors shall be nominated by GD Power and two by the Company. The term of the directors shall be three years and can be extended after the renomination by the parties. If a director resigns or be removed, the party that previously nominated such director shall have the right to nominate another person to replace him.

The chairman of the board of directors shall be elected among candidates nominated by GD Power; the vice chairman shall be elected among candidates nominated by the Company. Both the chairman and vice chairman shall be approved by more than half of all the directors. The chairman is the legal representative of the Joint Venture Company.

The board of supervisors of the Joint Venture Company shall consist of three supervisors, among whom one supervisor shall be nominated by GD Power, one supervisor shall be nominated by the Company, and one supervisor as staff representatives shall be elected democratically by the staff and workers' congress of the Company. The chairman of the board of the supervisors shall be nominated by the Company and elected by more than half of the all the supervisors.

The general manager of the Joint Venture Company shall be appointed or dismissed by the board of directors. The deputy general manager, the person in charge of financial affairs (Chief Accountant/Chief Financial Officer) and other senior management personnel shall be nominated by the general manager and appointed or dismissed by the board of directors.

The shareholders' meeting of the Joint Venture Company is the authority organ of the Joint Venture Company and shall exercise the following functions and powers:

(1) to decide on the company's operational policies and investment plans;

(2) to elect and replace directors and supervisors who are not employee representatives, and to decide on matters relating to the remuneration of directors and supervisors;

(3) to examine and approve the reports of the board of directors;

(4) to examine and approve the reports of the board of supervisors;

(5) to examine and approve the annual financial budget plan and final account plan of the company;

(6) to examine and approve the profit distribution plans and plan for making up losses of the company;

(7) to adopt resolutions on the issuance of corporate bonds and various debt financing instruments;

(8) to adopt resolutions on the increase or reduce of the company's registered capital;

(9) to adopt resolutions on merger, division, dissolution, liquidation or the alteration of the form of the company;

(10) to amend the articles of association;

(11) other functions and powers stipulated by the articles of association.

The resolutions set out in item (6), item (8), item (9) and item (10) above shall be passed by shareholders representing more than two-thirds of the voting rights, and resolutions of the rest of the matters shall be approved by shareholders representing more than half of the voting rights. The place of the shareholders' meeting can be determined according to the specific circumstances when the time comes.

The board of directors is accountable to the shareholders' meeting and shall exercise the following functions and powers:

(1) to convene and report to the shareholders' meeting;

(2) to implement the resolutions approved by the shareholders' meetings;

(3) to determine the company's business plans and investment proposals;

(4) to formulate the company's annual financial budget and final account plan;

(5) to formulate the company's profit distribution plan and plan for making up losses;

(6) to formulate plans for the company to issue corporate bonds and various debt financing instruments;

(7) to formulate plans for the company to increase or decrease the company's registered capital;

(8) to prepare plans for the company on merger, division, dissolution or alteration of the Company form;

(9) to decide the establishment of the company's internal management structure;

(10) to decide on the appointment or dismissal and the remuneration of the company's general manager, and to decide on the appointment or dismissal of the company's deputy general manager, the person in charge of financial affairs and other senior management personnel and their remuneration according to the nominations of the general manager;

(11) to formulate the company's basic management system;

(12) to formulate the proposal for amendment of the articles of association;

(13) other functions and powers stipulated by the articles of association.

The resolutions set out in item (5), item (7), item (8) and item (12) above shall be passed by more than two-thirds of the directors, and resolutions of the rest of the matters shall be passed by more than half of the directors.

The general manager is accountable to the board of directors and shall exercise the following functions and powers:

(1) to be in charge of the company's production, operation and management, and to organize the implementation of the board resolutions;

(2) to organize the implementation of the company's annual business plan and investment proposal;

(3) to formulate plans for the establishment of the company's internal management structure;

(4) to formulate the company's basic management system;

(5) to formulate specific rules and regulations for the company;

(6) to propose the appointment or dismissal of the company's deputy general managers, the person in charge of financial affairs and other senior management personnel;

(7) to decide on the appointment or dismissal of management personnel other than those required to be appointed or dismissed by the board of directors;

(8) other functions and powers conferred by the board of directors.

Transition period

Apart from the matters that have obtained the prior written consent of or known to the parties on the date of the Joint Venture Agreement, during the transition period (i.e. the period between the Valuation Reference Date and the Completion Date) all aspects of the coal-fired power generation companies involved in the Subject Assets shall remain stable without significant adverse changes.

During the transition period, GD Power continues to be responsible for all work in relation to the GD Contributed Assets, and the Company continues to be responsible for all work in relation to the Shenhua Contributed Assets.

During the transition period, the parties shall perform the obligation of properly managing the Subject Assets and ensure that no circumstance exists to impede the transfer of the title of any of the Subject Assets; the parties shall reasonably and cautiously operate and manage the Subject Assets and will not engage in any activity which is outside the scope of normal operation and without duly authorization, and may damage the interest of the Joint Venture Company or Shareholders.

During the transaction period, the profits or losses associated with operating activities of the Subject Assets is retained or bore by the Joint Venture Company.

During the transition period, apart from the profits or losses associated with operating activities, the parties shall, respectively, make their best endeavours that the rights and interests of the Subject Assets will remain unchanged. To maintain the agreed shareholding percentages of the Company and GD Power in the Joint Venture Company, when the rights and interests of the Subject Assets decrease due to capital reduction, changes in ownership, distribution of interest or forth, the relevant party shall, by cash or other legally allowed methods, make up the contributed amount corresponding to the deduction of the rights or interests aforementioned. When the rights and interests of the Subject Assets increase due to capital increase, changes in ownership and so forth, the Joint Venture Company shall, by cash or other legally allowed methods, return such amount to the relevant party to ensure that both parties will hold the interests of the Joint Venture Company as negotiated and agreed.

The parties will conduct a supplemental audit for auditing the Subject Assets with the Completion Date as the reference date for the purpose of differentiating the profits and losses due to other reasons apart from operating activities during the transition period.

Credits and debts

As confirmed by the parties, the Subject Assets in the transaction include equities and assets of the relevant coal-fired power generation companies. The transaction will not change position of the Subject Assets as independent legal entities of the coal-fired power generation companies. The creditor's rights and debts of those companies shall continue to be carried out by those companies after the transaction.

As for the branch companies contained in the Subject Assets, according to the "Debts go with the Assets" principle, since the Completion Date, the creditor's rights and debts in relation to the non-equity assets of the Subject Assets shall be transferred together with the relevant assets to the Joint Venture Company and the relevant party shall be responsible for the related procedures of such transfer. As for the transferred creditor's rights and debts, the relevant party shall carry out the notification obligation and/or approval procedures that are required by law and regulations in relation to the transfer of the creditor's rights and debts.

Condition precedent to the effectiveness of the contract

The Joint Venture Agreement shall be formulated from the date on which the legal representative or authorized representative of the parties affix their signatures and common seals of their companies, and will become effective upon satisfaction of all of the following conditions:

1. The transaction is considered and approved by the Board of Directors and the general meeting of GD Power;

2. The transaction is considered and approved by the Board of Directors and the general meeting of the Company;

3. The approvals from competent authorities for this transaction are obtained;

Liabilities for breach of contract

1. If a party to the Joint Venture Agreement breaches any of its representations, warranties, undertakings, makes any misstatements, or fails to perform any of its responsibilities or obligations under the Joint Venture Agreement, the party commits a breach of the agreement. The defaulting party shall, at the request of the other party, continue to perform its obligations or take measures to remedy the breach or give other party full, prompt, adequate and effective compensation.

2. If the Joint Venture Agreement fails to become effective or to be completed for reasons not attributable to the parties, none of the parties shall be liable for breach of contract.

Governing law and dispute resolution

The Joint Venture Agreement is governed by the laws of the PRC.

Any dispute between the parties in relation to the context or the execution of the Joint Venture Agreement shall be settled first through negotiations. If the dispute fails to be resolved within 60 days after it arises, either party shall have the right to submit the dispute to the China International Economic and Trade Arbitration Commission for arbitration in Beijing in accordance with the prevailing effective arbitration rules. The arbitral award is conclusive and binding on both parties.

The terms of the Joint Venture Agreement were arrived after arm's length negotiation between the parties.

5. Financial Assistance

We note that as a result of the transaction, the Shenhua Contributed Assets will not be consolidated into the financial statements of the Company and will not continue to be subsidiaries of the Company. Historically the Group provided the Shenhua Contributed Assets with loan and finance leasing services. As at 31 December, 2017, the total outstanding balance is approximately RMB19.19 billion.

(a) Financial assistance provided by the Company and its subsidiaries (excluding Finance Company and Shenhua (Tianjin) Finance Lease Co., Ltd.) to the Shenhua Contributed Assets

The Company and its subsidiaries provided Shenwan Energy Co., Ltd. and its wholly-owned subsidiary (Anhui Anqing Wanjiang Power Generation Co., Ltd.), Baode Shendong Power Generation Co., Ltd., Shenhua Shendong Power Co., Ltd. Salaqi Power Plant, Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant, Zhejiang Guohua Zheneng Power Generation Co., Ltd., Shenhua Guohua International Power Co., Ltd. and its subsidiaries (Suizhong Power Generation Co., Ltd., Sanhe Power Generation Co., Ltd. and Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.), Guohua Xuzhou Power Generation Co., Ltd., Jiangsu Guohua Chenjiagang Power Co., Ltd., Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd., Ningxia Guohua Ningdong Power Generation Co., Ltd., Shenhua Guohua

Ningdong Power Generation Co., Ltd., Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. and Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd. with entrusted loans. The underlying interest rates range between 3.8280% and 5.6620%. As of 31 December 2017, the total balance was approximately RMB17.33 billion.

After the completion of the Merger of the Group Companies and the Joint Venture Transaction, the above financial assistance provided by the Company and its subsidiaries to the Shenhua Contributed Assets will constitute connected transactions of the Company. Each borrower will make repayment on the maturity date or by the end of 2018, whichever is the earlier.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the total balance exceeds 0.1% but all are less than 5%, financial assistance provided by the Company and its subsidiaries (excluding Finance Company and Shenhua (Tianjin) Finance Lease Co., Ltd.) to the Shenhua Contributed Assets is subject to the reporting and announcement requirements but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. However, pursuant to the Shanghai Listing Rules, the Company shall submit this matter to the Shareholders' general meeting for consideration and approval.

If any of the above financial assistance is not repaid by the end of 2018 or the transaction terms are varied, the Company will re-comply with the requirements under Chapter 14A of the Hong Kong Listing Rules (as appropriate).

(b) Financial assistance provided by Finance Company to the Shenhua Contributed Assets

Finance Company provided wholly-owned subsidiaries of Shenwan Energy Co., Ltd. (Anhui Chizhou Jiuhua Power Generation Co., Ltd., Anhui Ma'anshan Wannengda Power Generation Co., Ltd., Anhui Anqing Wanjiang Power Generation Co., Ltd. and Shenwan Hefei Lujiang Power Generation Co., Ltd.), Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd., and Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. with loans. As of 31 December 2017, the total balance was approximately RMB1.41 billion.

After the completion of the Merger of the Group Companies and the Joint Venture Transaction, the above financial assistance provided by Finance Company to the Shenhua Contributed Assets will constitute connected transactions of the Company, and will be within the bounds of the Existing Financial Services Agreement and its annual caps. However, pursuant to the Shanghai Listing Rules, the Company shall submit this matter to the Shareholders' general meeting for consideration and approval.

The repayment schedules are:

Borrower	Balance as at 31 December 2017	Maturity date	Interest rate
Anhui Chizhou Jiuhua Power Generation Co., Ltd.	RMB50,000,000	11 October 2020	4.3500%
Anhui Ma'anshan Wannengda Power Generation Co., Ltd.	RMB70,000,000	11 October 2020	4.3500%
Anhui Anqing Wanjiang Power Generation Co., Ltd.	RMB590,000,000	15 February 2020	3.9150%
Shenwan Hefei Lujiang Power Generation Co., Ltd.	RMB400,000,000	17 November 2031	4.4100%
Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	RMB200,000,000	13 October 2020	4.3500%
Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.	RMB96,000,000	30 June 2025	4.4100%

Finance Company is principally engaged in the provision of financial consultation services, credit appraisal and other related consultancy and agency services to members of the CHNENERGY Group and the Group; assistance to members in the collection and payment of transaction amount; authorised insurance agency services; provision of guarantee between members; providing entrusted loans and entrusted investments between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement planning to members; accepting deposits from members; provision of loans and finance leasing to members; provision of inter-bank lending; authorised issue of bonds; underwriting of corporate bonds of members; equity investments in financial institutions; investments in negotiable securities; provision of consumer credit facilities, buyers' credit and finance leasing. As at the date hereof, the Company directly and indirectly holds 100% interest in Finance Company.

(c) Finance leasing services provided by Shenhua (Tianjin) Finance Lease Co., Ltd. to Anhui Anqing Wanjiang Power Generation Co., Ltd.

Shenhua (Tianjin) Finance Lease Co., Ltd., a subsidiary of the Company, provided Anhui Anqing Wanjiang Power Generation Co., Ltd. with finance leasing services. As of 31 December 2017, the total balance was approximately RMB450 million.

After the completion of the Merger of the Group Companies and the Joint Venture Transaction, the above finance leasing transactions will constitute connected transactions of the Company. According to the existing agreements, Anhui Anqing Wanjiang Power Generation Co., Ltd. will repay RMB69,930,000 by 4 March 2021, and RMB378,460,000 by 1 April 2021.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the total balance exceeds 0.1% but all are less than 5%, finance leasing services provided by Shenhua (Tianjin) Finance Lease Co., Ltd. to Anhui Anqing Wanjiang Power Generation Co., Ltd. is subject to the reporting and announcement requirements but is exempt from the Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules. However, pursuant to the Shanghai Listing Rules, the Company shall submit this matter to the Shareholders' general meeting for consideration and approval.

If any of the above finance leasing is not repaid as scheduled or the transaction terms are varied, the Company will re-comply with the requirements under Chapter 14A of the Hong Kong Listing Rules (as appropriate).

6. Valuation of the Subject Assets

We understand from the management of the Company that the valuation for the Joint Venture Company was arrived on an arm's length basis negotiations between the parties to the Joint Venture Agreement, taking into account the equity interests would be held by both parties on the Joint Venture Company and the valuation conducted by the Valuer regarding the Shenhua Contributed Assets and GD Contributed Assets.

6.1 Appraisal Report

In order to assess the basis in determining the valuation of the Subject Assets, we have reviewed the Appraisal Report prepared by the Valuer and discussed with the Valuer and the management of the Company. For our due diligence purpose, we have reviewed and enquired the qualification and experience of the Valuer in relation to the performance of the valuation. The Valuer is a qualified asset appraisal firm, formerly

affiliated to the State Commission for Restructuring the Economic System, and is a dedicated asset appraisal institution under the center government. We have discussed with the Valuer in relation to their experiences and understood that Mr. Kang Zhi Gang, the chief appraiser of the Valuer, is a registered professional surveyor who has many years of experience in valuing power related assets in PRC. Given that Mr. Kang Zhi Gang has plenty of practical experience in the valuation of power related assets in the PRC as stated above, we are of the view that he is qualified to provide a reliable valuation for the Subject Assets. We believe that the Valuer has sufficient qualifications and experience in valuing similar assets and transactions for a number of listed companies in the PRC and Hong Kong over the years. We also understand that the Valuer is independent from the Company and other parties involved in the JV Transaction.

In addition, we have reviewed the terms of the engagement of the valuation and noted that the scope of work is appropriate to the opinion required to be given and we are not aware of any limitation on the scope of work which might have an adverse impact on the degree of assurance given by the Valuer. Based on the above, we are of the view that the scope of work of the Valuer is appropriate and the Valuer is qualified for valuing the Subject Assets.

Moreover, we understand from the management of the Company that the Company and GD Power agreed to choose 30 June 2017 as the valuation reference date for the Valuer to prepare preliminary valuation of the Subject Assets. The preliminary valuation results were considered and approved by the board of directors of the Company and GD Power on the board meetings held on 28 August 2017, respectively. According to the relevant requirements under the Shanghai Listing Rules, the final valuation shall be prepared by the Valuer on the same valuation reference date as the preliminary valuation. As such, considering the valuation reference date of 30 June 2017 was mutually agreed by the board of directors of the Company and GD Power and in accordance with Shanghai Listing Rules, we think that the Valuation Reference Date is appropriate so far as the Independent Shareholders are concerned.

The Valuer believes that the asset-based approach is an appropriate methodology to assess and reflect the value of the Subject Assets. We also understand from the Valuer that the income approach is also adopted in valuing the Subject Assets, whereas the Valuer considers that the income approach focuses heavily on earnings forecast and income projections of the Subject Assets in future years, which involves a high degree of uncertainty. However, by adopting the asset-based approach, since assessments are being conducted on each individual item in the financial statements, the Valuer believes the valuations are more objective and reliable. As such, the appraisal results of the asset-based approach are taken as the final conclusions.

(a) Valuation methodologies

The asset-based approach refers to the concept that the earning power of a business is derived primarily from its existing set of assets and liabilities. This approach is based on the economic principle of substitution with the assumption that each of the elements of assets and liabilities is individually valued and their sum represents the value of the entire business entity. From a valuation perspective, the Valuer will restate the values of all types of assets of a business entity from book values, with appropriate adjustment of historical cost and depreciation in order to estimate the cost of replacing the asset. After the restatement, the Valuer will be able to identify the fair market value of the business entity. In particular, as advised by the Valuer, we noted that the following calculation methods have been considered:

(i) Current asset: Based on our preliminary understanding, the items under this category such as other receivables, inventories and other current assets are valued using the audited figures as benchmark and an adjustment factor might be applied based on various analysis such as age of the outstanding account receivables and the probability of collecting account receivables.

(ii) Long term investments: The Valuer has implemented various assessment methods to verify the underlying valuation such as verifications on profits forecast provided by the management of each subsidiary. If none of the mentioned methods are applicable, the Valuer would adopt the audited figures as at the valuation date, with valuations determined solely on the basis of existing ownership interests.

(iii) Fixed assets – machinery equipment: the Valuer has adopted the replacement cost method as there is limited market information and the equipments items are not capable of generating profit independently.

(iv) Plants under constructions: We understand that the Valuer has adopted the audited figures with various costs adjustments to exclude unrelated expenses in order to evaluate the plants under constructions. In particular, the Valuer has taken into account the actual construction fees payable, upfront payment as well as financing costs.

(v) Intangible assets – land use rights: Land parcel appraisal is carried out in the region where the lands use right is located. Based on the actual land conditions and circumstances, the appraisal value is determined by adopting the market approach, land datum value and cost approach.

(vi) Deferred tax assets: In the valuation, the Valuer has examined the basis of the provision of deferred tax assets and arrived at the appraised asset value with adjustment of the corresponding corporate income tax rate.

(vii) Liabilities: the Valuer has adopted the actual debt amount to be borne by the appraised company on the valuation date. For liabilities that will not be borne by the appraised company after the valuation date, the value will be assumed to be zero.

(b) Valuation Assumptions

We further note that a number of assumptions have been made in arriving at the value of the Subject Assets. As per our discussion with the Valuer and based on the Appraisal Report, the major assumptions applicable to the valuation are as follows:

(i) there will be no material change in the existing political, legal, technological, fiscal or economic conditions which might adversely affect the economy in general and the business of the Subject Assets;

(ii) the valuation is based on going concern assumption for the Subject Assets;

(iii) key management will all be retained to support the ongoing operations of the Subject Assets and successfully carry out all necessary activities for the development of the business;

(iv) the Subject Assets will comply with the laws and regulations and there will not be non-compliance issues which will materially impact their developments and earnings;

(v) there will be no material change in the business strategy, operating structure, principal activities, etc; and

(vi) there is no force majeure or unexpected condition associated with the assets valued that might adversely affect the reported values.

We have discussed with the Valuer regarding the major assumptions made in valuing the Subject Assets. These assumptions have been evaluated and validated in order to provide a reasonable basis in arriving at the valuation.

6.2 Comparable Companies analysis

In order to assess the fairness and reasonableness of the valuation of the Subject Assets, we have attempted to identify comparable power generation companies (the "**Comparable Companies**") that (i) are current listed on the Stock Exchange of Hong Kong and PRC; (ii) are primarily engaged in power generation business, including operating thermal power generation, developing power plants and provision of power-related technical services, and generating more than 80% of total revenues from such businesses and services; and (iii) with market capitalization of HK$10 billion or above.

The Comparable Companies have been selected exhaustively based on the above criteria, which have been identified, to the best of our endeavours, in our research through public information. In our assessment, we have considered price-to-earnings ratio ("**P/E**") and price-to-book ratio ("**P/B**"), which are commonly used as benchmarks to assess the financial valuation of a company engaged in the power business.

Set out below are the implied P/Es and P/Bs of the Comparable Companies based on their closing prices as at the Latest Practicable Date and their respective latest published financial information:

Table 5: Comparable Companies analysis on P/E and P/B ratio

Company name	Ticker	Principal Business	Market Cap *(in million)*	P/E(x) *(Note 1)*	P/B(x) *(Note 2)*
China Power International Development Ltd	2380 HK	Developing, constructing, owning, managing and operating large power plants in China	RMB 15,565	6.58	0.59
China Resources Power Holdings Co Ltd	836 HK	The company invests, develops, owns, and operates coal-fired power plants in China	HK$ 64,652	8.23	0.93

Company name	Ticker	Principal Business	Market Cap *(in million)*	P/E(x) *(Note 1)*	P/B(x) *(Note 2)*
CLP Holdings Ltd	2 HK	The company conducts energy generation and retailing in Australia, and owns power generation assets in China, India, South-east Asia, and Taiwan. The Company's power sources include coal, gas, nuclear, and renewable energy.	HK$ 199,337	13.75	1.74
Huadian Fuxin Energy Corp Ltd	816 HK	The company is engaged in electricity production & sales, power facilities construction, electricity technology development and renewable energy generation projects development.	RMB 12,939	6.40	0.61
Huaneng Power International Inc	902 HK	The company develops, constructs, owns and operates coal-fired power plants throughout China. It also builds gas-fired, hydroelectric and wind power generation in China and owns Tuas Power which controls power generation facilities in Singapore.	RMB 88,399	10.37	1.16
Datang International Power Generation Co Ltd	991 HK	The company develops and operates power plants, sells electricity, repairs and maintains power equipment, and provides power-related technical services.	RMB 45,676	–	1.10
Zhejiang Zheneng Electric Power Co Ltd	600023 CH	The company supplies electric power through operating thermal power generation. The company also involves in the research and development of electric power, power and energy-saving technology development, technical consulting, sales of energy-saving products, electrical engineering and asset management.	RMB 76,844	12.24	1.29

Company name	Ticker	Principal Business	Market Cap *(in million)*	P/E(x) *(Note 1)*	P/B(x) *(Note 2)*
SDIC Power Holdings Co Ltd	600886 CH	The company generates thermal electric and hydroelectric power. The electric power generated by the company is supplied to Gansu area.	RMB 48,113	12.28	1.59
Huadian Power International Corp Ltd	600027 CH	The company generates and sells electricity and heat.	RMB 34,991	11.19	0.85
Beijing Jingneng Power Co Ltd	600578 CH	The company generates electrical and thermal power. It also maintains and repairs electricity generation equipment.	RMB 23,411	13.89	1.06
Jiangsu Guoxin Corp Ltd	002608 CH	The company engages in thermal power generation, gas power generation, heating, and electricity services.	RMB 30,384	28.20	2.02
Shanghai Electric Power Co Ltd	600021 CH	The company operates coal-fired power plants to generate electric power and heat for the Shanghai region.	RMB 19,591	21.38	1.91
			Maximum	28.20	2.02
			Minimum	6.40	0.59
			Mean	13.14	1.24
			Median	12.24	1.13
The Subject Assets				9.81 *(Note 3)*	1.05 *(Note 4)*

Source: Bloomberg, HKEx, SHEx, latest financial reports of the Comparable Companies

Notes:

(1) The P/E of the Comparable Companies is calculated by dividing the market capitalisation of the Comparable Companies as at the Latest Practicable Date by the profit attributable to the shareholders of the Comparable Companies for the year ended 31 December 2016 according to their respective latest annual report.

(2) The P/B of the Comparable Companies is calculated by dividing the market capitalisation of the Comparable Companies as at the Latest Practicable Date by the equity attributable to the owners of the Comparable Companies as at 30 June 2017 and 30 September 2017 according to their respective latest reportable financial reports.

(3) The P/E of the Subject Assets is calculated by dividing the appraisal value of the Subject Assets as at 30 June 2017 by the profit attributable to the Subject Assets for the year ended 31 December 2016.

(4) The P/B of the Subject Assets is calculated by dividing the appraisal vale of the Subject Assets as at 30 June 2017 by the net assets attributable to the Company and GD Power of the Subject Assets as at 30 September 2017.

As illustrated in Table 5, the P/B of the Comparable Companies ranges from approximately 0.59x to approximately 2.02x (the "**Comparable Companies P/B Range**") with an average of approximately 1.24x (the "**Average Comparable Companies P/B**") and median of approximately 1.13x (the "**Median of Comparable Companies P/B**"). The P/E of the Comparable Companies ranges from approximately 6.40x to approximately 28.20x (the "**Comparable Companies P/E Range**") with an average of approximately 13.14x (the "**Average Comparable Companies P/E Range**") and the median of approximately 12.24x (the "**Median of Comparable Companies P/E**").

We note that the implied P/E of the Subject Assets is 9.81x which is below the Average Comparable Companies P/E and the Median of Comparable Companies P/E but within the Comparable Companies P/E Range, while the implied P/B of the Subject Assets is 1.05x which is below the Average Comparable Companies P/B and the Median of Comparable Companies P/B but within the Comparable Companies P/B Range.

Taking into account (i) the Appraisal Report; (ii) the major assumptions made in connection with the asset-based approach are reasonable; (iii) the Valuer being a qualified independent third party to conduct valuation for businesses in the same industry; and (iv) the valuation of the Subject Assets being fair and reasonable as compared to the Comparable Companies, we are of the view that the JV Transaction is entered into in the ordinary and usual course of business of the Company, is on normal commercial terms and is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

7. Financial effects of the JV Transaction

7.1 Effect on earning

Based on the 2016 Annual Report of the Company, the profit attributable to equity holders of the Company amounted to approximately RMB24,910 million for the year ended 31 December 2016. Upon completion of the JV Transaction, the Shenhua Subject Assets will cease to be the subsidiaries of the Company and the financial performance of the Joint Venture Company would not be consolidated into the Company's financial statement. The profit attributable to the Company of the Shenhua Contributed Asset amounted to approximately RMB2,075 million based on the unaudited financial statements of the Shenhua Contributed Assets for the year ended on 31 December 2016. Nevertheless, we think that the Company may focus

on its coal related business and seize the opportunities brought by changes in coal market and strengthen the expansion of new markets. As such, we consider that the JV Transaction would not have a material impact on the Group's recurring earnings but the precise financial impact cannot be estimated at this moment in the absence of pro forma income statement.

7.2 Effect on net assets value

Based on the 2017 Interim Report of the Company, the net asset value attributable to equity holders of the Group was approximately RMB284,242 million as at 30 June 2017. We note that the net asset value attributable to equity holders of the Group will decrease approximately RMB1,521 million or 0.5% upon completion of the JV Transaction based on the unaudited financial position of the Shenhua Contributed Assets as at 30 September 2017 provided by the Company. However, it should be noted that the above analysis is the estimation for illustrative purpose only and do not consider the consolidation adjustments on the Shenhua Contributed Assets upon completion of the JV Transaction.

In general, we consider that the JV Transaction will not have a material impact on the net assets value of the Group.

B. REVISION OF ANNUAL CAPS

1. Background of the revision of annual caps of continuing connected transactions

The Company is a world-leading coal-based integrated energy company. The main business of the Group includes production and sales of coal and power, railway, port and ship transportation, and coal-to-olefins and other coal related chemical processing business.

CHNENERGY and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities. CHNENERGY is the controlling shareholder of the Company. As at the date hereof, CHNENERGY holds 73.06% interest in the Company.

As disclosed in the announcements dated 24 March 2016 and the circular dated 29 April 2016, the Company has entered into the Existing Mutual Coal Supply Agreement with CHNENERGY on 24 March 2016 to provide for the mutual supply of coal between the Group and the CHNENERGY Group. In accordance with the Hong Kong Listing Rules, the Company has been monitoring all of its transactions carried out pursuant to the Existing Mutual Coal Supply Agreement.

As approved by the Notice regarding the Reorganization of China Guodian Corporation and Shenhua Group Corporation Limited (Guo Zi Fa Gai Ge [2017] No. 146) issued by SASAC, Shenhua Group Co and Guodian Group Co will be reorganized. Shenhua Group Co has changed its company name to China Energy Investment Corporation Limited. CHNENERGY will be the parent company after the reorganization, and merge with Guodian Group Co by way of merger by absorption of Guodian Group Co. After the completion of the Merger of the Group Companies, the associates of Guodian Group Co will become the associates of CHNENERGY. As such, the existing transaction of coal supply by the Group to the associates of Guodian Group Co will become continuing connected transactions of the Company and be governed by the Existing Mutual Coal Supply Agreement.

In addition, the Company and GD Power intend to establish the Joint Venture Company. The Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company, and GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power. GD Power will hold 57.47% of equity interests in the Joint Venture Company, and the Company will hold 42.53% of equity interests in the Joint Venture Company. As a result of the transaction, the Shenhua Contributed Assets will not be consolidated into the financial statements of the Company. Therefore, the existing transaction of coal supply by the Group to the Shenhua Contributed Assets will become continuing connected transactions of the Company and be governed by the Existing Mutual Coal Supply Agreement.

Coal price has continuously increased during recent years. The Directors expect that the existing annual caps in respect of the mutual coal supply between the Group and the CHNENERGY Group for the years ended 31 December 2018 and 31 December 2019 will not be sufficient for the Group's needs. The Directors therefore propose to revise them.

As disclosed in the announcements dated 24 March 2016 and the circular dated 29 April 2016, the Company has entered into the Existing Mutual Supplies and Services Agreement with CHNENERGY on 24 March 2016 to provide for the mutual supply of products and services between the Group and the CHNENERGY Group. In accordance with the Hong Kong Listing Rules, the Company has been monitoring all of its transactions carried out pursuant to the Existing Mutual Supplies and Services Agreement.

The Directors expect that after the completion of the Merger of the Group Companies, the mutual supplies of products and services between the Group and the associates of Guodian Group Co will increase, and the existing annual caps in respect of the mutual supply of products and services between the Group and the CHNENERGY Group for the years ended 31 December 2018 and 31 December 2019 will not be sufficient for the Group's needs. The Directors therefore propose to revise them.

2. Principal terms of the Existing Mutual Coal Supply Agreement

Date

24 March 2016

Parties

The Company and CHNENERGY

Mutual coal supply

Pursuant to the Existing Mutual Coal Supply Agreement:

(1) the Group has agreed to sell and supply coal to the CHNENERGY Group; and

(2) the CHNENERGY Group has agreed to sell and supply coal to the Group.

Term and termination

The Existing Mutual Coal Supply Agreement is effective from 1 January 2017 and will end on 31 December 2019.

Price determination

The supply price under the Existing Mutual Coal Supply Agreement is the product of the unit price RMB/tonne multiplied by the actual weight. The unit price of coal shall be determined by both parties after arm's length negotiations with reference to the market price and conditions and the following factors, provided that the transaction terms shall not be less favourable than those provided by third parties:

(1) the national industrial policy as well as industry and market conditions in the PRC;

(2) the specified guidelines issued by NDRC setting out the coal purchase prices (if any);

(3) the existing transacted coal prices of the local coal exchange or market in the PRC, i.e., the coal price with comparable quality that is offered to or offered by third parties under normal market conditions and normal commercial terms in the same or nearby regions. For local spot coal price, reference is made to (i) the spot price index of the local coal exchange or market in Bohai-rim region or nearby provinces as published on the website of 中國煤炭市場網(www.cctd.com.cn) organised by

China Coal Transportation & Sale Society (《中國煤炭運銷協會》) in the PRC as determined by both parties at arm's length negotiation; (ii) the sale price of local large coal enterprises as published by each coal industry website (if any); and/or (iii) price quotation of one or more other enterprises with comparable quality, quantity and location (if any). Considering that the CHNENERGY Group (including the Group) is the largest and most technologically advanced coal enterprise in China, and is the largest coal dealer in the world, there are certain types of coal that other coal enterprises do not produce or sell. Therefore, for certain types of coal, the Company may not be able to obtain price quotation of one or more other enterprises with comparable quality, quantity and location. If the Company can obtain any price quotation(s) of one or more other enterprises with comparable quality, quantity and location, the Company will obtain such price quotation(s), and will adopt the most favourable price obtained;

(4) the quality of the coal (including the estimated calorific value of coal as required by different coal-fired power generating units);

(5) the quantity of coal; and

(6) the estimated transportation fees.

Established in August 1998, China Coal Transportation & Sale Society is a national organization of government authorities supervising and administrating coal industry and enterprises engaging in coal production, sale and transportation. China Coal Transportation & Sale Society is supervised by SASAC and Ministry of Civil Affairs of the PRC. The coal price index published by China Coal Transportation & Sale Society is recognized by the coal industry to be authoritative. The website 中國煤炭市場網 (www.cctd.com.cn) is the official website of China Coal Transportation & Sale Society to publish coal price index.

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 Existing Mutual Coal Supply Agreement with members of the CHNENERGY 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 Existing Mutual Coal Supply Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Existing Mutual Coal Supply Agreement and the annual caps.

All payment made pursuant to the Existing Mutual Coal Supply Agreement and its implementation agreements will be in cash.

Procedures and Internal Control System for Pricing and Terms of the Continuing Connected Transactions

The Company has established a series of procedures and internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable than the terms provided by any independent third party, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

(1) The transactions contemplated under the connected transactions agreements are conducted on a non-exclusive basis.

(2) The Company has adopted internal control rules such as Connected Transaction Decision Making System, Connected Transaction Management Measures and Connected Transaction Application and Reporting Rules.

Connected Transaction Decision Making System of China Shenhua Energy Company Limited

Connected Transaction Decision Making System (the "**Decision Making System**") contains seventeen articles. The Decision Making System defines the meaning of "connected person" and "connected transaction". It specifies the situations subject to reporting and examination and the principles to be followed when conducting connected transactions. Abstention measures to be taken when executing the connected transaction contract are also included. The Decision Making System also specifies the powers and duties of the Company's audit committee, Board and Directors, general meeting of Shareholders and its Shareholders. The Decision Making System also contains matters such as abstention mechanism when conflict of interest arises, voting procedures of general meetings of Shareholders, and so on. Rules in the system are consistent with the connected transactions rules under the Shanghai Listing Rules and the Hong Kong Listing Rules.

Connected Transaction Management Measures of China Shenhua Energy Company Limited

Connected Transaction Management Measures (the "**Management Measures**") consist of thirty articles divided into ten chapters. The Management Measures define the configuration of the connected transaction leading group and the scope of official duties of the company leadership and related departments. The measures also specify the duties of branches and

subsidiaries when conducting connected transactions. Rules related to information collection and management are also contained in the Management Measures. The legal department of the Company is responsible for information collection and management and related parties are obliged to provide such information actively and without delay. As to connected transactions which have been disclosed, the Management Measures spell out the key of management is to ensure the annual transaction amounts are within the annual caps with detailed management procedures included. As to new connected transactions, disclosure, examination and approval are necessary before the transactions take place. Detailed management procedures are also included. The Management Measures also contain matters related to self-assessment and supervisory review process.

Connected Transaction Application and Reporting Rules of China Shenhua Energy Company Limited

Connected Transaction Application and Reporting Rules (the "**Application and Reporting Rules**") are divided into five parts. Subsidiaries of the Company are required to specify the reasons for the transaction, the reasons of conducting a connected transaction and offer basic information of connected persons. Furthermore, pricing policy of the connected transaction and measures taken to ensure the fairness of the transaction also require explanations. Applicants are asked to clarify when they have signed the contracts, cleared and issued the notes, and finished the application and reporting process within the required time. According to the Application and Reporting Rules, all of the continuing connected transactions shall be conducted within the annual caps. Besides, the applicable scope and the related documents to be submitted are also provided in the Application and Reporting Rules.

(3) Under the leadership of the Board, the Company has set up a connected transaction leading group headed by the chief financial officer. This connected transaction leading group is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organising the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions.

(4) Each subsidiary of the Group has established the connected transaction group headed by a senior manager responsible for finance. Specific personnel are arranged to be in charge of the pricing of the continuing connected transactions and required to strictly

observe the pricing principles and policies for the continuing connected transaction disclosed in this circular to set the price for each transaction. (i) For the Mutual Coal Supply Agreement, specific personnel seek to obtain information about spot market price of coal through various channels; and (ii) For the Mutual Supplies and Services Agreement, according to the Group's internal rules and regulations for procurement and sales, when the government-prescribed price or government-guided price is absent, the Company will seek to obtain information about market price through various channels, for example, considering at least two comparable transactions with independent third parties for the same period, comparable transactions among independent third parties for the same period, conducting market price research through various independent industry information vendors (e.g., industry websites), and participating in activities organised by leading industry organisations. Such price is determined by the contracting parties (i.e., the subsidiaries of the Group on the one hand and the subsidiaries of the CHNENERGY Group on the other hand) on normal commercial terms with reference to the information obtained as mentioned above. Where tender and bidding process is necessary under applicable laws, regulations and rules, the Group and the CHNENERGY Group shall entrust professional tender and bidding companies to organise tender and bidding procedures, and the subsidiaries of the Group and the CHNENERGY Group shall participate fairly. For products and services with agreed prices, the supplier shall provide a cost list and the purchaser conducts comparison with the comparable average cost of similar enterprises in the neighbouring areas or the cost of the same type of products to determine the reasonable cost for ascertaining the price of the connected transaction. The Company's connected transaction leading group reviews the pricing of continuing connected transactions periodically to ensure every transaction is priced strictly according to the pricing principles and policies for the continuing connected transaction disclosed in this circular.

(5) The Group has adopted the ERP system. ERP system is composed of a category of business-management software that the Company uses to collect, store, manage, and interpret data from many business activities. ERP systems track business resources such as cash, inventory, production capacity as well as the status of business commitments such as orders, purchase orders, and payroll. Departments with different functions and subsidiaries at different levels use the ERP system to share information, execute internal authorization and approval and facilitate transactions, production and sales. When specific personnel recommend pricing of continuing connected transactions, they shall submit the same to the ERP system for the connected transaction groups and finance departments of the subsidiaries of the Group

to determine the pricing on the ERP system. The connected transaction groups and finance departments also monitor the pricing through the ERP system and ensure that the implementation price of continuing connected transactions is consistent with the agreed price.

(6) Under the leadership of the connected transaction leading group, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Further, the legal departments conduct prudent review of the connected transaction contracts, the financial departments control pricing of the connected transactions and the contract implementation departments monitor the transaction amounts in a timely manner.

(7) The Company implements connected transactions in accordance with the internal control process, and requires all of the subsidiaries to submit implementation reports of connected transactions on a monthly basis. The Company consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified.

(8) The Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports which consist of the implementation of the continuing connected transactions on a half-yearly basis on matters mainly including: whether the Company and relevant connected person performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amount incurred are within the annual caps as approved at the general meeting. The independent non-executive directors report to the general meeting of the Company on an annual basis on their performance of duties. Such reports include opinions on (i) whether the actual transaction amount incurred are within the annual caps as approved at the general meeting; (ii) whether the continuing connected transactions are conducted pursuant to the agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole.

(9) The Supervisory Board supervises the matters relating to the continuing connected transactions. It reviews the annual financial reports and interim financial reports which consist of the implementation of the continuing connected transactions on an annual basis. It also reviews the domestic and overseas compliance of the connected transactions, whether the prices are fair and reasonable and whether there are any acts which are detrimental to the interests of the Company and the Shareholders.

(10) The Audit Committee reviews the annual reports, annual financial reports, interim reports and the interim financial reports which consist of the implementation of the continuing connected transactions and opine on the connected transactions during the relevant periods on matters mainly including the fairness of the connected transactions and whether the actual transaction amount incurred are within the annual caps.

(11) The external auditor of the Company conducts interim and year-end audit for each financial year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies and whether the actual connected transaction amount incurred is within the annual caps during the preceding year pursuant to the Hong Kong Listing Rules and submits the same to the Stock Exchange.

By implementing the above internal control measures and procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing of each transaction will be conducted in strict accordance with the various pricing principles and policies of continuing connected transactions as disclosed in this circular on normal commercial terms or better, and will be fair and reasonable to the Company and the Shareholders as a whole.

3. Reasons for and benefits of entering into the Existing Mutual Coal Supply Agreement

The Group continues to sell coal to a number of power plants, coal to liquid and coal-based chemical subsidiaries owned by the CHNENERGY Group. In return, the Group receives payment for the supply of coal as in any other ordinary commercial transaction. The CHNENERGY Group also continues to supply the Group with various types of coal for the purposes of coal blending and re-sale. These continuing connected transactions ensure that the Group and the CHNENERGY Group receive a steady supply of high quality coal. These continuing connected transactions also reduce business risks and costs which ultimately benefit the operations of the Company.

We note that the supply of coal by the Group to the CHNENERGY Group and by the CHNENERGY Group to the Group reached approximately RMB6,248 million and approximately RMB8,021 million for the year ended 31 December 2017, representing approximately 2.6% and 5.2% of the Group's annualized revenue and cost of sales in 2017[1]. In addition, we note from the "Shenhua and Guodian to form world's largest power company" report released by Bloomberg New Energy Finance[2] that CHNENERGY Group is the world's largest power generation company by installed capacity with total assets over RMB1.8 trillion. Given the scale of and the favourable terms offered by the CHNENERGY Group, we concur with the management of the Company that the Existing Mutual Coal Supply Agreement can reduce business risks and costs of the Group which benefit the operations of the Company.

We note that the unit price of coal shall be determined on an arm's length negotiations and not less favourable than those provided by third parties and the pricing of the coal provided under the Existing Mutual Coal Supply Agreement shall be determined with reference to (i) the national industrial policy as well as industry and market conditions in the PRC; (ii) the specified guidelines issued by NDRC setting out the coal purchase prices; (iii) the existing transacted coal prices of the local coal exchange or market in the PRC; (iv) the quality of the coal; (v) the quantity of coal; and (vi) the estimated transportation fees.

We have discussed with the management of the Company and obtained the Group's relevant internal control guidelines and confirmed that the Group has followed the relevant procedures of its internal control guidelines. In particular, we have reviewed the information about spot market price of coal through various channels and concluded that the existing contracts were in line with the Company's internal control guidelines where the Company will seek to obtain additional information about market price through spot price. We also note that the Company has implemented a comprehensive system including a leading group headed by the Chief Financial Officer in formulating and overseeing the internal control systems, ERP system for monitoring the price of continuing connected transactions, regular internal assessments on the internal control measures in respect of continuing connected transactions and monthly report on the implementation of internal control. We have enquired the management of the Company and confirmed that these practices have been carried out strictly. With the spot market price comparison carried out by the Company on the transactions under the Existing Mutual Coal Supply Agreement and the internal control systems implemented by the Company, we are of the view that the internal control guidelines are fair and reasonable.

[1] The annualized results are based on the 2017 Interim Report published on 27 August 2017.
[2] The report is extracted from Bloomberg.

We have also reviewed three samples each from the supply of coal by the Group to the CHNENERGY Group and by the CHNENERGY Group to the Group under the Existing Mutual Coal Supply Agreement and confirmed that the existing transactions between the CHNENERGY Group and the Group were entered into on normal commercial terms and consistent with the pricing terms and payment terms under the Existing Mutual Coal Supply Agreement and the relevant internal control measures were carried out pursuant to the internal control guidelines. In addition, we have reviewed three samples each from the supply of coal by the Group to independent third parties and by independent third parties to the Group which are comparable to the samples under the Existing Coal Supply Agreement and confirmed that the pricing terms and payment terms of those with the CHNENERGY Group were not less favourable than those provided by independent third parties. The samples were selected on a random basis taking into account different types of product and service and that the transactions were entered into during different periods under the Existing Mutual Coal Supply Agreement. Therefore, we consider the pricing terms, payment terms and internal control guidelines are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Proposed revised annual caps under the Existing Coal Supply Agreement

As approved by *the Notice regarding the Reorganization of China Guodian Corporation and Shenhua Group Corporation Limited* (Guo Zi Fa Gai Ge [2017] No. 146) issued by SASAC, Shenhua Group Co and Guodian Group Co will be reorganized. Shenhua Group Co has changed its company name to China Energy Investment Corporation Limited. CHNENERGY will be the parent company after the reorganization, and merge with Guodian Group Co by way of merger by absorption of Guodian Group Co. After the completion of the Merger of the Group Companies, the associates of Guodian Group Co will become the associates of CHNENERGY. As such, and the existing transaction of coal supply by the Group to the associates of Guodian Group Co will become continuing connected transactions of the Company and be governed by the Existing Mutual Coal Supply Agreement.

In addition, the Company and GD Power intend to establish the Joint Venture Company. The Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company, and GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power. GD Power will hold 57.47% of equity interests in the Joint Venture Company, and the Company will hold 42.53% of equity interests in the Joint Venture Company. As a result of the transaction, the Shenhua Contributed Assets will not be consolidated into the financial statements of the Company. Therefore, the existing transaction of coal supply by the Group

to the Shenhua Contributed Assets will become continuing connected transactions of the Company and be governed by the Existing Mutual Coal Supply Agreement.

Coal price has continuously increased during recent years. The Directors expect that the existing annual caps in respect of the mutual coal supply between the Group and the CHNENERGY Group for the years ended 31 December 2018 and 31 December 2019 will not be sufficient for the Group's needs. The Directors therefore propose to revise them.

The existing annual caps for the years ended on 31 December 2018 and 31 December 2019 and the proposed revised annual caps are set out below. The Company also sets out below the historic transaction amounts under the same categories for the year ended 31 December 2017.

Supply of coal by the Group to the CHNENERGY Group

Year ended 31 December 2017		**Year ended 31 December 2018**		**Year ended 31 December 2019**	
Annual cap	**Transaction amount** (unaudited)	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
11,300	approximately 6,248	13,500	65,500	16,000	65,500

The proposed revised annual caps of the Existing Mutual Coal Supply Agreement for the supply of coal by the Group to the CHNENERGY Group (the "**Proposed Revised Supply of Coal Annual Caps**") have been set taking into account the following factors:

(a) The Guodian Group is one of the largest power generation groups in the PRC, and has been one of the major customers of the Group for many years. For the year ended 31 December 2017, the Group sold approximately 18.18 million tonnes of coal to the Guodian Group with transaction amount of approximately RMB8,690 million (unaudited). The Merger of the Group Companies and the Joint Venture Transaction are part of supply side structural reform of the PRC in coal and power sector for the purpose of leveraging and integrating the strength and resources of the Group and the Guodian Group in coal and power. Therefore, the Company has agreed with the Guodian Group that after the completion of the Merger of the Group Companies and the Joint Venture Transaction, the Company has the right, but is not obliged to, increase supply of coal to the Guodian Group by 30 million tonnes in 2018 and 2019. Therefore, based on the Bohai Bay Thermal Coal Price Index in the week of 1 March 2018 (i.e. RMB574 per tonne for 5,500 kcal thermal coal), the transaction amount of

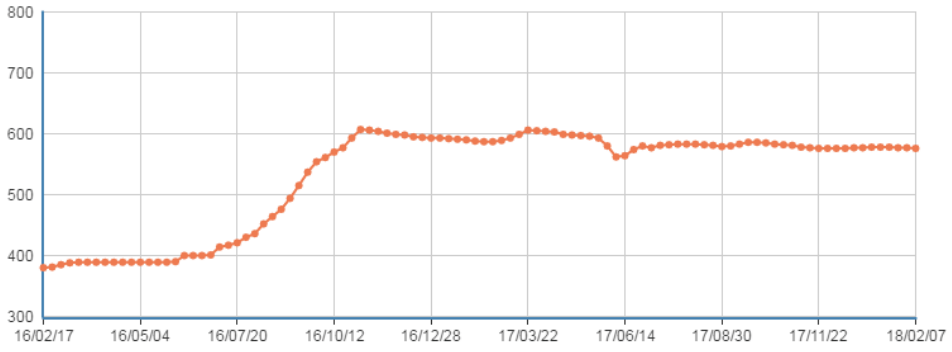
the continuing connected transactions may increase by up to 17.2 billion in 2018 and 2019. Affected by factors such as calorific value of coals to be sold, transportation distance and price fluctuation, the above estimated data may be different from the actual transaction amount.

(b) the Group will continue to supply coal to the Shenhua Contributed Assets. For the year ended 31 December 2017, the Group sold approximately 29.26 million tonnes of coal to the Shenhua Contributed Assets with transaction amount of approximately RMB11,262 million (unaudited). After the completion of the Merger of the Group Companies and the Joint Venture Transaction, the Group will continue to supply coal to the Shenhua Contributed Assets. These transactions will constitute continuing connected transactions of the Company after the completion of the Merger of the Group Companies and the Joint Venture Transaction.

(c) coal price has continuously increased during recent years. In the week of 24 March 2016 (i.e. the date on which the Existing Mutual Coal Supply Agreement was entered into), the Bohai Bay Thermal Coal Price Index was RMB389 per tonne, and in the week of 1 March 2018, the Bohai Bay Thermal Coal Price Index was approximately RMB574 per tonne. The Company expects that coal price may fluctuate at current level or continue to rise. For the year ended 31 December 2017, the Group sold approximately 16.50 million tonnes of coal to the CHNENERGY Group with transaction amount of approximately RMB6,248 million (unaudited). The Group will continue to supply coal to the CHNENERGY Group.

The chart of the historical changes of the Bohai Bay Thermal Coal Price Index during the last two years is set out below:

RMB/tonne



(d) the Company is of the view that when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. Considering the fluctuation of the coal price and sales volume, the Company has applied a buffer of 15% for the expected transaction amount when estimating revised annual caps. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CHNENERGY Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CHNENERGY Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive directors and auditors will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

The Proposed Revised Supply of Coal Annual Caps for the years ending 31 December 2018 and 31 December 2019 are both RMB65,500 million, representing an increase of approximately 385.2% and 309.4% compared to the original annual caps respectively.

Supply of coal by the CHNENERGY Group to the Group

Year ended 31 December 2017		**Year ended 31 December 2018**		**Year ended 31 December 2019**	
Annual cap	**Transaction amount** (unaudited)	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
9,400	approximately 8,021	11,400	20,700	13,500	24,500

The proposed revised annual caps of the Existing Mutual Coal Supply Agreement for the supply of coal by the CHNENERGY Group to the Group ("**Proposed Revised Receipt of Coal Annual Caps**") have been set taking into account the following factors:

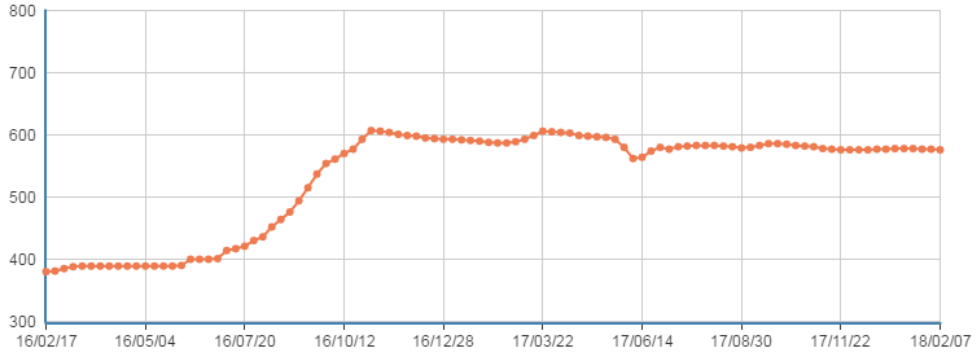
(a) In 2017, the Guodian Group sold coals to the Group for approximately RMB50 million. After the completion of the Merger of the Group Companies, Guodian Group will continue to supply coal to the Group.

(b) In 2017, the Group purchased approximately 1.75 million tonnes and approximately 8.60 million tonnes of coal from Shenhua Hangjin Energy Co., Ltd. and Shanxi Jinshen Energy Co., Ltd. for re-sale, respectively. Both of Shenhua Hangjin Energy Co., Ltd. and Shanxi Jinshen Energy Co., Ltd. are subsidiaries of the CHNENERGY Group. The transaction amount was approximately RMB568 million (unaudited) and RMB3,068 million (unaudited), respectively. A number of customers of the Group have agreed to purchase additional 20.79 million tonnes and 25.21 million tonnes of coal from the Group in 2018 and 2019, respectively. To satisfy the market need, in 2018 and 2019, the Group may respectively purchase additional 9.25 million and 10.35 million tonnes coal from Shenhua Hangjin Energy Co., Ltd., and additional 7.4 million tonnes and 9 million tonnes of coal from Shanxi Jinshen Energy Co., Ltd. Therefore, based on the Bohai Bay Thermal Coal Price Index in the week of 1 March 2018 (i.e. RMB574 per tonne for 5,500 kcal thermal coal), the transaction amount of the continuing connected transactions may increase by approximately RMB11.9 billion in 2018 and approximately RMB14.5 billion in 2019. Affected by factors such as calorific value of coals to be bought, transportation distance and price fluctuation, the above estimated data may be different from the actual transaction amount.

(c) coal price has continuously increased during recent years. In the week of 24 March 2016 (i.e. the date on which the Existing Mutual Coal Supply Agreement was entered into), the Bohai Bay Thermal Coal Price Index was RMB389 per tonne, and in the week of 1 March 2018, the Bohai Bay Thermal Coal Price Index was RMB574 per tonne. The Company expects that coal price may fluctuate at current level or continue to rise.

The chart of the historical changes of the Bohai Bay Thermal Coal Price Index during the last two years is set out below:

RMB/tonne



(d) the Company is of the view that when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. Considering the fluctuation of the coal price and sales volume, the Company has applied a buffer of 15% for the expected transaction amount when estimating revised annual caps. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CHNENERGY Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CHNENERGY Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive Directors and auditors will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

The Proposed Revised Receipt of Coal Annual Caps for the years ending 31 December 2018 and 31 December 2019 are RMB20,700 million and RMB24,500 million, representing an increase of approximately 81.6% and 81.5% compared to the original annual caps respectively.

5. The basis for determining the proposed revised annual caps under the Existing Mutual Coal Supply Agreement

We note that the Proposed Revised Supply of Coal Annual Caps are determined with reference to (i) the continuing increase in coal price or steady coal price at the current level; (ii) a buffer of 15% to cater for the expected transaction amount when estimating revised annual caps; (iii) the transaction amount of the supply of coal by the Group to Guodian Group; (iv) the transaction amount of the supply of coal by the Group to the CHNENERGY Group and (v) the transaction amount of the supply of coal by the Group to the Shenhua Contributed Assets while the Proposed Revised Receipt of Coal Annual Caps are determined with reference to (i) the continuing increase in coal price or steady coal price at the current level; (ii) a buffer of 15% to cater for the expected transaction amount when estimating revised annual caps; (iii) the transaction amount of the receipt of coal by the Group from Guodian Group; and (iv) the transaction amount of the receipt of coal by the Group from Shenhua Hangjin Energy Co., Ltd., Shanxi Jinshen Energy Co., Ltd. and certain customers.

In assessing the fairness and reasonableness of the Proposed Revised Supply of Coal Annual Caps and the Proposed Revised Receipt of Coal Annual Caps, we have considered the following factors.

At the time when the Existing Mutual Supplies and Services Agreement was entered, the Bohai Bay Thermal Coal Price Index (5,500 kcal) was RMB389 per tonne, comparing to RMB574 per tonne in the week of 1 March 2018, representing an increase of 47.6%. We note that following the *Opinions of the State Council on Resolving the Overcapacity Problem of the Coal Industry to Realize Development by Extricating the Coal Industry from Difficulties* issued by the State Council on 1 February 2016 which aimed to carry out supply-side reform to reduce 500 million tonnes of coal production within the next three to five years, the Bohai Bay Thermal Coal Price Index (5,500 kcal) has shown an upside trend and the supply-side reform is expected to continue in 2018 as stated in the National Energy Work Conference held on 26 December 2017 in Beijing[3]. Also, according to the government work report released at the first session of the 13th National People's Congress[4], the Chinese government set its gross domestic product growth rate at approximately 6.5% in 2018. Given the continuance of supply-side structural reform and the steady economic forecast in 2018, we concur with the management of the Company that the coal price may fluctuate at current level or continue to increase which drives up the continuing connected transactions under the Existing Mutual Coal Supply Agreement and we are of the view that the 15% buffer for the expected transaction amount is fair and reasonable.

Following the Merger, the CHNENERGY Group will become the largest power generation company in terms of installed capacity with total assets over RMB1.8 trillion. Given the size and complexity of the Merger, it is inherently difficult to accommodate all the possibilities when considering the proposed revised annual caps under the Existing Mutual Coal Supply Agreement. In addition, according to the guideline released by NDRC and other government agencies on 19 December 2017, the government will support more mergers and acquisitions by 2020 in the coal sector which enhances the concentration of production in the sector. Given the higher concentration rates among the large coal producers, it may possibly increase the continuing connected transaction amounts between the Group and the CHNENERGY Group since there will be fewer coal producers in the market. Therefore, we are of the view that the 15% buffer for the expected transaction amount can provide flexibility for the Company to cater for various possibilities in the future.

We note that the Proposed Revised Supply of Coal Annual Caps for the year ending 31 December 2018 and 2019 will increase by 385.2% and 309.4% respectively. As stated in the Letter from the Board, the historic transaction amounts of the supply of coal by the Group to the Guodian Group and Shenhua Contributed Assets were approximately RMB8,690 million and approximately RMB11,262 million, representing 76.9% and 99.7% of the original annual cap for the year ended 31 December 2017. Following the completion of the Merger of the Group Companies, transactions with Guodian Group and the Shenhua Contributed Assets will constitute new continuing connected transactions of the Company.

[3] Source: http://www.nea.gov.cn/2017-12/26/c_136853428.htm
[4] Source: http://www.gov.cn/zhuanti/2018qglhzb/live/0305b.htm

We have reviewed the schedule of formulating the Proposed Revised Supply of Coal Annual Caps and understand that the transaction amount of the supply of coal by the Group to Guodian Group will be increased by up to approximately RMB17.2 billion in 2018 and in 2019, representing 26.3% and 26.3% of the Proposed Revised Supply of Coal Annual Caps for the years ending 31 December 2018 and 31 December 2019. We have in addition reviewed the assumptions behind the expected transaction volume of up to 30 million tonnes of coal in 2018 and in 2019 and understand from the management of the Company that the Company has agreed with the Guodian Group that after the completion of the Merger of the Group Companies and the Joint Venture Transaction, the Company has right, but is not obliged to, increase supply of coal to the Guodian Group by up to 30 million tonnes in 2018 and in 2019. Since there is a possibility of supplying up to 30 million tonnes in 2018 and in 2019 and the supply side reform of the PRC in coal and power sector can strengthen the Group's and Guodian Group's production capacity, we are of the view that the expected transaction volume with Guodian Group is fair and reasonable. Also, upon our review of the schedule of formulating the Proposed Revised Supply of Coal Annual Caps, we understand that the supply of coal to the Shenhua Contributed Assets is expected to increase in 2018 and 2019 as the Company expects more transactions following the completion of the Merger of the Group Companies and the Joint Venture Transaction and the supply side reform effect. When the Proposed Revised Supply of Coal Annual Caps are formulated, they have taken into account the historical utilisation rate of the original annual caps and prudently predict the expected transaction volume of the supply of coal by the Group to CHNENERGY Group based on the historical transaction.

We have recalculated the Proposed Revised Supply of Coal Annual Caps by taking into account (i) the expected increase in transaction amount with Guodian Group; (ii) the expected increase in transaction amount with Shenhua Contributed Assets; (iii) the expected continuous increase in coal price or steady coal price at the current level; (iv) the expected transaction amount with CHNENERGY Group; and (v) a buffer of 15% to cater for the expected transaction amount, we are of view that the Proposed Revised Supply of Coal Annual Caps are fair and reasonable. Given the expected transaction amount is based on the Bohai Bay Thermal Coal Price Index of RMB574 per tonne in the week of 1 March 2018 and the transaction volume is formulated based on the historical utilisation rate, historical transaction amount and expected transaction amount, we consider the Proposed Revised Supply of Coal Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

We note that the Proposed Revised Receipt of Coal Annual Caps for the years ending 31 December 2018 and 2019 will increase by 81.6% and 81.5% respectively. As stated in the Letter from the Board, the historic transaction amounts of the receipt of coal by the Group from Guodian Group was approximately RMB50 million in 2017. Following the completion of the Merger of the Group Companies, transactions with Guodian Group will constitute new continuing connected transactions of the Company.

We have reviewed the schedule of formulating the Proposed Revised Receipt of Coal Annual Caps and understand that the historical transaction amount of the purchase of coal by the Group from Shenhua Hangjin Energy Co., Ltd. and Shanxi Jinshen Energy Co., Ltd. was approximately RMB568 million (unaudited) and RMB3,068 million (unaudited) respectively. We understand from the management of the Company that the additional purchase of 9.25 million tonnes and 10.35 million tonnes of coal from Shenhua Hangjin Energy Co., Ltd. and additional purchase of 7.4 million tonnes and 9 million tonnes of coal from Shanxi Jinshen Energy Co., Ltd. in 2018 and in 2019 respectively are based on the expected market need. According to National Bureau of Statistics of China, the accumulated coal production as at 31 December 2017 had increased by 3.2%, comparing to a drop of 9.4% and a drop of 3.5% in 2016 and 2015 respectively. Given the strong coal price performance and increasing coal supply, we are of the view that the expected market needs for coal in formulating the expected transaction volume with Shenhua Hangjin Energy Co., Ltd. and Shanxi Jinshen Energy Co., Ltd. are fair and reasonable. We have in addition reviewed the assumptions behind the expected transaction volume of up to 20.79 million tonnes of coal in 2018 and 25.21 million tonnes of coal in 2019 and understand from the management of the Company that the expected transaction volume with these customers are based on an agreed amount. Given that there is a possibility that the transaction volume with these customers will be realized, we are of the view that it is fair and reasonable to include the expected traction volume into calculating the Proposed Revised Receipt of Coal Annual Caps. When the Proposed Revised Receipt of Coal Annual Caps are formulated, they have taken into account the historical utilisation rate of the original annual caps and prudently predict the expected transaction amount of the purchase of coal by the Group from CHNENERGY Group based on the historical transaction.

We have recalculated the Proposed Revised Receipt of Coal Annual Caps by taking into account (i) the expected increase in transaction amount with Guodian Group; (ii) the expected increase in transaction amount with Shenhua Hangjin Energy Co., Ltd., Shanxi Jinshen Energy Co., Ltd. and certain customers; (iii) the expected continuous increase in coal price or steady coal price at the current level; and (iv) a buffer of 15% to cater for the expected transaction amount, we are of view that the Proposed Revised Receipt of Coal Annual Caps are fair and reasonable. Given the expected transaction amount is based on the Bohai Bay Thermal Coal Price Index of RMB574 per tonne in the week of 1 March 2018 and the transaction volume is formulated based on the historical utilisation rate and historical transaction amount, we consider the Proposed Revised Receipt of Coal Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In conclusion, we have taken into consideration (i) the significant increase in connected transactions with Guodian Group; (ii) the significant increase in connected transactions with Shenhua Contributed Assets; (iii) the continuing increase in coal price or steady coal price at the current level; (iv) the expected transaction amount with CHNENERGY Group; and (v) a 15% buffer to cater for the expected transaction amount for the Proposed Revised Supply of Coal Annual Caps and (i) the continuing receipt of the coal from Guodian Group; (ii) the significant increase in connected transactions with Shenhua Hangjin Energy Co., Ltd., Shanxi Jinshen Energy Co., Ltd. and certain customers; (iii) the continuing increase in coal price or steady coal price at the current level; and (iv) a 15% buffer to cater for the expected transaction amount for the Proposed Revised Receipt of Coal Annual Caps, we are of the view that the Proposed Revised Supply of Coal Annual Caps and the Proposed Revised Receipt of Coal Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

6. Principal terms of the Existing Mutual Supplies and Services Agreement

Date

24 March 2016

Parties

The Company and CHNENERGY

Mutual Supplies and Services

Pursuant to the Existing Mutual Supplies and Services Agreement:

(a) the Group has agreed to supply products and provide services to the CHNENERGY Group, including:

  (i) production: alternative power generation and other related or similar services;

  (ii) production supplies: chemical products, production equipment and spare parts, office products and other related or similar product supplies or services;

  (iii) ancillary production services: rail transportation, hardware and software equipment and related services, information technology services, logistics and support services, training and other related or similar services; and

(iv) administrative services: various daily administrative services and other ancillary production services to the headquarter of CHNENERGY (exclusive of financial management and services).

(b) the CHNENERGY Group has agreed to supply products and provide services to the Group, including:

(i) production supplies: oil products, and other related or similar production supplies and services;

(ii) ancillary production services: construction, logistics and support services, tendering services, technical consulting and other related or similar services; and

(iii) administrative services: social security and pension management services and staff data recording services.

Term and termination

The Existing Mutual Supplies and Services Agreement is effective from 1 January 2017 and will end on 31 December 2019.

Price determination

The pricing of the products and services provided under the Existing Mutual Supplies and Services Agreement shall be determined in accordance with the general principles and in the order of the section below:

(a) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government guided price;

(b) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price ultimately determined in accordance with the tender and bidding process;

(c) Market price: the price of the same or similar products or services provided by an independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable deals with independent third parties for the same period when determining whether the price for any product transaction under this agreement is the market price; and

(d) Agreed price: to be determined by adding a reasonable profit margin over a reasonable cost. The management shall consider at least two comparable deals with independent third parties for the same period when determining the reasonable profit of any product transaction under this agreement.

In addition to the above, for certain types of product or service, specific pricing policy is adopted as follows:

(a) Rail transportation: price prescribed by NDRC or other related government authorities;

(b) Construction: where tender and bidding process is necessary under applicable laws, regulations and rules, the price ultimately determined in accordance with the tender and bidding process; where tender and bidding process is not necessary under applicable laws, the market price;

(c) Oil products: government-guided price;

(d) Alternative power generation: price prescribed by NDRC or other related government authorities;

(e) Hardware and software equipment and related services: market price (including tender and bidding price);

(f) Chemical products: market price;

(g) Production equipment and spare parts, office products: market price;

(h) Tendering services: price prescribed by NDRC;

(i) Technical consulting services: agreed price with a profit margin of approximately 10%;

(j) Information technology services: the budget is reviewed by professional institution(s) with pricing reviewing qualification according to relevant rules and regulations on construction pricing, pricing mechanism and fee standards, with reference to the market customs of the information technology industry, actual standards and market price, taking into account the actual condition of the Company's information technology construction. The parties negotiate and agree on the service price within the scope of budget;

(k) Logistics and support services and training services: agreed price (cost plus a profit margin of approximately 5%);

(l) Social security and pension management services and staff data recording services: agreed price (cost plus a profit margin of approximately 5%); and

(m) Various daily administrative services to the headquarters of CHNENERGY (exclusive of financial management and services): agreed price (cost plus a profit margin of approximately 5%).

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 Existing Supplies and Services Agreement with members of the CHNENERGY 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 Existing Mutual Supplies and Services Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Existing Mutual Supplies and Services Agreement and the annual caps.

All payment made pursuant to the Existing Mutual Supplies and Services Agreement and its implementation agreements will be in cash.

Procedures and Internal Control System for Pricing and Terms of the Continuing Connected Transactions

The Company has established a series of procedures and internal control measures in order to ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable than the terms provided by any independent third party, so as to ensure that they serve the interests of the Company and its Shareholders as a whole. Such procedures and internal control measures mainly include:

(1) The transactions contemplated under the connected transactions agreements are conducted on a non-exclusive basis.

(2) The Company has adopted internal control rules such as Connected Transaction Decision Making System, Connected Transaction Management Measures and Connected Transaction Application and Reporting Rules.

Connected Transaction Decision Making System of China Shenhua Energy Company Limited

Connected Transaction Decision Making System (the "**Decision Making System**") contains seventeen articles. The Decision Making System defines the meaning of "connected person" and "connected transaction". It specifies the situations subject to reporting and examination and the principles to be followed when conducting connected transactions. Abstention measures to be taken when executing the connected transaction contract are also included. The Decision Making System also specifies the powers and duties of the Company's audit committee, Board and Directors, general meeting of Shareholders and its Shareholders. The Decision Making System also contains matters such as abstention mechanism when conflict of interest arises, voting procedures of general meetings of Shareholders, and so on. Rules in the system are consistent with the connected transactions rules under the Shanghai Listing Rules and the Hong Kong Listing Rules.

Connected Transaction Management Measures of China Shenhua Energy Company Limited

Connected Transaction Management Measures (the "**Management Measures**") consist of thirty articles divided into ten chapters. The Management Measures define the configuration of the connected transaction leading group and the scope of official duties of the company leadership and related departments. The measures also specify the duties of branches and subsidiaries when conducting connected transactions. Rules related to information collection and management are also contained in the Management Measures. The legal department of the Company is responsible for information collection and management and related

parties are obliged to provide such information actively and without delay. As to connected transactions which have been disclosed, the Management Measures spell out the key of management is to ensure the annual transaction amounts are within the annual caps with detailed management procedures included. As to new connected transactions, disclosure, examination and approval are necessary before the transactions take place. Detailed management procedures are also included. The Management Measures also contain matters related to self-assessment and supervisory review process.

Connected Transaction Application and Reporting Rules of China Shenhua Energy Company Limited

Connected Transaction Application and Reporting Rules (the "**Application and Reporting Rules**") are divided into five parts. Subsidiaries of the Company are required to specify the reasons for the transaction, the reasons of conducting a connected transaction and offer basic information of connected persons. Furthermore, pricing policy of the connected transaction and measures taken to ensure the fairness of the transaction also require explanations. Applicants are asked to clarify when they have signed the contracts, cleared and issued the notes, and finished the application and reporting process within the required time. According to the Application and Reporting Rules, all of the continuing connected transactions shall be conducted within the annual caps. Besides, the applicable scope and the related documents to be submitted are also provided in the Application and Reporting Rules.

(3) Under the leadership of the Board, the Company has set up a connected transaction leading group headed by the chief financial officer. This connected transaction leading group is responsible for formulating and overseeing the internal control systems for the connected transactions, negotiating and signing various connected transaction agreements, regularly monitoring and reviewing the implementation of connected transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly reviewing the Group's internal control systems for the connected transactions and offering proposals for modification, organising the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions.

(4) Each subsidiary of the Group has established the connected transaction group headed by a senior manager responsible for finance. Specific personnel are arranged to be in charge of the pricing of the continuing connected transactions and required to strictly observe the pricing principles and policies for the continuing connected transaction disclosed in this circular to set the price for each transaction. (i) For the Mutual Coal Supply Agreement, specific personnel seek to obtain information about spot market price of coal through various channels; and (ii) For the Mutual Supplies and Services Agreement, according to the Group's internal rules and regulations for procurement

and sales, when the government-prescribed price or government-guided price is absent, the Company will seek to obtain information about market price through various channels, for example, considering at least two comparable transactions with independent third parties for the same period, comparable transactions among independent third parties for the same period, conducting market price research through various independent industry information vendors (e.g., industry websites), and participating in activities organised by leading industry organisations. Such price is determined by the contracting parties (i.e., the subsidiaries of the Group on the one hand and the subsidiaries of the CHNENERGY Group on the other hand) on normal commercial terms with reference to the information obtained as mentioned above. Where tender and bidding process is necessary under applicable laws, regulations and rules, the Group and the CHNENERGY Group shall entrust professional tender and bidding companies to organise tender and bidding procedures, and the subsidiaries of the Group and the CHNENERGY Group shall participate fairly. For products and services with agreed prices, the supplier shall provide a cost list and the purchaser conducts comparison with the comparable average cost of similar enterprises in the neighbouring areas or the cost of the same type of products to determine the reasonable cost for ascertaining the price of the connected transaction. The Company's connected transaction leading group reviews the pricing of continuing connected transactions periodically to ensure every transaction is priced strictly according to the pricing principles and policies for the continuing connected transaction disclosed in this circular.

(5) The Group has adopted the ERP system. ERP system is composed of a category of business-management software that the Company uses to collect, store, manage, and interpret data from many business activities. ERP systems track business resources such as cash, inventory, production capacity as well as the status of business commitments such as orders, purchase orders, and payroll. Departments with different functions and subsidiaries at different levels use the ERP system to share information, execute internal authorization and approval and facilitate transactions, production and sales. When specific personnel recommend pricing of continuing connected transactions, they shall submit the same to the ERP system for the connected transaction groups and finance departments of the subsidiaries of the Group to determine the pricing on the ERP system. The connected transaction groups and finance departments also monitor the pricing through the ERP system and ensure that the implementation price of continuing connected transactions is consistent with the agreed price.

(6) Under the leadership of the connected transaction leading group, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures of the Company on an annual basis, in order to ensure that the internal control measures in respect of connected transactions remain complete and effective. Further, the legal departments conduct prudent review of the connected transaction contracts, the financial departments control pricing of the connected transactions and the contract implementation departments monitor the transaction amounts in a timely manner.

(7) The Company implements connected transactions in accordance with the internal control process, and requires all of the subsidiaries to submit implementation reports of connected transactions on a monthly basis. The Company consolidates, reviews, sums up and analyses the data, and monitors whether the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified.

(8) The Board reviews the implementation of the continuing connected transactions on an annual basis and reviews the financial reports which consist of the implementation of the continuing connected transactions on a half-yearly basis on matters mainly including: whether the Company and relevant connected person performed the continuing connected transaction agreement during the relevant period; whether the actual transaction amount incurred are within the annual caps as approved at the general meeting. The independent non-executive directors report to the general meeting of the Company on an annual basis on their performance of duties. Such reports include opinions on (i) whether the actual transaction amount incurred are within the annual caps as approved at the general meeting; (ii) whether the continuing connected transactions are conducted pursuant to the agreements; and (iii) whether the terms of the continuing connected transactions are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Shareholders of the Company as a whole.

(9) The Supervisory Board supervises the matters relating to the continuing connected transactions. It reviews the annual financial reports and interim financial reports which consist of the implementation of the continuing connected transactions on an annual basis. It also reviews the domestic and overseas compliance of the connected transactions, whether the prices are fair and reasonable and whether there are any acts which are detrimental to the interests of the Company and the Shareholders.

(10) The Audit Committee reviews the annual reports, annual financial reports, interim reports and the interim financial reports which consist of the implementation of the continuing connected transactions and opine on the connected transactions during the relevant periods on matters mainly including the fairness of the connected transactions and whether the actual transaction amount incurred are within the annual caps.

(11) The external auditor of the Company conducts interim and year-end audit for each financial year, issues its opinions and letters to the Board in relation to the implementation of the pricing policies and whether the actual connected transaction amount incurred is within the annual caps during the preceding year pursuant to the Hong Kong Listing Rules and submits the same to the Stock Exchange.

By implementing the above internal control measures and procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing of each transaction will be conducted in strict accordance with the various pricing principles and policies of continuing connected transactions as disclosed in this circular on normal commercial terms or better, and will be fair and reasonable to the Company and the Shareholders as a whole.

7. Reasons for and benefits of entering into the Existing Mutual Supplies and Services Agreement

As disclosed in the prospectus of the Company, the CHNENERGY Group retained certain assets and businesses which are necessary for and beneficial to the business development of the Group and has continued to provide certain goods and ancillary services to the Group's core businesses on an arm's length basis after the listing of the Company. In addition, the Group provides certain goods and services to the CHNENERGY Group on an arm's length basis to support the businesses retained by the CHNENERGY Group. Due to the long-term co-operation relationship between the Company and the CHNENERGY Group and the advantages, good reputation and gigantic scale of the CHNENERGY Group in various aspects, the above-mentioned continuing connected transactions ensure that the Group and CHNENERGY Group receive a reliable supply of high quality products and services which ultimately benefit the normal production and operations of the Company. The Board is of the opinion that the entering into such transactions on an continuing basis is essential to the continuation of the Group's business and will be beneficial to the Group as the transactions under the Existing Mutual Supplies and Services Agreement facilitate and will facilitate the business operation and growth of the Group and reduce the unnecessary risks which might be incurred during the course of operation.

We note that the supply of products and provision of services by the Group to the CHNENERGY Group and by the CHNENERGY Group to the Group reached approximately RMB6,830 million and approximately RMB2,280 million for the year ended 31 December 2017, representing approximately 2.8% and 1.5% of the Group's annualized revenue and cost of sales in 2017[5]. In addition, we note from the "Shenhua and Guodian to form world's largest power company" report released by Bloomberg New Energy Finance that CHNENERGY Group is the world's largest power generation company by installed capacity with total assets over RMB1.8 trillion. As such, we concur with the management of the Company that the Group can benefit from the Existing Mutual Supplies and Services Agreement given CHNENERGY Group's scale and reputation in the market and the Group can secure stable supply of high quality products and services from CHNENERGY Group.

We note that the pricing of the products and services provided under the Existing Mutual Supplies and Services Agreement shall be determined in such order (i) government-prescribed price and government-guided price; (ii) tender and bidding price; (iii) market price; and (iv) agreed price. In addition, for certain types of product and service, specific pricing policy is adopted as stated above.

We have discussed with the management of the Company and obtained the Group's relevant internal control guidelines and confirmed that the Group has followed the relevant procedures of its internal control guidelines. In particular, we have reviewed price quotations from independent third parties, market price search through various independent industry information vendors and concluded that the existing contracts were in line with the Company's internal control guidelines where the Company will seek to obtain information about market price through various channels. We also note that the Company has implemented a comprehensive system including a leading group headed by the Chief Financial Officer in formulating and overseeing the internal control systems, ERP system for monitoring the price of continuing connected transactions, regular internal assessments on the internal control measures in respect of continuing connected transactions and monthly report on the implementation of internal control. We have enquired the management of the Company and confirmed that these practices have been carried out strictly. With the market price comparison carried out by the Company on the transactions under the Existing Mutual Supplies and Services Agreement and the internal control systems implemented by the Company, we are of the view that the internal control guidelines are fair and reasonable. We have also reviewed three samples each from the supply of products and provision of services by the Group to the CHNENERGY Group and by the CHNENERGY Group to the Group under the Existing Mutual Supplies and Services Agreement and confirmed that the existing transactions between the CHNENERGY Group and the Group were entered into on normal commercial terms and consistent with the pricing terms and payment terms under the

[5] The annualized results based on the 2017 Interim Report published on 27 August 2017.

Existing Mutual Supplies and Services Agreement and the relevant internal control measures were carried out pursuant to the internal control guidelines. In addition, we have reviewed three samples each from the supply of products and provision of services by the Group to independent third parties and by independent third parties to the Group which are comparable to the samples under the Existing Mutual Supplies and Services Agreement and confirmed that the pricing terms and payment terms with independent third parties do not show material difference with the samples under the Existing Mutual Supplies and Services Agreement. The samples were selected on a random basis taking into account different types of product and service and that the transactions were entered into during different periods under the Existing Mutual Supplies and Services Agreement. Therefore, we consider the pricing terms, payment terms and internal control guidelines are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

In conclusion, we are of the view that the Existing Mutual Supplies and Services Agreement falls within the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

8. Proposed revised annual caps under the Existing Mutual Supplies and Services Agreement

The Directors expect that after the completion of the Merger of the Group Companies, the mutual supplies of products and services between the Group and the associates of Guodian Group Co will increase, and the existing annual caps in respect of the mutual supply of products and services between the Group and the CHNENERGY Group for the years ended 31 December 2018 and 31 December 2019 will not be sufficient for the Group's needs. The Directors therefore propose to revise them.

The existing annual caps for the years ended on 31 December 2018 and 31 December 2019 and the proposed revised annual caps are set out below. The Company also sets out below the historic transaction amounts under the same categories for the year ended 31 December 2017.

Supply of products and provision of services by the Group to the CHNENERGY Group

Year ended 31 December 2017		Year ended 31 December 2018		Year ended 31 December 2019	
Annual cap	Transaction amount (unaudited)	Existing annual cap	Revised annual cap	Existing annual cap	Revised annual cap
(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
11,800	approximately 6,830	11,200	13,000	11,900	13,000

The proposed revised annual caps of the Mutual Supplies and Services Agreement by the Group to the CHNENERGY Group ("**Proposed Revised Provision of Supplies and Services Annual Caps**") have been set taking into account the following factors:

(a) the transaction amount of the supply of coal by the Group to the CHNENERGY Group may increase, and accordingly, the related service transaction amount may increase, such as coal transportation.

(b) coal price has continuously increased during recent years. In the week of 24 March 2016 (i.e. the date on which the Existing Mutual Supplies and Services Agreement was entered into), the Bohai Bay Thermal Coal Price Index was RMB389 per tonne, and in the week of 1 March 2018, the Bohai Bay Thermal Coal Price Index was RMB574 per tonne. The Company expects that coal price may fluctuate at current level or continue to increase. When coal price increase, the suppliers of products and services in the coal industry will be expected to receive more profit and raise price accordingly.

(c) the prices of the raw materials, crude oil and services during the recent years have continuously increased. For example, since 24 March 2016 (i.e. the date on which the Existing Mutual Supplies and Services Agreement was entered into), Brent crude oil spot price has risen by approximately 67%, the Platts 62% Fe Iron Ore Index has risen by approximately 41% and National Cement Index has risen by approximately 92%. Therefore, the Company is of the view that the prices of raw materials, crude oil and services may continue to increase in the next two years.

(d) the Company is of the view that when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CHNENERGY Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not

mean that the Group and the CHNENERGY Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive Directors and auditors will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

The Proposed Revised Provision of Supplies and Services Annual Caps for the years ending 31 December 2018 and 31 December 2019 are both RMB13,000 million, representing an increase of approximately 16.1% and 9.2% compared to the original annual caps respectively.

Supply of products and provision of services by the CHNENERGY Group to the Group

Year ended 31 December 2017		**Year ended 31 December 2018**		**Year ended 31 December 2019**	
Annual cap	**Transaction amount** (unaudited)	**Existing annual cap**	**Revised annual cap**	**Existing annual cap**	**Revised annual cap**
(RMB million)	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*	*(RMB million)*
8,800	approximately 2,280	8,800	23,500	8,800	23,500

The proposed revised annual caps of the Mutual Supplies and Services Agreement by the CHNENERGY Group to the Group ("**Proposed Revised Receipt of Supplies and Services Annual Caps**") have been set taking into account the following factors:

(a) In 2017, the Group purchased products and services of approximately RMB698 million (unaudited) from China Shenhua Coal Liquefaction and Chemical Company Limited, a subsidiary of the CHNENERGY Group. In 2018, an aluminium oxide production project of the Group will be constructed by Beijing Construction Branch Company of China Shenhua Coal Liquefaction and Chemical Company Limited. The Group may purchase construction service from the CHNENERGY Group for approximately RMB3,000 million in 2018 and 2019 respectively.

In 2018 and 2019, the Group may respectively purchase approximately 259,000 tonnes of methyl alcohol, 253,000 tonnes of coal tar and 3,950,000 tonnes of coke from Shenhua Wuhai Energy Co., Ltd., a subsidiary of the CHNENERGY Group. Based on the recent methyl alcohol price of RMB1,900 per tonne, the recent coal tar price of RMB3,000 per tonne and the recent coke price of RMB1,400 per tonne, the transaction amount of the continuing connected transactions may increase by up to RMB7,000 million per year in 2018 and 2019.

(b) coal price has continuously increased during recent years. In the week of 24 March 2016 (i.e. the date on which the Existing Mutual Supplies and Services Agreement was entered into), the Bohai Bay Thermal Coal Price Index was RMB389 per tonne, and in the week of 1 March 2018, the Bohai Bay Thermal Coal Price Index was approximately RMB574 per tonne. The Company expects that coal price may fluctuate at current level or continue to increase.

(c) the prices of the raw materials, crude oil and services during the recent years have continuously increased. For example, since 24 March 2016 (i.e. the date on which the Existing Mutual Supplies and Services Agreement was entered into), Brent crude oil spot price has risen by approximately 67%, the Platts 62% Fe Iron Ore Index has risen by approximately 41% and National Cement Index has risen by approximately 92%. Therefore, the Company is of the view that the prices of raw materials, crude oil and services may continue to increase in the next two years.

(d) the Company expects that associates of legacy Guodian Group Co will substantially increase the amount of products and services to be supplied to the Group, such as environmental protection services.

(e) the Company is of the view that when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. However, same as the actual implementation of the continuing connected transactions previously, the Group and the CHNENERGY Group will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the Group and the CHNENERGY Group will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive Directors and auditors will opine on the continuing connected transaction to receive supervision of the Independent Shareholders.

The Proposed Revised Receipt of Supplies and Services Annual Caps for the year ending 31 December 2018 and 31 December 2019 are both RMB23,500 million, both representing an increase of approximately 167.0% compared to the original annual caps respectively.

9. The basis for determining the proposed revised annual caps under the Existing Mutual Supplies and Services Agreement

We note that the Proposed Revised Provision of Supplies and Services Annual Caps are determined with reference to (i) coal price; (ii) the prices of the raw materials, crude oil and services; and (iii) the transaction amount of the supply of coal by the Group to the CHNENERGY Group while the Proposed Revised Receipt of Supplies and Services Annual Caps are determined with reference to (i) coal price; (ii) the prices of the raw materials, crude oil and services; (iii) business development and; (iv) connected transactions arise from the associates of legacy Guodian Group Co.

In assessing the fairness and reasonableness of the Proposed Revised Provision of Supplies and Services Annual Caps and the Proposed Revised Receipt of Supplies and Services Annual Caps, we have considered the following factors.

At the time when the Existing Mutual Supplies and Services Agreement was entered, the Bohai Bay Thermal Coal Price Index (5,500 kcal) was RMB389 per tonne, comparing to approximately RMB574 per tonne in the week of 1 March 2018, representing an increase of 47.6%. We note that following the *Opinions of the State Council on Resolving the Overcapacity Problem of the Coal Industry to Realize Development by Extricating the Coal Industry from Difficulties* issued by the State Council on 1 February 2016 which aimed to carry out supply-side reform to reduce 500 million tonnes of coal production within the next three to five years, the Bohai Bay Thermal Coal Price Index (5,500 kcal) has shown an upside trend and the supply-side reform is expected to continue in 2018 as stated in the National Energy Work Conference held on 26 December 2017 in Beijing. Also, according to the government work report released on the 13th National People's Congress, the Chinese government set its gross domestic product growth rate at approximately 6.5% in 2018. Given the continuance of supply-side reform and the steady economic forecast in 2018, we concur with the management of the Company that the coal price may continue to increase or fluctuate at the current level which drives up the continuing connected transactions under the Existing Mutual Supplies and Services Agreement.

We have reviewed the Purchasing Price Indices for Manufactured Goods, petroleum extraction released by National Bureau of Statistics of China, the indices have reached 113.6% in January 2018, representing a 13.6% increase in price for petroleum extraction in China compared to the same period last year. We also note that compared to the time when the Existing Mutual Supplies and Services Agreement was entered, Brent crude oil spot price has risen by approximately 67%. In November 2017, the Organization of the Petroleum Exporting Countries and Russia prolonged the oil supply cuts until the end of 2018 which provided a further support to the Brent crude oil spot price. With the steady economic forecast in 2018 as stated above, we are of the view that the prices of raw materials, crude oil and services will increase steadily which drives up the connected transactions under the Existing Mutual Supplies and Services Agreement.

For the Proposed Revised Provision of Supplies and Services Annual Caps, as stated in the Letter from the Board, the historic transaction amounts of the supply of coal by the Group to the Guodian Group and the Shenhua Contributed Assets on 31 December 2017 were approximately RMB8,690 million and RMB11,262 million respectively. Following the completion of the Merger of the Group Companies, transactions with Guodian Group and the Shenhua Contributed Assets will constitute new continuing connected transactions of the Company. Given that the historic transaction amounts of the supply of coal by the Group to the Guodian Group and the Shenhua Contributed Assets were more than 3 times of the original historic transaction amounts for the year ended 31 December 2017, we are of the view that the transaction amounts of the supply of coal by the Group to the CHNENERGY Group will significantly increase, which in turn increase the related service transaction amounts by the Group to the CHNENERGY Group under the Existing Mutual Supplies and Services Agreement.

For the Proposed Revised Receipt of Supplies and Services Annual Caps, we note that the Group will have new projects coming up in 2018 and 2019 which will purchase products and services from the CHNENERGY Group. These projects are in line with the expected schedule which will drive the continuing connected transaction amounts upward. We also note that Guodian Group Co will be deregistered and CHNENERGY will absorb all of the assets, business, personnel, contracts, licenses and other rights and liabilities of Guodian Group Co. As such, the transactions between the Group and Guodian Group Co will become connected transactions. We have reviewed the expected increase in supply of products and provision of services by the CHNENERGY Group to the Group because of the Merger and concluded that the associates of legacy Guodian Group Co will substantially increase the amount of products and services to be supplied to the Group.

In conclusion, we consider the Proposed Revised Provision of Supplies and Services Annual Caps and the Proposed Revised Receipt of Supplies and Services Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

C. AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT

1. Background

The Company is a world-leading coal-based integrated energy company. The main business of the Company and its subsidiaries includes production and sales of coal and power, and railway, port and ship transportation of coal.

[6] Source: http://data.stats.gov.cn/english/easyquery.htm?cn-A01

CHNENERGY and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities. CHNENERGY is the controlling shareholder of the Company. As at the Latest Practicable Date, CHNENERGY holds 73.06% interest in the Company.

The Company was established on 8 November 2004 with CHNENERGY as the sole promoter. As part of the restructuring in connection with the global offering of the Company in 2005, CHNENERGY transferred to the Company substantially all of its coal production and sales operations, railroad and port transportation and power generation operations, as well as mining rights related to our coal operations and other related assets, liabilities and interests. CHNENERGY has retained the ownership of, and continues to operate assets and liabilities relating to, the remaining businesses and operations, including the coal liquefaction, coal-based chemical processing business, investment and finance business as well as limited coal production and power generation assets (the "**Retained Businesses**"). In connection with the restructuring and pursuant to the Hong Kong Listing Rules, on 24 May 2005, CHNENERGY and the Company entered into the Existing Non-Competition Agreement.

Pursuant to the Existing Non-Competition Agreement, during the term of the Existing Non-Competition Agreement, CHNENERGY has undertaken that other than the Retained Businesses, CHNENERGY Group will not, and CHNENERGY Group shall procure that any other company in which CHNENERGY Group is a substantial shareholder (as defined in the Hong Kong Listing Rules) will not compete with the Company, directly or indirectly, whether on its own or jointly with another entity by participating in or providing any support to, any activities or business which directly or indirectly competes with our core businesses, whether inside or outside the PRC.

CHNENERGY has undertaken in the Existing Non-competition Agreement that during the period of the Existing Non-competition Agreement:

(a) if CHNENERGY becomes aware of a business opportunity which directly or indirectly competes, or may lead to competition, with core business of the Company, it or any of its subsidiaries will notify the Company of such business opportunity immediately upon becoming aware of it. CHNENERGY is also obliged to use its best efforts to procure that such opportunity is first offered to the Company upon terms which are fair and reasonable. CHNENERGY shall also use its best endeavours to procure that companies in which it holds an interest as a substantial shareholder comply with this provision. Independent non-executive Directors of the Company will decide whether to take up such business opportunity; and

(b) the Company has been granted by CHNENERGY for the duration of the Existing Non-Competition Agreement:

(i) options (the "**Options**") to purchase on the basis of valuations conducted by an independent valuer jointly appointed by CHNENERGY and the Company, subject to any relevant laws and applicable listing rules and existing third party pre-emption rights:

- any interest in the Retained Businesses which directly or indirectly competes or is likely to compete with core businesses of the Company and which is retained by CHNENERGY as part of the restructuring; and

- any interest in any business of CHNENERGY resulting from the business opportunity referred to above which has been offered to, but has not been purchased or taken up by the Company and has been retained by CHNENERGY or its affiliates;

(ii) pre-emptive rights (the "**Pre-emptive Rights**") to purchase on no less favourable terms, if CHNENERGY or any of its affiliates intends to transfer, sell, lease or license to any third party:

- any interest in the Retained Businesses which directly or indirectly competes with or is likely to compete with core businesses of the Company;

- any interest in any business of CHNENERGY resulting from the business opportunity referred to above, which has been offered to, but has not been purchased or taken up by the Company and has been retained by CHNENERGY or any of its subsidiaries or affiliates; and

(iii) an option to acquire the interest held by CHNENERGY in its coal liquefaction and coal-based chemical processing business, on terms and at a price which is fair and reasonable; and a pre-emptive right to purchase such interest from CHNENERGY on terms no less favourable than those offered to any third party. On the exercise of this option or the pre-emptive right, CHNENERGY shall transfer such interest into the Company or its nominated subsidiary.

In relation to the pre-emptive rights described in paragraph (b)(ii) above, under the Existing Non-Competition Agreement, CHNENERGY must notify the Company before the transfer of its relevant interest to a third party. It is further provided that such notice must set out full terms of the proposed transfer and any information which may reasonably be required by the Company in order to make a decision as to whether ought to exercise the pre-emptive rights.

The Existing Non-Competition Agreement took effect on 24 May 2004 and shall remain effective until the earlier of (a) the date on which CHNENERGY directly or indirectly beneficially holds less than 30% of the issued share capital of the Company; and (b) the date on which the Shares of the Company cease to be listed on the Hong Kong Stock Exchange, or any other recognised international stock exchange.

Pursuant to the Existing Non-Competition Agreement, the core businesses mean "coal exploration, mining, processing, sales; production and sales of comprehensive utilization of coal products; development and management of coal products; railway transportation; port transportation; production and sales of electric power and the industry and systematic service related to the businesses aforementioned."

On 27 June 2014, the Company issued the Announcement on the Performance of Non-Competition Undertaking and confirmed that for the fourteen assets that CHNENERGY promised to divest and inject into the Company under the Existing Non-Competition Agreement, the Company will commence acquisition before 30 June 2019.

These fourteen assets are:

Asset No. 1: 51% Equity Interest in Shenhua Ningxia Coal Industrial Group Co., Ltd.

Asset No. 2: 100% Equity Interest in Shenhua Guoneng Energy Group Corporation Limited

Asset No. 3: 100% Equity Interest in China Shenhua Coal to Liquid and Chemical Co.,Ltd.

Asset No. 4: 100% Equity Interest in Shenhua Xinjiang Energy Company Limited

Asset No. 5: 100% Equity Interest in Xinjiang Shenhua Mining Industry Company Limited

Asset No. 6: 100% Equity Interest in Shenhua Wuhai Coal Group Corporation Limited

Asset No. 7: 100% Equity Interest in Shenhua Group Baotou Mining Co., Ltd.

Asset No. 8: 51% Equity Interest in Shaanxi Shenyan Coal Co., Ltd.

Asset No. 9: 100% Equity Interest in Shenhua Hangjin Energy Company Limited

Asset No. 10: 100% Equity Interest in Guohua Xuzhou Power Generation Co., Ltd.

Asset No. 11: 100% Equity Interest in Ningxia Guohua Ningdong Power Generation Co., Ltd.

Asset No. 12: 51% Equity Interest in Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.

Asset No. 13: 45% Equity Interest in Jiangsu Guohua Gaozi Power Generation Co., Ltd. held by Guohua Power

Asset No. 14: 49% Equity Interest in Shanxi Province Jinshen Energy Co., Ltd.

In 2015, the Company acquired assets No.10–12. The other eleven assets have not been injected into the Company.

As approved by the Notice regarding the Reorganization of China Guodian Corporation and Shenhua Group Corporation Limited (Guo Zi Fa Gai Ge [2017] No. 146) issued by SASAC, Shenhua Group Co and Guodian Group Co will be reorganized. Shenhua Group Co has changed its company name to China Energy Investment Corporation Limited. CHNENERGY will be the parent company after the reorganization, and merge with Guodian Group Co by way of merger by absorption of Guodian Group Co. After the completion of the Merger of the Group Companies, Guodian Group Co will be deregistered, and CHNENERGY will assume all of the assets, liabilities, business, personnel, contracts, licenses and other rights and liabilities.

In addition, the Company and GD Power intend to establish the Joint Venture Company. The Company proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by the Company, and GD Power proposes to contribute the equities and assets of the relevant coal-fired power generation companies held by GD Power. GD Power will hold 57.47% of equity interests in the Joint Venture Company, and the Company will hold 42.53% of equity interests in the Joint Venture Company. As a result of the Joint Venture Transaction, the Shenhua Contributed Assets will not be consolidated into the financial statements of the Company.

The Guodian Group is one of the largest power generation groups in the PRC, and GD Power is the major listed company in power production and sales sector in the Guodian Group. After the completion of the Merger of the Group Companies, CHNENERGY will be the subsisting company to comply with the existing non-competition undertaking that was granted by the legacy Guodian Group Co for the benefit of GD Power.

Therefore, it will not be practical for CHNENERGY to continue to undertake not to compete with the Company in the power production and sales sector. To meet the regulatory requirements to avoid competition between the controlling shareholder and the listed companies, CHNENERGY proposes to amend the Existing Non-Competition Agreement.

2. The Supplemental Agreement to the Existing Non-Competition Agreement

On 1 March 2018, CHNENERGY and the Company has entered into the Supplemental Agreement to the Existing Non-Competition Agreement. The Supplemental Agreement to the Existing Non-Competition Agreement will become effective after the approval of Independent Shareholders is obtained in the EGM and conditions precedent of the Merger of Group Companies are satisfied.

Pursuant to the Supplemental Agreement to the Existing Non-Competition Agreement, the parties agree to continue to perform the Non-Competition Agreement. The Company will be the coal platform and will be responsible for the integration of the new coal business of the CHNENERGY Group in future. CHNENERGY will continue to grant the Company the Option and Pre-emptive Rights, and the Company will also be responsible for the development, construction and subsequent management of these businesses.

The Supplemental Agreement to the Existing Non-Competition Agreement amends the Existing Non-Competition Agreement as follows:

(i) "production and sales of electric power" is deleted and the core businesses in clause 1 "Definitions" of the Non-Competition Agreement are amended to "coal exploration, mining, processing, sales; production and sales of comprehensive utilization of coal products; development and management of coal products; railway transportation; port transportation; the industry and systematic service related to the businesses aforementioned"

(ii) In consideration that the Company has completed acquisition of the assets No. 10–12 under the 2014 Non-Competition Undertakings, and the Company will contribute relevant coal-fired power generation equities and assets to establish the Joint Venture Company, the parties agree to amend the Retained Businesses in clause 1 "Definitions" of the Existing Non-Competition Agreement to:

Retained Businesses mean:

(1) businesses retained by CHNENERGY as a result of organization for the listing purpose, which directly or indirectly compete with the core businesses of the Company, i.e. assets other than Conventional Power Generation Business in assets No. 1–9, No. 13 and 14 which were confirmed in 2014 Non-Competition Undertakings;

(2) unlisted businesses obtained by CHNENERGY as a result of the Merger of Group Companies which directly or indirectly compete with the core businesses of the Company, i.e. unlisted businesses held by legacy Guodian Group which directly or indirectly compete with the core businesses of the Company excluding the relevant assets that Guodian Group Co undertook to inject into Inner Mongolia Pingzhuang Energy Co., Ltd. in 2007.

(iii) A new clauses is added: CHNENERGY entrusts the Company to manage the Retained Businesses, with details to be determined by the parties separately; within the five years after the completion of the Merger of Group Companies, the Company will discretionally exercise the Option and the Pre-emptive Rights to acquire the assets within the Retained Businesses, and will no longer commence the acquisition before 30 June 2019 as stated in the 2014 Non-Competition Undertakings.

In addition, due to the adjustment of the core business, the parties agree and confirm that in respect of (1) the new Conventional Power Generation Business of CHNENERGY Group and (2) the Conventional Power Generation Business contained in assets No. 1–9, No. 13 and 14 which were confirmed in 2014 Non-Competition Undertakings, the Company will no longer have Options and Pre-emptive Rights granted by clause 4 and 5 of the Existing Non-Competition Agreement.

Other than above amendments, the clauses of the Existing Non-Competition Agreement will not be changed.

Power Generation Business Retained by the Company

Except for some coal-fired power plants (including coal-electricity integrated projects) in Inner Mongolia and Hebei, the Company will inject all the overlapping coal-fired plants with GD Power into the Joint Venture Company. The Company will retain its coal-electricity integrated projects in Inner Mongolia as it is difficult to divide coal mines and power plants in these coal-electricity integrated projects. Hebei Guohua Cangdong Power Co., Ltd. and Hebei Guohua Dingzhou Power Generation Co., Ltd. have strong profitability and the Company decides to retain them. Therefore, upon the completion of the Joint Venture

Transaction, the Shenhua Contributed Assets will be consolidated by the Joint Venture Company, and the Group will continue to own the following operating power generation business:

No.	Company	Regional grid	Location	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Coal-fired power				
1	Shenhua Zhunge'er Energy Co., Ltd*	West Inner Mongolia Power Grid	Inner Mongolia	96
2	Shenhua Shendong Power Co., Ltd.*	West Inner Mongolia Power Grid	Inner Mongolia	80
3	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	Hebei	252
4	Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	Hebei	252
5	Guangdong Guohua Yudean Taishan Power Co., Ltd.	Guangdong Power Grid	Guangdong	503
6	Guohua Huizhou Thermal Power Branch of the Company	Guangdong Power Grid	Guangdong	66
7	Shenhua Fujian Energy Co., Ltd.	Fujian Power Grid	Fujian	270
8	Shaanxi Guohua Jinjie Energy Co., Ltd.*	Hebei South Power Grid	Shaanxi	240
9	CLP Guohua Shenmu Power Co., Ltd.	Shaanxi Power Grid	Shaanxi	22
10	Shenhua Shengdong Power Co., Ltd. Dianta Power Plant	Shaanxi Power Grid	Shaanxi	159

No.	Company	Regional grid	Location	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
11	Shenhua Shendong Power Co., Ltd. Guojiawan Power Plant	Shaanxi Power Grid	Shaanxi	60
12	Shenhua Shendong Power Co., Ltd. Daliuta Power Plant	Shaanxi Power Grid	Shaanxi	2.4
13	Shenhua Sichuan Energy Co., Ltd. (coal-fired power)	Sichuan Power Grid	Sichuan	126
14	Shenhua Guohua Mengjin Power Generation Co., Ltd.	Henan Power Grid	Henan	120
15	Shenhua Guohua Shouguang Power Generation Company Limited	Shangdong Power Grid	Shandong	200
16	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.	Sichuan Power Grid	Guangxi	70
17	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.	Chongqing Power Grid Grid	Chongqing	210
18	PT.GH EMM INDONESIA	PLN	Indonesia	30
Sub-total				2,758.4

No.	Company	Regional grid	Location	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*
Others				
19	Zhuhai Guohua Huidafeng Wind Energy Development Co., Ltd.	Guangdong Power Grid	Guangdong	1.6
20	Shenhua Sichuan Energy Co., Ltd. (hydropower)	Sichuan Power Grid	Sichuan	12.5
21	Shenhua Guohua (Beijing) Gas-fired Power Co., Ltd.	Jingjintang Power Grid	Beijing	95
Sub-total				109.1
Total				2,867.5

* Coal-electricity integrated projects

Overlapping coal-fired power plants of the Company and the Joint Venture Company

Upon the completion of the Joint Venture Transaction, the Joint Venture Company will have the following coal-fired power plants, among the others, in Inner Mongolia and Hebei, which overlap with certain power plants (including coal-electricity integrated projects) of the Company in terms of location.

Location	**Company/ power plant owned by the Joint Venture Company**	**Regional grid**	**Controlled installed capacity under operation as at 30 September 2017** *(Unit: 0'000KW)*	**Company/ power plant owned by the Company**	**Regional grid**	**Controlled installed capacity under operation as at 30 September 2017** *(Unit: 0'000 KW)*
Inner Mongolia	Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.	Liaoning Power Grid	120	Shenhua Zhunge'er Energy Co., Ltd.*	West Inner Mongolia Power Grid	96
	Shenhua Guohua International Power Co., Ltd.	West Inner Mongolia Power Grid	132	Shenhua Shendong Power Co., Ltd.*	West Inner Mongolia Power Grid	80
	Shenhua Shendong Power Co., Ltd. Salaqi Power Plant	West Inner Mongolia Power Grid	60			

Location	Company/ power plant owned by the Joint Venture Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
	Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant	West Inner Mongolia Power Grid	30			
	Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd.	Inner Mongolia Power Grid	66			
Hebei	Shenhua Guohua International Power Co., Ltd.	Jingjintang Power Grid	130	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	252
				Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	252

* Coal-electricity integrated projects

The Company is of the view there is no competition among overlapping coal-fired power plants in Hebei because power generated by coal-fired plants of the Company in Hebei is sold to Hebei South Power Grid while power generated by coal-fired plants of the Joint Venture Company is sold to Jingjintang Power Grid. Hebei South Power Grid and Jingjintang Power Grid are different regional grids. When a power plant is constructed, it is physically connected to a regional grid. The connection will not change over time. As disclosed above, all of the power plants retained by the Company in Inner Mongolia are coal-electricity integrated power plants which are different from regular coal-fired power plants of the Joint Venture Company in Inner Mongolia. Coal-electricity integrated project is a type of coal-fired power plant, and it is difficult to divide coal mines and power plants in these coal-electricity integrated projects. In a coal-electricity integrated project, power plant and

coal mine are constructed next to each other. Compared to regular coal-fired power plant, coal-electricity integrated power project can save the cost of transportation for coal and have a lower cost of generating electricity as the power plant does not need to purchase coal from the third parties.

Overlapping coal-fired power plants of the Company and Shenhua Guoneng

On 12 June 2012, the Company announced that CHNENERGY consulted with the Company in respect of its proposed acquisition of State Grid Energy Development Co., Ltd. (the "State Grid Energy") and having been approved by the Independent Non-executive Directors of the Company, the Company had decided not to participate in the acquisition, and agreed CHNENERGY to acquire State Grid Energy. CHNENERGY granted the Company the option and pre-emptive right over State Grid Energy pursuant to the Existing Non-Competition Agreement. The company name of State Grid Energy was later changed to Shenhua Guoneng Energy Group Corporation Limited, which is one of the fourteen assets confirmed by CHNENERGY in 2014 Non-Competition Undertaking. Upon the completion of the Merger of the Group Companies and the Joint Venture Transaction, Shenhua Guoneng will have the following coal-fired power plants, among the others, in Inner Mongolia, Hebei, Shaanxi, Sichuan and Henan, which overlap with certain power plants (including coal-electricity integrated projects) of the Company in terms of location.

Location	**Company/ power plant owned by the Shenhua Guoneng**	**Regional grid**	**Controlled installed capacity under operation as at 30 September 2017** *(Unit: 0'000KW)*	**Company/ power plant owned by the Company**	**Regional grid**	**Controlled installed capacity under operation as at 30 September 2017** *(Unit: 0'000 KW)*
Inner Mongolia	E'wenke Power Plant	Liaoning Power Grid	120	Shenhua Zhunge'er Energy Co., Ltd.*	West Inner Mongolia Power Grid	96
				Shenhua Shendong Power Co., Ltd. Yili Power Plant*	West Inner Mongolia Power Grid	80

Location	Company/ power plant owned by the Shenhua Guoneng	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
Hebei	Qinhuangdao Power Plant	Jinjintang Power Grid	107	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	252
				Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	252
Shaanxi	Shaanxi Fugu Power Plant	Hebei South Power Grid	120	Shaanxi Guohua Jinjie Energy Co., Ltd.*	Hebei South Power Grid	240
				CLP Guohua Shenmu Power Co., Ltd.	Shaanxi Power Grid	22
				Shenhua Shendong Power Co., Ltd. Dianta Power Plant	Shaanxi Power Grid	159
				Shenhua Shendong Power Co., Ltd. Guojiawan Power Plant	Shaanxi Power Grid	60

Location	Company/ power plant owned by the Shenhua Guoneng	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
				Shenhua Shendong Power Co., Ltd. Daliuta Power Plant	Shaanxi Power Grid	2.4
Sichuan	Sichuan Baima Power Plant	Sichuan Power Grid	90	Shenhua Sichuan Energy Co., Ltd. (coal-fired power)	Sichuan Power Grid	126
Henan	Henan Jiaozuo Power Plant	Henan Power Grid	132	Shenhua Guohua Mengjin Power Generation Co., Ltd.	Henan Power Grid	120

* Coal-electricity integrated projects

The Company is of the view there is no competition among overlapping coal-fired power plants in Hebei and Inner Mongolia because power generated by coal-fired plants of the Company in Hebei and Inner Mongolia is sold to Hebei South Power Grid and West Inner Mongolia Power Grid respectively while power generated by coal-fired plants of Shenhua Guoneng is sold to Jingjintang Power Grid and Liaoning Power Grid respectively. Hebei South Power Grid and Jingjintang Power Grid are different regional grids, and West Inner Mongolia Power Grid and Liaoning Power Grid are different regional grids. In addition, power plants retained by the Company in Inner Mongolia are coal-electricity integrated

projects which are different from regular coal-fired power plants of Shenhua Guoneng in Inner Mongolia. As announced on 12 June 2012, the Company had taken required procedure in relation to the acquisition of Shenhua Guoneng by CHNENERGY, and the existing overlapping of power plants in these provinces had been recognized by the Company in due course.

Overlapping coal-fired power plants of the Company and the Guodian Group and GD Power (excluding the Joint Venture Company)

The Guodian Group is one of the largest power generation groups in the PRC, and GD Power is the major listed company in power production and sales sector in the Guodian Group. The Guodian Group and GD Power (excluding the Joint Venture Company) currently have coal-fired power plants which overlap with coal-fired fired power plants of the Company in some provinces. Upon the completion of the Merger of the Group Companies and the Joint Venture Transaction, the Guodian Group and GD Power (excluding the Joint Venture Company) will continue to have the following coal-fired power plants (including coal-electricity integrated projects) which overlap with certain power plants (including coal-electricity integrated projects) of the Company in terms of location.

Guodian Group (excluding GD Power)

Location	**Company/ power plant owned by the Guodian Group (excluding GD Power)**	**Regional grid**	**Controlled installed capacity under operation as at 30 September 2017** *(Unit: 0'000KW)*	**Company/ power plant owned by the Company**	**Regional grid**	**Controlled installed capacity under operation as at 30 September 2017** *(Unit: 0'000 KW)*
Inner Mongolia	GD Power Inner Mongolia Power Co., Ltd.	West Inner Mongolia Power Grid	180	Shenhua Zhunge'er Energy Co., Ltd.*	West Inner Mongolia Power Grid	96
				Shenhua Shendong Power Co., Ltd. Yili Power Plant*	West Inner Mongolia Power Grid	80

Location	Company/ power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
Hebei	GD Power Hebei Longshan Power Generation Co., Ltd.	Hebei South Power Grid	120	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	252
	GD Power Huai'an Thermal Hebei North Power Power Co., Ltd.	Hebei North Power Grid	66	Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	252
	GD Power Chengde Thermal Power Co., Ltd.	Hebei North Power Grid	66			
	GD Power Luanhe Thermal Power Co., Ltd.	Hebei North Power Grid	33			

Location	Company/ power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
	GD Power North China Power Co., Ltd. Langfang Thermal Power Plant	Hebei North Power Grid	70			
	Hebei Hengfeng Power Generation Co., Ltd.	Hebei South Power Grid	66			
Guangdong	GD Power Zhaoqing Thermal Power Co., Ltd.	Guangdong Power Grid	70	Guangdong Guohua Yudean Taishan Power Co., Ltd.	Guangdong Power Grid	503
				Guohua Huizhou Thermal Power Branch Company	Guangdong Power Grid	66
Shaanxi	GD Power Baoji No.2 Power Generation Co., Ltd.	Shaanxi Power Grid	120	Shaanxi Guohua Jinjie Energy Co., Ltd.	Heibei South Power Grid	240

Location	Company/ power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
	GD Power Baoji Power Generation Co., Ltd.	Shaanxi Power Grid	132	CLP Guohua Shenmu Power Co., Ltd.	Shaanxi Power Grid	22
				Shenhua Shendong Power Co., Ltd. Dianta Power Plant	Shaanxi Power Grid	159
				Shenhua Shendong Power Co., Ltd. Guojiawan Power Plant	Shaanxi Power Grid	60
				Shenhua Shendong Power Co., Ltd. Daliuta Power Plant	Shaanxi Power Grid	2.4

Location	Company/ power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
Henan	GD Power Xingyang Coal-Electricity Integrated Co., Ltd.	Henan Power Grid	126	Shenhua Guohua Mengjin Power Generation Co., Ltd.	Henan Power Grid	120
	GD Power Puyang Thermal Power Co., Ltd.	Henan Power Grid	42			
	GD Power Minquan Power Generation Co., Ltd.	Henan Power Grid	120			
	GD Power Zhumadian Thermal Power Co., Ltd.	Henan Power Grid	66			
	GD Power Yuyuan Power Generation Co., Ltd.	Henan Power Grid	30			

Location	Company/ power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
Shandong	GD Power Penglai Power Generation Co., Ltd.	Shangdong Power Grid	66	Shenhua Guohua Shouguang Power Generation Company Limited	Shangdong Power Grid	200
	GD Power Tai'an Thermal Power Co., Ltd.	Shangdong Power Grid	70			
	Shandong China Power Generation Co., Ltd. Shiheng Power Plant	Shangdong Power Grid	126			
	GD Power Shiheng Power Generation Co., Ltd.	Shandong Power Grid	66			
	Shandong China Power Generation Co., Ltd. Liaocheng Power Plant	Shangdong Power Grid	120			

Location	Company/ power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
	GD Power Liaocheng Power Generation Co., Ltd.	Shangdong Power Grid	120			
	Shandong China Power Generation Co., Ltd. Heze Power Plant	Shangdong Power Grid	60			
	GD Power Heze Power Generation Co., Ltd.	Shangdong Power Grid	66			
	GD Power Feixian Power Generation Co., Ltd.	Shangdong Power Grid	130			
Guangxi	GD Power Nanning Power Generation Co., Ltd.	Guangxi Power Grid	132	Shenhua Guohua Guangtou (Liuzhou) Power Generation Co., Ltd.	Guangxi Power Grid	70
	GD Power Yongfu Power Generation Co., Ltd.	Guangxi Power Grid	64			

Location	Company/ power plant owned by the Guodian Group (excluding GD Power)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
Chongqing	GD Power Chongqing Hengtai Power Generation Co., Ltd.	Chongqing Power Grid	60	Shenhua Shendong Power Co., Ltd. Wanzhou Power Plant	Chongqing Power Grid	210
Fujian	GD Power Fuzhou Power Generation Co., Ltd.	Fujian Power Grid	120	Shenhua Fujian Energy Co., Ltd.	Fujian Power Grid	270
	GD Power Quanzhou Thermal Power Co., Ltd.	Fujian Power Grid	194			
Sichuan	GD Power Chengdu Zijintang Power Generation Co., Ltd.	Sichuan Power Grid	120	Shenhua Sichuan Energy Co., Ltd. (coal-fired power)	Sichuan Power Grid	126
	GD Power Dazhou Power Generation Co., Ltd.	Sichuan Power Grid	60			
	GD Power Sheng Neng Sichuan Huayingshan Power Generation Co., Ltd.	Sichuan Power Grid	60			

* Coal-electricity integrated projects

GD Power (excluding the Joint Venture Company)

Location	Company/ power plant owned by GD Power (excluding the Joint Venture Company)	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000KW)*	Company/ power plant owned by the Company	Regional grid	Controlled installed capacity under operation as at 30 September 2017 *(Unit: 0'000 KW)*
Inner Mongolia	GD Construction and Investment Inner Mongolia Energy Co., Ltd. (Bulian)	West Inner Mongolia Power Grid	132	Shenhua Zhunge'er Energy Co., Ltd.*	West Inner Mongolia Power Grid	96
				Shenhua Shendong Power Co., Ltd. Yili Power Plant*	West Inner Mongolia Power Grid	80
Hebei	Hebei Handan Thermal Power Co., Ltd.	Heibei South Power Grid	44	Hebei Guohua Cangdong Power Co., Ltd.	Hebei South Power Grid	252
	GD Power Handan Thermal Power Plant	Hebei South Power Grid	22	Hebei Guohua Dingzhou Power Generation Co., Ltd.	Hebei South Power Grid	252

* Coal-electricity integrated projects

As the Guodian Group and GD Power are independent third parties before the Merger of Group Companies and the Joint Venture Transaction, the existing overlapping of power plants in these provinces are results of normal market competition among power generation companies in the PRC. After the completion of the Merger of Group Companies and the Joint Venture Transaction, the Company will continue to operate these overlapping power plants independently with a view to maximize the profit for the benefit of the Company and its Shareholders. Under current power regulatory system of the PRC, the on-grid electricity tariff is determined and approved by the competent pricing departments led by the NDRC based on the economic life cycle of power generation projects and in accordance with the principle of making reasonable compensation for costs, a reasonable determination of income and recording electricity tariff in the tax in accordance with the law. Therefore, the power generation enterprises cannot control or change the approved standard for on-grid electricity tariff. Regional grids determine and dispatch quantity of electricity generated by each power plant. Therefore, the Company considers that the profitability of these overlapping power plants will not be affected.

Other than the above, upon the completion of the Merger of Group Companies and the Joint Venture Transaction, there will be no other overlapping coal-fired power plants under operation (including coal-electricity integrated projects) between the CHNENERGY Group and the Group.

The Group also has a wind farm in Guangdong, a hydropower plant in Sichuan and a gas-fired power plant in Beijing. For the year ended on 31 December 2016, revenue and profit before taxation generated by all these three power plants only accounted for approximately 1.3% and approximately 1.1% of the total revenue and profit before taxation of the Company, respectively. For the nine months ended on 30 September 2017, revenue and profit before taxation generated by these power plants of the Company only accounted for approximately 0.98% and approximately 0.52% of the total revenue and profit before taxation of the Company, respectively. As at the Latest Practical Date, the CHNENERGY Group, GD Power and China Longyuan Power Group Corporation Limited (a subsidiary of Guodian Group Co listed on the Hong Kong Stock Exchange) have overlapping wind farms in Guangdong and the Guodian Group and GD Power have overlapping hydropower stations in Sichuan. Since the establishment of the Group, the Group has been focusing on coal-fired power generation rather than other types of power generation. As these three power plants only contribute minimal revenue and profit to the Company, the Company is of the view that the overlapping will not have impact on the Group.

The Merger of the Group Companies is one of the national measures to push forward the structural reform on supply side in coal and power sector. It will reinforce the business cooperation relationship between the Shenhua Group and the Guodian Group and is in the interest of the Company and its Shareholders as a whole. Upon the completion of Merger of the Group Companies and the Joint Venture Transaction, to delineate the business between the Group and GD Power, under the Supplemental Agreement to the Existing Non-Competition Agreement, the Company will no longer to have "production and sales of electric power" as one of the core businesses, and the Group will mainly engage in the production and sale of coal, railway, port and shipping transportation, and coal-to-olefins businesses. GD Power will mainly engage in production and sales of electric power business. When the Company is aware of a new business opportunity in relation to the production and sales of electric power, a board committee comprising only the independent non-executive Directors will review, consider and decide whether it is in the interest of the Company and the Shareholders as a whole to pursue the new business opportunity. In assessing whether or not to pursue the new business opportunity, the independent non-executive Directors should consider all factors they consider relevant, including feasibility studies, estimated profitability, market, commercial and counterparty risks, compliance with the business strategy of the Group, possible synergy with the Group's operation, the financial resources available to the Group and the qualifications and/or eligibility the Group has at that time, as well as the relevant legal, regulatory and contractual requirements, with a view to arriving at a decision which is in the best interest of the Company and the Shareholders as a whole. Such board committee may appoint financial advisors or professional experts to provide advice, at the cost of the Company, on whether to pursue or decline any new business opportunity. In case that the Company and GD Power compete for the same business opportunity, directors nominated by or associated with CHNENERGY will abstain from voting in the meetings of the Board of Directors of the Company and GD Power.

Nonetheless, as disclosed above, the Company has decided to retain certain premium power generation assets, including a number of coal-electricity integrated projects. As at the date hereof, the Company does not have any plan to dispose these power generation business. Certain coal-fired power plants (including coal-electricity integrated projects) retained by the Company overlap with certain coal-fired power plants (including coal-electricity integrated projects) of the Joint Venture Company, Shenhua Guoneng, the Guodian Group and GD Power in terms of location. For the year ended on 31 December 2016, revenue and profit before taxation generated by all of the overlapping coal-fired power plants (including coal-electricity integrated projects) of the Company only accounted for approximately 13% and approximately 10% of the total revenue and profit before taxation of the Company, respectively. For the nine months ended on 30 September 2017, revenue and profit before taxation generated by all of the overlapping coal-fired power plants (including coal-electricity integrated projects) of the Company only accounted for approximately 12%

and approximately 3% of the total revenue and profit before taxation of the Company, respectively. The Company is of the view that considering the benefit of the retained power generation businesses and their size, it will not give rise to substantial competition issue and it is in the interest of the Company and its Shareholders as a whole.

To safeguard the interest of the Group, the following measures will be taken by CHNENERGY, the Company and GD Power:

(1) It is proposed by CHNENERGY that GD Power will be responsible for the development, construction and subsequent management of its new Conventional Power Generation Business, and CHNENERGY will not pursue new business opportunity in the Conventional Power Generation Business by itself.

(2) Besides the power plants of GD Power and the Joint Venture Company which are held by GD Power, CHNENERGY will entrust GD Power to manage the unlisted Conventional Power Generation Business including the overlapping power plants as disclosed above and other Conventional Power Generation Business held by legacy Guodian Group Co and legacy Shenhua Group Co *Note*.

(3) Within the five years after the completion of the Merger of Group Companies, GD Power will discretionally exercise the Options and the Pre-emptive Rights to acquire the unlisted Conventional Power Generation Business retained by CHNENERGY.

(4) The Company will continue to be independent from CHNENERGY and GD Power. In particular, the senior management and all staff of the overlapping power plants will continue to be employed by the Company, and their remunerations are linked to the performance of power generation business of the Company. Operational decisions are made by the Directors and the senior management who only consider the benefit of the Company and its Shareholders. Finance departments and financial systems are also independent from CHNENERGY and GD Power.

(5) CHNENERGY has undertaken that it will not intervene with the decision-making of the Company and GD Power to avoid contradicting the interest of the Company and its Shareholders. Where there is a situation which involves a potential conflict of interest among the Company, CHNENERGY and GD Power, directors nominated by or associated with CHNENERGY will abstain from voting in the meetings of the board of directors of the Company and GD Power.

(6) Specific personnel in each overlapping power plants of the Group are assigned to be in charge of the competition issues. These personnel are required to strictly observe the competition among CHNENERGY, the Company and GD Power, and if any situation which may contradict the interest of the Company and its Shareholders is identified, it shall be immediately reported to independent non-executive Directors of the Company.

(7) The independent non-executive Directors of the Company will review competition issues on an annual basis.

Note: In March 2012, Guodian Group Co and its listed subsidiary Guodian Changyuan Electric Power Co., Ltd. (the "**Changyuan Power**") entered into the Entrust Management Agreement, pursuant to which Guodian Group Co has agreed to entrust Changyuan Power to manage its Conventional Power Generation Business in Hubei. After the completion of the Merger of Group Companies, CHNENERGY will assume the obligation of legacy Guodian Group Co and continue to entrust Changyuan Power to manage its Conventional Power Generation Business in Hubei. Changyuan Power is listed on Shenzhen Stock Exchange. All of power generation businesses of Changyuan Power are located in Hubei and connected to Hubei Power Grid. The Group does not have any power generation business in Hubei and there is no overlap between the Group and the CHNENERGY Group in Hubei.

GD Power is listed on Shanghai Stock Exchange, and it is independent from CHNENERGY and the Company. The Company is of the view that by taking the above measures, the interest of the Company and its Shareholders can be effectively protected.

3. Reasons for entering into the Supplemental Agreement to the Existing Non-Competition Agreement and their benefits to the Company

As stated in the Letter from the Board in the Circular, after the amendments to the Existing Non-Competition Agreement take effect, CHNENERGY is free to pursue the business of production and sales of electric power, but it has undertaken that it will not pursue new business opportunity in the Conventional Power Generation Business by itself. The Directors believe that based on the following reasons, the amendments to the Existing Non-Competition Agreement are in the interests of the Company and its Shareholders as a whole: (i) after the completion of the Joint Venture Transaction, the Company continue to retain certain premium power generation assets with total controlled installed capacity under operation as at 30 September 2017 exceeding 28,000,000 KW, including coal-electricity integrated projects which have better profitability. Meanwhile, the Company will continue to benefit from the Joint Venture Company to share investment returns in power sector and revenue increase brought by synergy; and (ii) in 2016, the capital expenditure in power

generation business accounted for more than 60% of the total capital expenditure of the Company. If the Company substantially reduce the capital expenditure in power generation business, the Company is able to invest more in the production and sale of coal, railway, port and shipping transportation, and coal-to-olefins businesses. The Company will achieve stronger development in these core businesses and increase profit of the Company.

We have discussed with the management of the Company and understand that after the completion of the Merger of Group Companies, the associates of Guodian Group Co will become the associates of CHNENERGY and therefore it would be impractical for CHNENERGY Group to continue to comply with the original scope of the core businesses of the Company as CHNENERGY is the controlling shareholder of Guodian Group Co, and Guodian Group Co was and continue will be principally engaged in the production and sales of electric power business. If the Existing Non-Competition Agreement was not amended by entering into the Supplemental Agreement, it would give rise to an immediate breach by CHNENERGY Group for engaging in the core businesses of the Company to be carried on by Guodian Group Co after the Merger of Group Companies and the Joint Venture Transaction is completed. However, the removal of "production and sales of electric power" from the core businesses in clause 1 "Definitions" of the Non-Competition Agreement does not mean that the Company is limited from carrying out business in relation to the production and sales of electric power. In addition, we note from the Letter from the Board in the Circular that when the Company is aware of a new business opportunity in relation to the production and sales of electric power, a board committee comprising only the independent non-executive Directors will review, consider and decide whether it is in the interest of the Company and the Shareholders as a whole to pursue the new business opportunity. In assessing whether or not to pursue the new business opportunity, the independent non-executive Directors should consider all factors they consider relevant, including feasibility studies, estimated profitability, market, commercial and counterparty risks, compliance with the business strategy of the Group, possible synergy with the Group's operation, the financial resources available to the Group and the qualifications and/or eligibility the Group has at that time, as well as the relevant legal, regulatory and contractual requirements, with a view to arriving at a decision which is in the best interest of the Company and the Shareholders as a whole. Such board committee may appoint financial advisors or professional experts to provide advice, at the cost of the Company, on whether to pursue or decline any new business opportunity. In case that the Company and GD Power compete for a same business opportunity, directors nominated by or associated with CHNENERGY will abstain from voting in the meetings of the board of directors of the Company and GD Power. As such, we are of the view that the

proposed amendments as well as the future arrangements regarding the production and sales of electric power in the clause 1 "Definitions" of the Non-Competition Agreement is fair and reasonable.

Moreover, we understand from the Company that certain coal-fired power plants overlap with the coal-fired power plants owned by the Joint Venture Company, Shenhua Guoneng, GD Power and Guodian Group in terms of the location. However, we are of the view that the overlapping will not harm the interests of the Company and the Shareholders as a whole because of the following reasons:

1. Overlapping coal-fired power plants of the Company and the Joint Venture Company and GD Power

We have reviewed the power plant schedule and understand that the coal-fired power plants in Inner Mongolia and Hebei owned by the Company overlap with the coal-fired power plants owned by the Joint Venture Company and GD Power.

We understand that the overlapping coal-fired power plants in Inner Mongolia is mainly due to the inherent difficulties in merging the coal-electricity integrated projects in Inner Mongolia owned by the Company with GD Power's coal-fired power plants. In addition, we understand from the management of the Company that the coal-electricity integrated projects can save the cost of transportation for coal and has a lower cost of generating electricity as the power plant does not need to purchase coal from the third parties, indicating better profitability and support from the government. We have reviewed the guidance note《關於推進供給側結構性改革防範化解煤電產能過剩風險的意見》approved by the State Council of PRC and noted that the PRC Government will continue its structural reform on supply side in power generation and coal industries and eliminate the coal-fired power plants that are not up to the environmental and safety standards. The PRC Government will continuously advocate the collaboration between power generation companies and coal companies so as to consolidate the power and coal sectors with better synergy effects. We further examined the guidance note《關於發展煤電聯營的指導意見》and understand that the PRC Government will give the priority to coal-electricity integrated power plants to sell their electricity to the power grid companies given the same emission and energy consumption level for the electricity. In addition, we have also done our independent research on the public domain regarding the applications of the coal-electricity integrated projects and noted that there are some other major coal companies in Shaanxi Province that have also initiated such projects. They have also claimed that these projects will become the first priority of the company as their company strategy. From the public announcements made by those companies, their view is consistent

with that of the management of the Company which they believe such transition of their strategy can greatly benefit the Company in the future.

As for the overlapping in Hebei, we understand that retaining the coal-fired power plants in Hebei is due to their better profitability. We have obtained the financial figures of all the retained coal-fired power plants for the financial year ended 31 December 2016 and nine months ended 30 September 2017 from the management of the Company and calculated the net profit margin of all the overlapping coal-fired power plants and concluded that the retained coal-fired power plants in Hebei had better net profit margins than other retained coal-fired power plants.

Given that (i) the overlapping in Inner Mongolia is due to the infeasibility of separating coal-electricity integrated power plants; (ii) continuous support from the government, lower cost structure of coal-electricity integrated power plants; (iii) similar coal-electricity integrated projects from other well-known coal companies; and (iv) better profitability of the retained power plants in Hebei, we are of the view that retaining the coal-fired power plants in Inner Mongolia and Hebei is in the interests of the Company and the Shareholders as a whole.

2. Overlapping coal-fired power plants of the Company and Shenhua Guoneng

We have enquired the management of the Company regarding the overlapping with Shenhua Guoneng and understand that before the Merger of the Group Companies and the Joint Venture Transaction, the Company has already realized the existing overlapping and in the 2014 Non-Competition Undertakings, it stated that the Company would have to acquire the Conventional Power Generation Business in Shenhua Guoneng, which was Asset No. 2 of the fourteen assets as listed out above, by 30 June 2019 in order to solve the potential conflicts between the Company and CHNENERGY. However, following the structural reform on the supply side and the Merger of the Group Companies and the Joint Venture Transaction, the Company no longer had the acquisition clause in 2014 Non-Competition Undertaking as the Company will focus on its coal business. Therefore, the overlapping with Shenhua Guoneng inevitably exists after the Merger of the Group Companies and the Joint Venture Transaction.

However, the cancel of Options and Pre-emptive Rights in respect of the 2014 Non-Competition Undertakings allows the Company to reduce future capital expenditure in power generation business as CHNENERGY will no longer inject the Conventional Power Generation Business contained in assets No. 1–9 and No. 13–14 into the Company. The Company can save the capital expenditure involved in acquiring the Conventional Power Generation Business contained in assets No.1–9 and No. 13–14 and re-employ the capital in the production and sales of coal, railway, port and

shipping transportation, and coal-to-olefins businesses, which can help achieve better development in its core businesses and is consistent with the Company's business strategy.

We note from the 2016 Annual Report that over 60% of the total capital expenditures in 2016 were devoted into the power generation business for constructions and expansion of power generation projects. Following the entering of Supplemental Agreement to the Existing Non-Competition Agreement, the production and sales of electric power will no longer be the core business of the Company and the Company is expected to devote more capital expenditure into the production and sales of coal, railway, port and shipping transportation, and coal-to-olefins businesses. In the 2017 Interim Report, the revenue from external customers of the coal segment increased by approximately 86.3% year-to-year from RMB41,484 million in the first half of 2016 to RMB77,272 million in the first half of 2017. As in the week of 1 March 2018, the Bohai Bay Thermal Coal Price Index was RMB574 per tonne for 5,500 kcal thermal coal, comparing to RMB389 in the week of 24 March 2016, suggesting a steady recovery of the coal price and therefore a better performance in the Company's coal businesses. Even though the Company lost the Option and Pre-emptive Rights in acquiring Shenhua Guoneng which could solve the potential conflict between the Company and CHNENERGY, the Company can re-employ the capital expenditure to further expand its current core businesses which demonstrated better performance in the first half of 2017.

Given that (i) the overlapping existed before the Merger of the Group Companies; and (ii) the Company can re-employ the capital expenditure in order core businesses which saw a steady increase in the first half of 2017, we are of the view that giving up of Options and Pre-emptive Rights in respect of the 2014 Non-Competition Undertakings is in the interests of the Company and the Shareholders as a whole.

3. Overlapping coal-fired power plants of the Company and Guodian Group

We understand from the management of the Company that the overlapping coal-fired power plants of the Company and Guodian Group has been in existence prior to the Merger of the Group Companies and the Joint Venture Transaction instead of a result of this action. In other words, the competition between these overlapping coal-fired power plants has always been in existence. However, as stated in the Letter from the Board in the Circular, the Merger of the Group Companies and the Joint Venture Transaction is one of the national measures to push forward the structural reform on supply side in coal and power sector, it is beyond the control of the Company. Nevertheless, from our independent research and our discussions with the management of the Company, we are of the view that even the competition exists in some

provinces, the actual performance of those overlapping coal-fired power plants are not within the control of the Company due to the price is determined by the government and quantity determined by the regional grids which will be discussed in detail below, therefore the competition is minimal.

As stated in the Letter from the Board in the Circular, under current power regulatory system of the PRC, the on-grid electricity tariff is determined and approved by the competent pricing departments led by the NDRC based on the economic life cycle of power generation projects and in accordance with the principle of making reasonable compensation for costs, reasonable determination of income and recording electricity tariff in the tax in accordance with the law. We have done our independent research and reviewed the following government notices regarding the adjustment to on-grid electricity tariff in response to the PRC government's guidance in the provinces where the Company has overlapping coal-fired plants with Guodian Group:

- Notice on Reasonable Adjustment on Tariff Structure By The Development and Reform Committee of Inner Mongolia Autonomous Region (《內蒙古自治區發展和改革委員會關於合理調整電價結構有關事項的通知》);

- Notice on Reasonable Adjustment on Tariff Structure by Bureau of Commodity Prices of Shaanxi Province (《陝西省物價局關於合理調整電價結構有關事項的通知》);

- Notice on Increasing On-Grid Electricity Tariff of Coal-Fired Electricity Generation Corporations in China by the Development and Reform Committee of Guangdong Province (《廣東省發展改革委關於提高我省燃煤發電企業上網電價有關問題的通知》);

- Notice on Reasonable Adjustment on Tariff Structure (《關於合理調整電價結構有關事項的通知》);

- Notice on Reasonable Adjustment on Tariff Structure by the Development and Reform Committee of Henan Province (《河南省發展和改革委員會關於合理調整電價結構有關事項的通知》);

- Notice on Reasonable Adjustment on Tariff Structure by Bureau of Commodity Prices of Shandong Province (《山東省物價局關於合理調整電價結構有關事項的通知》);

- Notice on Reasonable Adjustment on Tariff Structure by Bureau of Commodity Prices of Guangxi Zhuang Autonomous Region (《廣西壯族自治區物價局關於合理調整電價結構有關事項的通知》);

- Notice on Reasonable Adjustment on Tariff Structure by Bureau of Commodity Prices of Chongqing (《重慶市物價局關於合理調整電價結構有關事項的通知》);

- Notice on Reasonable Adjustment on Tariff Structure by Bureau of Commodity Prices of Fujian Province (《福建省物價局關於合理調整電價結構有關事項的通知》); and

- Notice on Distribution of Electricity Tariff and Related Matters of Grids in Sichuan 2017–2019 (《關於四川電網2017–2019年輸配電價及有關事項的通知》)

We understand that the on-grid electricity tariff is determined by the PRC government and the coal-fired power plant companies have to strictly follow the on-grid electricity tariff. We also note that people can report to the relevant authorities if the tariff is not followed. In addition, we have examined the initial offering prospectus of Huadian Fuxin Energy Corporation Limited in June 2012 and Huaneng Lanchang River Hydro power Inc. in November 2017. Both of these prospectuses mentioned that the quantity of electricity to be generated in China is dispatched by dispatch centres of power grid companies. As such, we concur with the management of the Company that the profitability of these retained coal-fired power plants will not be affected as both the on-grid electricity tariff and quantity of generating electricity cannot be controlled or impacted by the Company nor Guodian Group.

Also, despite the overlapping, we note from the safeguarding measures that in the events which involve potential conflicts between the Company and CHNENERGY which contradict the interests of the Company and its Shareholders, Directors nominated by or associated with CHNENERGY will abstain from voting in the meetings. We also note that the Company will assign specific personnel in overseeing the competition issues and any situation that may conflict the interest of the Company and its Shareholders shall be reported to independent non-executive Directors of the Company. We have reviewed the internal controls of other listed companies regarding the non-competition agreement and note that these arrangements are the common market practices in safeguarding the interests of the companies and shareholders.

Given that (i) the overlapping existed before the Merger of the Group Companies; (ii) both the on-grid electricity tariff and dispatch quantity are determined by the relevant authorities; and (iii) sufficient safeguard measures in avoidance of conflict of interest at the management level, we are of the view that the overlapping with the Guodian Group will not harm the Company's and the Shareholders' interests.

We further note that the revenue generated by these overlapping coal-fired power plants only accounted for approximately 13% of the total revenue and approximately 10% of the profit before taxation of the Company for the year ended 30 December 2016 and the coal business of the Company is expected to improve following the Merger of Group Companies and the Joint Venture Transaction as we have mentioned under the Section 2 "Industry overview" and Section 3 "Reasons for entering into the Joint Venture Agreement and its benefits to the Company", which will lead to a further decrease of the proportion of the revenue generated from these overlapping coal-fired power plants to the total revenue of the Company. In addition, for the nine months ended on 30 September 2017, the revenue and profit before taxation generated by all the overlapping coal-fired power plants (including coal-electricity integrated projects) of the Company only accounted for approximately 12% and approximately 3% respectively. With the decreasing proportion of revenue and profit before taxation generated by all the overlapping coal-fired power plants, we are of the view that the overlapping with CHNENERGY will not harm the Company's and the Shareholders' interests.

In addition, after the Merger of Group Companies, CHNENERGY will become the controlling shareholder of both the Company and the Guodian Group Co. The main business of the Group includes production and sales of coal, railway, port and ship transportation, and coal-to-olefins and other coal related chemical processing business and Guodian Group Co is principally engaged in the generation and sale of electricity and heating. We have discussed with the management of the Company and understand that the management of CHNENERGY is considering that the businesses of the two central enterprises can be sufficiently delineated. As such, CHNENERGY intends to internally allocate businesses between the two central enterprises based on the principles of lawfulness and fully protection of the interest of public investors in order to improve the supply side structural reformation, deepen the reformation of state owned enterprises and optimize the layout of state-owned economy. Therefore, as the Company is a world-leading coal-based integrated energy company and Guodian Group Co is electricity and heating generation company, the Company will be more focused on its coal business and Guodian Group Co will be more focused on the power generation business.

As stated in the Letter from the Board in the Circular, the coal platform is responsible for the integration of the future coal business of CHNENERGY. CHNENERGY will grant the coal platform the option, and the coal platform will also be responsible for the development, construction and subsequent management of these businesses. CHNENERGY will supervise and urge the subordinate non-listed subsidiaries not to engage in businesses compete with the coal platform, and also grant the coal platform the option to acquire competing assets in the corresponding field. In light of the above, the entering into the Supplemental Agreement to the Existing Non-Competition Agreement serves the purpose of separating the priority businesses of the two central enterprises.

Pursuant to the Supplemental Agreement to the Existing Non-Competition Agreement, the parties agree to continue to perform the Non-Competition Agreement and other than the amendments as listed out in the Supplemental Agreement to the Existing Non-Competition Agreement, the clauses of the Existing Non-Competition Agreement will not be changed. We are of the view that the terms in the Existing Non-competition Agreement which were then approved by the Board of the Company will continue to be effective and will not affect the businesses of the Company. Without any other material amendments to the Existing Non-competition Agreement, the Company will be able to carry out its core businesses under the protection of the amended Existing Non-competition Agreement.

Based on the above, in particular, that (i) if the Existing Non-Competition Agreement was not amended, it would give rise to an immediate breach by CHNENERGY of its undertakings under the Existing Non-Competition Agreement for engaging in the business to be carried on by CHNENERGY and any other company in which CHNENERGY Group is a substantial shareholder once the Merger of Group Companies and the Joint Venture Transaction is completed; (ii) the overlapping with the Guodian Group will not harm the Company's and the Shareholders' interests; and (iii) all of the major provisions of the Existing Non-Competition Agreement will not be changed, save as the amendments as listed out in the Supplemental Agreement to the Existing Non-Competition Agreement, we concur with the management of the Company that the entering into the Supplemental Agreement to the Existing Non-Competition Agreement is fair and reasonable so far as the Independent Shareholders are concerned and in the interest of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons above, we are of the view that the Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms of the Joint Venture Agreement, the revision of annual caps of continuing connected transactions and the amendments to the Existing Non-Competition Agreement are fair and reasonable so far as the Independent Shareholders are concerned and that the Transactions are in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the EGM to approve the Transactions.

Yours faithfully,
For and on behalf of
Platinum Securities Company Limited
Li Lan
Director and Co-head of Corporate Finance

Mr. Li Lan are licensed persons registered with the Securities and Futures Commission and as responsible officers of Platinum Securities Company Limited to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Li Lan has over eleven years of experience in corporate finance industry.

I. BASIS OF VALUATION

(I) Basis of economic activity

The Minutes of President Executive Meeting of China Shenhua Energy Company Limited (《中國神華能源公司總裁常務會議紀要》) (Edition 16, 2017).

(II) Laws and regulations

1. Assets Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (Adopted at the 21st Meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);

2. The Company Law of the People's Republic of China (《中華人民共和國公司法》) (Adopted at the 6th Meeting of the Standing Committee of the Twelfth National People's Congress on 28 December 2013);

3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (Adopted at the 10th Meeting of the Standing Committee of the Twelfth National People's Congress on 31 August 2014);

4. The Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (Adopted at the 29th Meeting of the Standing Committee of the Tenth National People's Congress on 30 August 2007);

5. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》) (Adopted at the 11th Meeting of the Standing Committee of the Tenth National People's Congress on 28 August 2004);

6. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) (Adopted at the 5th Meeting of the Tenth National People's Congress on 16 March 2007; adopted and revised at the 26th Meeting of the Standing Committee of the Twelfth National People's Congress on 24 February 2017);

7. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》) (Adopted at the 5th Meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);

8. Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (《企業國有資產監督管理暫行條例》) (Decree No. 378 of the State Council) (國務院令第378號);

9. Interim Measures for the Administration of the Transfer of State-owned Assets of Enterprises (《企業國有產權轉讓管理暫行辦法》) (Decree No. 3 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance) (《國務院國有資產監督管理委員會、財政部令第3號》);

10. Notice on the Relevant Matters Concerning the Transfer of State-owned Property Rights of Enterprises (《關於企業國有產權轉讓有關事項的通知》) (Guo Zi Fa Chan Quan [2006] No. 306) (國資發產權[2006]306號)；

11. Measures for the Administration of State-owned Assets Appraisal (《國有資產評估管理辦法》) (Decree No. 91 of the State Council) (國務院令第91號);

12. Notice on Publication and Distribution of the Detailed Rules for the Implementation of the Measures for the Administration of State-owned Assets Appraisal (《關於印發《國有資產評估管理辦法施行細則》的通知》) (Guo Zi Ban Fa [1992] No. 36) (國資辦發[1992]36號);

13. Interim Measures on the Administration of State-owned Assets Appraisal of Enterprises (《企業國有資產評估管理暫行辦法》) (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council) (國務院國有資產監督管理委員會令第12號);

14. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (《企業國有資產交易監督管理辦法》) (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance) (國務院國資委、財政部令第32號);

15. Notice on Strengthening the Administration of State-owned Assets Appraisal (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274) (國資委產權[2006] 274號);

16. Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941) (國資產權[2009]941號);

17. Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64) (國資發產權[2013]64號);

18. Notice on Publication and Distribution of the Approval Guidelines for the Assets Appraisal Projects of Central Enterprises (《關於印發〈中央企業資產評估項目核准工作指引〉的通知》)；(Guo Zi Fa Chan Quan [2010] No. 71) (國資發產權[2010]71號);

19. Accounting Standards for Business Enterprises – Basic Standards (Decree No. 33 of the Ministry of Finance) (《企業會計準則－基本準則》(財政部令第33號);

20. Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) (Decree No. 50 of the Ministry of Finance and State Administration of Taxation) (財政部、國家稅務總局令第50號), amended according to Decree No. 65 of the Ministry of Finance and State Administration of Taxation in 2011 (2011年財政部、國家稅務總局令第65號修訂)；

21. Circular on the Expansion of the Pilot Program of Levying VAT in lieu of Business Tax Nationwide (《關於全面推開營業稅改徵增值稅試點的通知》) (Ministry of Finance and the State Administration of Taxation Cai Shui [2016] No. 36) (財政部、國家稅務總局財稅[2016]36號)；

22. Provisional Regulations of the People's Republic of China on Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用稅暫行條例》) (Adopted at the 163th Executive Meeting of the State Council on 30 December 2006);

23. Regulations on Grant of State-owned Land Use Rights by Agreements (《協議出讓國有土地使用權規定》) (Decree No. 21 of the Ministry of Land and Resources) (國土資源部令第21號);

24. Other laws and regulations.

(III) Evaluation criteria

1. Basic Standards on Assets Valuation (《資產評估基本準則》) (Cai Zi [2017] No. 43) (財資[2017]43號);

2. Code of Ethics for Assets Valuation (《資產評估職業道德準則》) (Zhong Ping Xie [2017] No. 30) (中評協[2017]30號);

3. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (《資產評估執業準則－資產評估程序》) (Zhong Ping Xie [2017] No. 31) (中評協[2017]31號);

4. Practice Guidelines for Asset Valuation – Asset Valuation Report (《資產評估執業準則－資產評估報告》) (Zhong Ping Xie [2017] No. 32) (中評協[2017]32號);

5. Practice Guidelines for Asset Valuation – Asset Valuation Entrustment Contract (《資產評估執業準則－資產評估委託合同》) (Zhong Ping Xie [2017] No. 33) (中評協[2017]33號);

6. Practice Guidelines for Asset Valuation – Asset Valuation File (《資產評估執業準則－資產評估檔案》) (Zhong Ping Xie [2017] No. 34) (中評協[2017]34號);

7. Practice Guidelines for Asset Valuation – Utilization of Experts and Related Reports (《資產評估執業準則－利用專家工作及相關報告》) (Zhong Ping Xie [2017] No. 35) (中評協[2017]35號);

8. Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則－企業價值》) (Zhong Ping Xie [2017] No. 36)(中評協[2017]36號);

9. Practice Guidelines for Asset Valuation – Intangible Assets (《資產評估執業準則－無形資產》) (Zhong Ping Xie [2017] No. 37) (中評協[2017]37號);

10. Practice Guidelines for Asset Valuation – Real Estate (《資產評估執業準則－不動產》) (Zhong Ping Xie [2017] No. 38) (中評協[2017]38號);

11. Practice Guidelines for Asset Valuation – Machinery and Equipment (《資產評估執業準則－機器設備》) (Zhong Ping Xie [2017] No. 39) (中評協[2017]39號);

12. Guidance on Valuation Report of State – owned Assets of Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 42) (中評協[2017]42號);

13. Quality Control Guidance on the Business of Asset Valuation Agency (《資產評估機構業務質量控制指南》) (Zhong Ping Xie [2017] No. 46) (中評協[2017]46號);

14. Guiding Opinions on Types of Value under Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2017] No. 47 (中評協[2017]47號);

15. Guiding Opinions on Legal Ownership of the Target of Asset Valuation (《資產評估對象法律權屬指導意見》) (Zhong Ping Xie [2017] No. 48) (中評協[2017]48號).

(IV) Basis of ownership

1. State-owned Land Use Certificate, Property Ownership Certificate;

2. Motor Vehicle Driving Permit;

3. Other title-related certificates.

(V) Pricing basis

1. Regulations on the Preparation and Calculation of Budgets for Thermal Power Generation Construction Projects (《火力發電工程建設預算編製與計算規定》) by the National Energy Administration (2013 Edition);

2. Guiding Opinions on the Implementation of the Notice of National Development and Reform Commission on Further Liberalization of the Professional Service Fees for Construction Projects (Fa Gai Jia Ge [2015] No. 299) (《關於落實〈國家發展改革委關於進一步放開建設項目專業服務價格的通知〉(發改價格[2015]299號))的指導意見》) issued by China Electricity Council (Zhong Dian Lian Ding E [2015] No. 162) (中電聯定額[2015]162號);

3. Notice of China Electric Power Project Cost Administration on Issuing Estimate Schedule for Power Project Pricing under Replacing Business Tax with Value-added Tax (Ding E [2016] No. 45) (《電力工程造價與定額管理總站關於發佈電力工程計價依據營業税改徵增值税估價表的通知》(定額[2016]45號)) issued by China Electric Power Project Cost Administration (電力工程造價與定額管理總站);

4. Quota Design and Reference Cost Index for Thermal Power Projects (2016 Standard) (《火電工程限額設計參考造價指標(2016年水平)》) of Electric Power Planning and Design Institute (電力規劃設計總院);

5. Notice on the Issuance of 2016 Price Level Adjustment on the 2013 Edition of the Budget Estimate Quota of Electricity Construction Projects (Ding E [2016] No. 50) (《關於發佈2013版電力建設工程概預算定額2016年度價格水平調整的通知》(定額[2016]50號)) issued by China Electric Power Project Cost Administration (電力工程造價與定額管理總站);

6. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》) (2012 Decree No. 12 of the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection (商務部、國家發展和改革委員會、公安部、環境保護部令2012年第12號);

7. The benchmark deposit and lending rate and exchange rate on the Benchmark Date;

8. Fee Quote Manual for Mechanical and Electrical Products (2017) (《機電產品報價手冊》);

9. The feasibility study report of the project, investment budget of the project, estimated budget of the design and other information provided by the enterprise;

10. Relevant budgets and final accounts of the project provided by the enterprise;

11. Construction contracting agreements entered into between the enterprise and relevant entities;

12. Statistics of the payment progress for construction-in-progress and relevant proof of payment provided by the enterprise;

13. Financial statements and audit reports for previous years provided by the enterprise;

14. Future operating plans provided by the relevant departments of the enterprise;

15. Market forecast information for future years provided by the enterprise;

16. Contracts on purchase of raw materials entered into between the enterprise and relevant entities;

17. Other relevant information related to valuation recorded and collected by the appraisers during on-site survey;

18. Other information related to this asset valuation.

(VI) Other references

1. Regulations for Appraisal of Urban Land (《城鎮土地估價規程》) (GB/T18508-2014);

2. Regulations for Gradation and Classification of Urban Land (《城鎮土地分等定級規程》) (GB/T18507-2014);

3. Standards for Real Estate Valuation (《房地產估價規範》) (GB/T50291-2015);

4. Housing Maintenance Grade and Evaluation Criteria (Trial) (《房屋完損等級評定標準(試行)》) (Cheng Zhu Zi [1984] No. 678) (城住字[1984]第678號);

5. The list of assets and the declaration form for valuation provided by the evaluated entity;

6. Audit report issued by KPMG Huazhen (Special General Partnership);

7. Database of China Enterprise Appraisals Co., Ltd.

II. VALUATION METHODOLOGY

Income approach refers to the approach in which the expected return shall be capitalized or discounted so as to determine the value of the appraisal target.

Market approach refers to the approach in which the appraisal target shall be compared with other comparable listed companies or transactions so as to determine the value of the appraisal target.

Asset-based approach refers to the approach in which, based on the balance sheet of the appraisal target on the Benchmark Date, the value of identifiable assets and liabilities in and out of the balance sheet shall be reasonably appraised so as to determine the value of the appraisal target.

As stated in the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any evaluation of enterprise value, the suitability of the three basic asset valuation methods namely the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the appraisal target, the type of value, the collected information, etc. in its selection of valuation methods. If different valuation methods are suitable for any evaluation of enterprise value, asset valuation professionals should adopt two or more valuation methods for their valuation.

(I) It is not appropriate to adopt market approach when market information related to listed companies or transactions comparable to the evaluated entity is unavailable. Based on historical information on assets and liabilities within the scope of valuation, historical annual operating and financial information, and data and information in relation to the future forecast on operating income (all of which are provided by the evaluated entity), appraisers conducted analysis with consideration of macroeconomic conditions, development prospect of the industry in which the evaluated entity operates and preliminary analysis on the current operation of the evaluated entity, and determined that the evaluated entity is able to operate on going-concern basis and has fulfilled the conditions to be evaluated by asset-based approach and income approach. Therefore, asset-based approach and income approach are adopted in the valuation and the results derived from asset-based approach are deemed as the conclusion of valuation. Introduction of asset-based approach is set out below:

1. Current assets

Current assets within the scope of valuation mainly include cash at bank and on hand, bills receivable, accounts receivable, prepayments, other receivables, inventories and other current assets.

(1) Cash at bank and on hand, including cash and bank deposits, the appraised value of which is determined as the verified value arrived at through checking bank statements and bank confirmations.

(2) The appraised value of all receivable items shall be determined based on the recoverable amount of each receivable item upon due verification. For a receivable item that is believed to be fully recoverable, its appraised value shall be measured based on the total receivable amount. Where a certain part of a receivable item is probably unrecoverable and it is unable to accurately measure the unrecoverable amount, detailed ageing analysis shall be conducted on the amount, credit period and reason, recovery status, together with the financial position, credit status, and the current operation and management of the debtor with reference to historical information and on-site investigation to estimate such potential unrecoverable amount, which is regarded as the risk loss to be deducted in the evaluation of the appraised value. A receivable item is measured at zero if there is obvious evidence indicating that such item is not recoverable. The accounting item of "provisions for bad debts" is recognized as zero.

(3) The appraised value of prepayments shall be determined based on the value of assets or rights in the form of underlying goods that are recoverable. Verified book value shall be treated as the appraised value when underlying goods or rights are recoverable. The appraised value of prepayments shall be measured at zero when there is obvious evidence indicating that underlying goods are unrecoverable and may not form the underlying assets or rights.

(4) For purchased raw materials, the appraised value of each asset is determined based on the amount verified upon inspection to be multiplied by the prevailing procurement price in the market plus reasonable transportation expense, wastage, inspection and acceptance fees for admission into warehouse and other reasonable fees. For raw materials which are invalid, deteriorated, damaged, scrapped and useless, the appraised value is determined by deducting the corresponding depreciation (the net realizable value to be retained) and calculated through analysis according to the technical appraisal results and relevant evidences.

(5) For other current assets, appraisers made enquiries with relevant personnel of the evaluated entity to make clear the reasons for the formation of such other current assets, review tax returns, accounting documents and other relevant materials, and conduct sample check on corresponding purchase contracts. The appraised value of other current assets shall be determined based on verified book value.

2. Machinery and equipment

Machinery and equipment were evaluated mainly by the cost method according to conditions such as the characteristics of the equipment, types of values appraised and the collection of materials.

The statements were consistent with those listed in the account books after verifying against the spreadsheets of the machinery and equipment provided by the enterprise. At the same time, the ownership was confirmed after examining and verifying the related contracts, legal ownership certificates and accounting documents. On such basis, professional engineering staff was assigned to carry out necessary on-site inspection and verification of the major equipment.

(1) Determination of full replacement cost

① Equipment for power generation

For equipment to be installed, the full replacement cost generally covers: purchase price of equipment, transportation expense, installation fees, upfront and other expenses, and capital cost. For equipment ready for direct use, the full replacement cost generally covers purchase price of equipment and transportation expense. In addition, pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36" and the requirements from the documents concerning the adjustments to pricing basis in relevant industries, the corresponding VAT shall be deducted from the full replacement cost for equipment eligible for VAT credit. The formula for full replacement cost is set out below:

Full replacement cost of equipment to be installed = purchase price of equipment + transportation expense + installation fees + upfront and other expenses + capital cost – deductible VAT

Full replacement cost of equipment ready for direct use = purchase price of equipment + transportation expense – deductible VAT

A. Purchase price of equipment

The purchase price is mainly determined with reference to the market price checked with the manufacturers as at the Benchmark Date, or the current market prices available in the information on price quotes or with reference to the contract prices of comparable equipment being recently purchased.

B. Transportation expense

Transportation expense is determined based on relevant requirements set out in the Regulations on the Preparation and Calculation of Budgets for Thermal Power Generation Construction Projects (2013) issued by the National Energy Administration.

Transportation expense = Purchase price of equipment × freight rate

Transportation expense would not be measured separately when the quoted price is on EXW basis.

C. Installation fees

The installation fees are determined by referring to preliminary design, design booklet, technical parameter tables, project settlement of equipment and other relevant information. The installation fees shall be derived after making adjustments to the difference between budgeted labor costs and materials and equipment price based on relevant expenses calculated in accordance with requirements as set out in Notice of China Electric Power Project Cost Administration on Issuing Estimate Schedule for Power Project Pricing under Replacing Business Tax with Value-added Tax (Ding E [2016] No. 45) (《電力工程造價與定額管理總站關於發佈電力工程計價依據營業税改徵增值税估

價表的通知》(定額[2016]45號)) issued by China Electric Power Project Cost Administration (電力工程造價與定額管理總站), the Estimate Schedule for Power Project Budget Quota (2013) (《2013年版電力建設工程定額估價表》) and the Notice on the Issuance of 2016 Price Level Adjustment on the 2013 Edition of the Budget Estimate Quota of Electricity Construction Projects (Ding E [2016] No. 50) (《關於發佈2013版電力建設工程概預算定額2016年度價格水平調整的通知》(定額[2016]50號)).

D. Upfront and other expenses

Such expenses are measured in accordance with relevant requirements as set out in the Regulations on the Preparation and Calculation of Budgets for Thermal Power Generation Construction Projects (2013) (《火力發電工程建設預算編製與計算規定》(2013年)) issued by the National Energy Administration and the Guiding Opinions on Implementation of the 'Notice of National Development and Reform Commission on Further Liberalization of the Professional Service Fees for Construction Projects' (Fa Gai Jia Ge [2015] No. 299) (Zhong Dian Lian Ding E [2015] No. 162)(關於落實《國家發展改革委關於進一步放開建設項目專業服務價格的通知》(發改價格[2015]299號)的指導意見) (中電聯定額[2015]162號)), which is issued by China Electricity Council.

E. Capital cost

Subject to a reasonable construction period under this project at the lending rate corresponding to the term as at the Benchmark Date, the capital cost is determined on the basis of the sum of the purchase price of equipment, installation fees and other fees.

For thermal power generating units, capital interest is measured separately based on the method for settlement upon completion of a single generating unit, formula of which is listed below:

Interest payable on loans during the construction period = loan interest payable for the construction period before the first unit starts generating power + loan interest payable for the construction period after the first unit starts generating power

In which: Loan interest payable for the construction period before the first unit starts generating power = ∑[(accumulated principal and interest of loans at the beginning of the year + loans for the year/2) × annual interest rate]

Loan interest payable for the construction period after the first unit starts generating power = ∑[(loans for the year/2) × annual interest rate]

F. Deductible VAT

Pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36", the derived VAT amount shall be deducted for items that are eligible for VAT credit.

Deductible VAT = VAT included in the purchase price of equipment + VAT included in transportation expense + VAT included in installation fees +VAT included in other expenses

In which:

VAT included in purchase price of equipment = purchase price of equipment/(1+17%)×17%

VAT included in transportation expense= transportation expense/(1+11%)×11%

VAT included in installation fees = installation fees/(1+11%)×11%

VAT included in other expenses = (project management fee + project technical service fee + production staff training fee – management fee incurred by the legal person of the project – management fee related to upfront work)/(1+6%)×6%

② Vehicles

Full replacement cost = Purchase cost of vehicle + vehicle purchase tax + license and other fees – deductible VAT

In which:

Vehicle purchase tax = Tax-exclusive selling price × 10%

Purchase cost of vehicle is determined primarily by way of enquiries to local dealers or online information search. Vehicle purchase tax is determined by applying pricing methods set out in the Measures for the Administration of the Collection of Vehicle Purchase Tax (Order No. 33 of the State Administration of Taxation) and relevant amendments and supporting documents. License and other fees are measured by taking full account of charging standards announced by local traffic management departments and fees actually incurred. In addition, pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36", the derived VAT amount shall be deducted from the purchase cost of vehicles eligible for VAT credit.

③ Other equipment and electronic equipment

A. Other equipment

For equipment to be installed, the full replacement cost generally covers: purchase price of equipment, transportation expense, installation fees, upfront and other expenses, and capital cost. For equipment ready for direct use, the full replacement cost generally covers purchase price of equipment and transportation expense. In addition, pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36" and requirements from the documents concerning the adjustments to pricing basis in relevant industries, the corresponding VAT shall be deducted from the full replacement cost for equipment eligible for VAT credit.

a. The formula for full replacement cost is set out below:

Full replacement cost of equipment to be installed = purchase price of equipment + transportation expense + installation fees + upfront and other expenses + capital cost – deductible VAT

Full replacement cost of equipment ready for direct use = purchase price of equipment + transportation expense – deductible VAT

b. Deductible VAT

Relevant requirements set out in "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36" include, among others:

VAT credit included in purchase price of equipment = Purchase price of equipment/(1+17%) × 17%

VAT credit included in transportation expense = Transportation expense/(1+11%) × 11%

VAT credit included in other expenses = Other expenses (deductible portion)/(1+6%) × 6%

B. Electronic equipment

For electronic equipment, the purchase price is used as a replacement value due to its low value and the fact that no installation is required or installation is the responsibility of the supplier.

Full replacement cost = purchase price of equipment – deductible VAT

The purchase price of equipment is determined primarily by consulting local vendors or through network inquiries or other ways.

The deductible VAT included in purchase price of equipment = purchase price of equipment/(1+17%)×17%

(2) Determination of newness rate

① For large-scale power-specific equipment and general machinery under normal operation, the appraisers have, based on the usage and maintenance of the equipment, and the technical advanced level of the equipment, and taking into account the requirements on the actual useful life of various equipment and the used life of the equipment, recognized the remaining useful life to determine the integrated newness rate. The formula is as below:

Integrated newness rate = remaining useful life/(remaining useful life + used life)×100%

② For small-sized equipment, such as electronic equipment, air-conditioner, etc., the integrated newness rate is determined primarily based on the economic useful life of equipment; for large-scale electronic equipment, the integrated newness rate is also determined with reference to the working environment and operating condition of the equipment. The formula is as below:

Newness rate under the service life approach = (economic useful life – used life)/economic useful life × 100%

Integrated newness rate = newness rate under the service life approach × adjustment coefficient

③ For vehicles, the newness rate is determined primarily based on the Standards for Compulsory Retirement of Motor Vehicles promulgated by the State.

First of all, the calculation uses the newness rate under the service life approach and the newness rate under the mileage approach. For vehicles subject to compulsory retirement, both the remaining useful life approach and the average useful life approach can be adopted when using the newness rate under the service life approach for calculation; for vehicles not subject to compulsory retirement, the remaining useful life approach is adopted, and the total useful life is generally considered as 15 years. If the useful life of vehicles is near or exceeding 15 years, the total useful life is considered as the sum of the actual remaining useful life and used life.

Secondly, the lower of the newness rate under the service life approach and the newness rate under the mileage approach is selected.

Thirdly, the newness rate under the observation approach is obtained through on-site inspection.

Finally, the integrated newness rate is formed by averaging the lower of the newness rate under the service life approach and the newness rate under the mileage approach, and the newness rate under the observation approach, which is as below:

Integrated newness rate = MIN (newness rate under the service life approach, newness rate under the mileage approach) × 50% + newness rate under the observation approach × 50%

(3) Determination of appraised value

Appraised value = full replacement cost × integrated newness rate

3. Buildings (structures)

According to the characteristics of the assets under valuation, cost approach is primarily adopted for the valuation of industrial buildings.

Appraised value under the cost approach = full replacement cost × integrated newness rate

(1) Determination of full replacement cost of buildings

Full replacement cost of buildings generally includes: construction and installation cost, upfront and other expenses, capital cost and deductible VAT included in construction and installation cost and upfront expenses. The formula for calculating the full replacement cost of buildings is as follows:

Full replacement cost = construction and installation cost + upfront and other expenses + capital cost – deductible VAT

① Calculation of construction and installation cost

For buildings (structures) of large size, high value and great importance, relevant fees are calculated and charged, and the pre-tax construction and installation cost and the construction and installation cost are calculated according to the volume of works in the drawings, change of design or project settlement, pursuant to the relevant provisions under the Notice of China Electric Power Project Cost Administration on Issuing Estimate Schedule for Power Project Pricing under Replacing Business Tax with Value-added Tax (Ding E [2016] No. 45) (《電力工程造價與定額管理總站關於發佈電力工程計價依據營業税改增值税估價表的通知》(定額[2016]45號)), in accordance with the 2013 Quota Valuation for the Electric Power Construction Projects – Construction (《2013年版電力建設工程定額估價表–建築工程》) and the Notice on the Issuance of 2016 Price Level Adjustment on the 2013 Edition of the Budget Estimate Quota of Electricity Construction Projects (Ding E [2016] No. 50) (《關於發佈2013版電力建設工程概預算定額2016年度價格水平調整的通知》(定額[2016]50號)), combined with the market price information as at June 2017 published on the local construction cost information website, and in accordance with other relevant provisions.

For low-value and simple structured buildings (structures), the comprehensive cost is determined by adopting the unilateral cost approach.

② Calculation of upfront and other expenses

Upfront and other expenses are calculated in accordance with the relevant provisions under Regulations on the Preparation and Calculation of Budgets for Thermal Power Generation Construction Projects (2013) (《火力發電工程建設預算編製與計算規定》(2013年)) issued by the National Energy Administration and the Guiding Opinions on the Implementation of the Notice of National Development and Reform Commission on Further Liberalization of the Professional Service Fees for Construction Projects (Fa Gai Jia Ge [2015] No. 299) (《關於落實〈國家發展改革委關於進一步放開建設項目專業服務價格的通知〉(發改價格[2015]299號))的指導意見》) issued by China Electricity Council (Zhong Dian Lian Ding E [2015] No. 162)(中電聯定額[2015]162號).

③ Capital cost

Capital cost is determined according to the reasonable construction period of the project and on the basis of the sum of construction and installation cost and upfront and other expenses with reference to the loan interest rate during the period corresponding to the Benchmark Date.

Capital cost for buildings (structures) of professional turbine generators equals to the loan interest of the capital invested during the construction period. According to the calculation approach of completion and settlement of single unit of electric power construction projects, the interest incurred from investment in the first unit and the public system is calculated until the commencement of operation of the first unit, and the interest incurred from investment in the second unit is calculated until the commencement of operation of the second unit, the formula of which is set out as follows:

Before power generation of the first generating unit, interest = (accumulation of the loan principal and interest at the beginning of the year + loans for the year/2) × actual annual interest rate

After power generation of the first generating unit, interest = (loans for the year/2) × actual annual interest rate

④ Deductible VAT

Pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36", the corresponding VAT shall be deducted from the full replacement cost for construction projects eligible for VAT credit.

Deductible VAT = VAT included in construction and installation cost + VAT included in upfront and other expenses

Wherein:

VAT included in construction and installation cost = pre-tax construction and installation cost × 11%

VAT included in upfront and other expenses = (project construction management fees + technical service fee of project construction + production preparation charges – project legal person management fees – preliminary work management fee)/(1+6%)×6%

Upfront and other expenses is determined according to the industry standard and relevant local provisions of administrative fees. Capital cost is firstly determined according to the loan interest rate on the Benchmark Date and normal construction period of the buildings of this type, and the full replacement cost is subsequently calculated.

(2) Determination of integrated newness rate

① For buildings (structures) of large size, high value and great importance, their remaining useful life is comprehensively determined based on their economic useful life and used life, through on-site inspection, and the judgments made on the actual use of structures, decorations, ancillary equipment and other parts of the buildings (structures), and the their integrated newness rate is subsequently determined according to the formula set out below:

Integrated newness rate = remaining useful life/(remaining useful life + used life) ×100%

② For low-value and simple structured buildings (structures), the newness rate is determined primarily based on their economic useful life. The formula is as below:

Newness rate under the service life approach = (economic useful life – used life)/economic useful life×100%

(3) Determination of appraised value

Appraised value = full replacement cost × integrated newness rate

4. Construction-in-progress

Cost approach is applied in the valuation of construction-in-progress. In order to avoid duplicated valuation or omission of asset measurement, the following valuation approaches are adopted in light of the characteristics of construction-in-progress, and the type and specific conditions of construction-in-progress:

The construction-in-progress of which the major newly-added equipment has completed but not yet consolidated, shall be evaluated with reference to the fixed assets valuation approach.

5. Land-use right

Market comparison approach, cost approximation approach and benchmark land price coefficient modification approach are primarily adopted for this project in accordance with the relevant requirements of Assets Appraisal Standard-Real Estate, together with the valuation purposes of this project and the circumstances of the land parcel to be evaluated. The valuation approaches are summarized as follows:

(1) Market comparison approach

Market comparison approach refers to the approach which makes comparison between the land to be evaluated and similar land which can be used as a substitute and is traded on the market close to the Benchmark Date according to the substitution principle of the market, and make appropriate adjustment to

the transaction prices of similar land, which will be used to make objective and reasonable estimation on the price of the land to be evaluated. The formula of the market comparison approach is as follows:

Formula: P =PB×A×B×C×D×E

Wherein:

P – the price of the land parcel to be evaluated;

PB – the price of the compared item;

A – the transaction index of the land parcel to be evaluated divided by the transaction index of the compared item;

B – the land price index of the land parcel to be evaluated on the Benchmark Date divided by the land price index of the compared item on the transaction date;

C – the regional factor index of the land parcel to be evaluated divided by the regional factors index of the compared item;

D – the individual factor index of the land parcel to be evaluated divided by the individual factor index of the compared item;

E – the modification index of the land use term of the land parcel to be evaluated divided by the modification index of the land use term of the compared item;

(2) Cost approximation approach

Cost approximation approach refers to the approach for determination of the land price mainly based on the sum of various objective expenses for land development, plus a certain amount of profit, interest, tax payable and proceeds of land appreciation. The formula is as follows:

Land price=(land acquisition expenses + land development expenses + tax expenses + investment interests + land development profit + proceeds of appreciation)×modification coefficient during the usage term ×modification for regional and individual factors

(3) Benchmark land price coefficient modification approach

Benchmark land price coefficient modification approach refers to the approach for obtaining the price of the land parcel to be evaluated on the Benchmark date by using such valuation results as the benchmark land price and benchmark land price modification coefficients table for towns and cities, and compare the regional conditions and the individual conditions of the land parcel to be evaluated with the average conditions of the region in which such land parcel is located on the basis of the substitution principle, and adjust the benchmark land price by a corresponding modification coefficient selected from the modification coefficient table.

The formula of using the benchmark land price coefficient modification approach is as follows:

Price of the land parcel evaluated under the benchmark land price coefficient modification approach (price of the land parcel under the set development level at the benchmark land price) = [the benchmark land price×K1×(1+∑K)×K3×K4±K5]×K2

Wherein:

K1 – the modification coefficient of date

∑K – sum of the modification coefficients of regional factors and individual factors, which have impact on the land price

K2 – the modification coefficient of land use term

K3 – the modification coefficient of floor area ratio

K4 – the modification coefficient of usage

K5 – he modification coefficient of development degree

6. Other intangible assets

Other intangible assets which fall under the scope of this valuation are mainly software purchased externally by the enterprise. If the external software purchased by the enterprise is still available but there are no upgraded versions in the market as at the Benchmark Date, the appraised value will be determined based on the market prices of similar software as at the Benchmark Date. If the external software purchased by the enterprise is still available and there are upgraded versions in the market, the appraised value will be determined by deducting the software upgrading fees from the current market price. If no more transactions of the software can be found in the market but the software could still be used for their intended purposes, the original purchase costs of the enterprise and the price trend of similar software in the market will be taken into account to determine the depreciation rate for the calculation of the appraised value. For the software with older version and no longer in use, the appraised value will be nil.

7. Long-term unamortized expenses

The appraisers understand the unamortized expenses and balance, and formulate new assets, rights and remaining balance. The appraised value will be determined based on the value of assets and rights of the evaluated entity which still exists with no duplication compared with other evaluated targets.

8. Deferred tax assets

Deferred tax assets are deferred tax assets incurred by the book value of the enterprise arising from the provision for diminution in value of inventories and provision for impairment of fixed assets. The appraised value shall be determined by the book value after verification.

9. Liabilities

The liabilities which fall under the scope of this valuation are current liabilities that include accounts payable, accounts received in advance, payroll payable, tax payable, dividends payable and other payables. According to the statements and relevant financial documents provided by the company, the appraised value shall be determined based on the liabilities actually assumed by the company.

III. IMPLEMENTATION AND PARTICULARS OF VALUATION PROCEDURES

The implementation and particulars of the valuation procedures are as follows:

(I) Acceptance of engagement

On 8 June 2017, our company and the clients reached an agreement on the basic matters (including the purpose of valuation, the target of valuation, the scope of valuation and the benchmark date etc.) related to the valuation service and the rights and obligations of the parties, and we have, upon negotiations with the clients, prepared an appropriate valuation plan.

(II) First-phase preparation

1. Preparation of valuation scheme

On 8 June 2017, our company and the clients reached an agreement on the basic matters (including the purpose of valuation, the target of valuation, the scope of valuation and the benchmark date etc.) related to the valuation service and the rights and obligations of the parties, and we have, upon negotiations with the clients, prepared an appropriate valuation plan.

2. Building of a valuation team

In light of the distribution of assets, industry and amount of assets, which fall under the scope of this valuation, our company formed valuation teams equipped with appropriate professionals in accordance with the valuation scheme.

3. Implementation of project training

(1) Training to the staff of the evaluated entity

In order to give the financial and assets management personnel of the evaluated entity an all-round understanding of asset valuation to facilitate their completion and submission of asset valuation-related materials so as to ensure the quality of the declaration materials for the purpose of valuation, our company prepared the Training Materials for Enterprises to provide training to relevant staff of the evaluated entity and assigned appropriate staff to answer any questions raised in the course of completing asset valuation-related materials.

(2) Training to appraisers

To ensure the quality of the valuation project and to improve efficiency, as well as to thoroughly implement the proposed Implementation Plan for Asset Valuation, our company provided relevant training to the project team members including the background of the relevant economic behavior, the characteristics of the assets of the valuation target, technical ideas and requirements for conducting valuation.

(III) On-site investigation

During the period between 14 August 2017 and 20 September 2017, the appraisers conducted necessary investigations and verification on the assets and liabilities of the valuation target and carried out necessary due diligence on the operation and management of the evaluated entity.

1. Asset verification

(1) Guiding the evaluated entity on how to complete the forms and to prepare materials to be provided to the appraisal institution

While the financial and asset management personnel of the evaluated entity are required to conduct their own checking of assets, the appraisers guided them on how to correctly and carefully fill out each of the required forms covering the assets which fall under the scope of this valuation according to the Statement of Asset Valuation and their instructions to complete the Statement and the list of information which were provided by the appraisal institution. They are also required to collect and prepare title certification of the assets and documents and information that can reflect their performance, status and economic and technical indexes.

(2) Preliminary review and improvement of the Statement of Asset Valuation filled out by the evaluated entity

The appraisers checked the relevant information to have an understanding of the details of the assets which fall under the scope of this valuation and carefully reviewed the various Statements of Asset Valuation to check if there are any incomplete information, errors, or unclear statements of asset items. Based on

their experience and the information they had obtained, the appraisers reviewed the Statement of Asset Valuation to check if there is any omission before providing feedback to the evaluated entity for it to improve the Statements of Asset Valuation.

(3) On-site survey

In accordance with the relevant asset valuation standards, the appraisers conducted, with the cooperation of the relevant personnel of the evaluated entity, on-site survey on various assets in terms of the types, quantity and distribution of the assets. Different survey methods were used in light of the nature and characteristics of the different types of assets.

(4) Supplementation, modification and improvement of Detailed Statements of Asset Valuation

Based on the on-site survey result, the appraisers further improved the Statements of Asset Valuation after proper communication with the relevant personnel of the evaluated entity in order to ensure the consistency among the accounts, forms and actual circumstances.

(5) Verification of property title certificates

After verifying the property title certificates of the assets (such as buildings, vehicles and land use rights) which fall under the scope of this valuation, the appraisers requested the enterprise to verify or provide relevant supporting documents related to property title for assets with defective title or unclear ownership.

2. Due diligence

The appraisers conducted necessary due diligence in order to fully understand the operation and management of the evaluated entity and the risks which the entity is facing. The due diligence work mainly covered the following:

(1) History, substantial shareholders and shareholding proportions of the evaluated entity, necessary property title and operation and management structure;

(2) Assets, financial position, production, operation and management of the evaluated entity;

(3) Business plans, development planning and financial forecast of the evaluated entity;

(4) Previous valuations and transactions of the valuation target and the evaluated entity;

(5) Macro and regional economic factors which affect the production and operation of the evaluated entity;

(6) Development trend and outlook of the industry that the evaluated entity is engaged in;

(7) Other relevant information.

(IV) Collection of information

The appraisers collected necessary information for the valuation project, including the information acquired directly and independently from the market and other channels, the information obtained from the clients and relevant parties and the information obtained from government agencies, professional institutions and other relevant departments. They made necessary analysis, induction and collation of the collected information to develop basis for valuation and estimate.

(V) Valuation and estimate

The appraisers adopted, in light of the specific situations of various assets, the corresponding formulae and parameters to make analysis, calculation and judgment on the assets using the selected valuation methods to reach a conclusion of valuation. The project leader summarized the conclusion of valuation concerning various assets, and prepared and formulated the preliminary asset valuation report.

(VI) Internal audit

According to the Administrative Measures for Valuation Process of our company, the project leader would submit the Asset Valuation Report for our internal audit after the preliminary asset valuation report has been prepared. Upon completion of the internal audit, the project leader would then prepare the exposure draft of the Asset Valuation Report and seek for comments from the client. After reasonable modification, the project leader would determine and submit the final version of the Asset Valuation Report to the client based on the feedback.

IV. VALUATION ASSUMPTIONS

The following assumptions were used for the analysis and estimate in this Asset Valuation Report:

(I) General assumptions

1. It is assumed that the evaluated entity will continue to operate after the Benchmark Date;

2. It is assumed that there are no material changes in the local political, economic and social environment of such countries and territories where the evaluated entity operates after the Benchmark Date;

3. It is assumed that there are no significant changes in national policies on macro economy and policies on industry and regional development after the Benchmark Date;

4. It is assumed that there are no material changes in the interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the evaluated entity after the Benchmark Date;

5. It is assumed that the management of the evaluated entity is accountable, stable and competent to perform their duties after the Benchmark Date;

6. It is assumed that the evaluated entity fully complies with all relevant laws and regulations; and

7. It is assumed that there is no force majeure events which may materially and adversely affect the evaluated entity after the Benchmark Date.

(II) Special assumptions

1. It is assumed that the accounting policies adopted by the evaluated entity after the Benchmark Date are consistent with the accounting policies adopted when preparing this Asset Valuation Report in all material aspects;

2. It is assumed that the scope of business and the mode of operation of the evaluated entity after the Benchmark Date are consistent with the current ones based on the existing management mode and management level and that the management of the entity will propel its development plans smoothly; and

3. It is assumed that the evaluated entity will have balance cash inflows and cash outflows after the Benchmark Date.

The conclusion of valuation of this Asset Valuation Report is established on the Benchmark Date based on the above assumptions. In the event of any material changes to the above assumptions, the undersigned appraisers and the appraisal institution shall not be responsible for deducing different conclusions of valuation due to any changes of the assumptions.

V. CONCLUSION OF VALUATION

Guohua Taicang Power Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Guohua Taicang Power Co., Ltd. was RMB3,214.2389 million; the book value of total liabilities was RMB478.7997 million; the book value of net assets was RMB2,735.4392 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB3,262.849 million; amount of increase was RMB527.2456 million; the appreciation rate was 19.27%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Guohua Taicang Power Co., Ltd. was RMB3,214.2389 million, the appraised value was RMB3,219.9792 million and the amount of increase was RMB5.7403 million, representing an appreciation rate of 0.18%; the book value of total liabilities was RMB478.7997 million, the appraised value was RMB478.7997 million and there was no increase or decrease in the valuation; the book

value of net assets was RMB2,735.4392 million and the appraised value of net assets was RMB2,741.1795 million and the amount of increase was RMB5.7403 million, representing an appreciation rate of 0.21%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B–A	Appreciation rate *(%)* D=C/A×100%
Current assets	1	39,559.02	39,559.02	0.00	0.00
Non-current assets	2	281,864.87	282,438.90	574.03	0.20
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	269,257.44	266,926.34	-2,331.10	-0.87
Construction-in-progress	6	173.16	181.39	8.23	4.75
Intangible assets	7	8,465.60	11,362.50	2,896.90	34.22
In which: land use rights	8	7,978.28	10,523.73	2,545.45	31.90
Other non-current assets	9	3,968.67	3,968.67	0.00	0.00
Total assets	10	**321,423.89**	**321,997.92**	**574.03**	**0.18**
Current liabilities	11	47,879.97	47,879.97	0.00	0.00
Non-current liabilities	12	0.00	0.00	0.00	–
Total liabilities	13	**47,879.97**	**47,879.97**	**0.00**	**0.00**
Net assets	14	**273,543.92**	**274,117.95**	**574.03**	**0.21**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB3,262.6849 million, while the value of the entire shareholders' interests was RMB2,741.1795 million when the asset-based approach is used. The difference was RMB521.5054 million, representing a difference rate of 15.98%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Guohua Taicang Power Co., Ltd. was RMB2,741.1795 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702982) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of

China in all material aspects. It expressed a fair view of the financial condition of Guohua Taicang Power Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Jiangsu Guohua Chenjiagang Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Jiangsu Guohua Chenjiagang Power Generation Co., Ltd. was RMB5,380.4547 million; the book value of total liabilities was RMB3,708.1047 million; the book value of net assets was RMB1,672.3500 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB1,849.3933 million; amount of increase was RMB177.0433 million; the appreciation rate was 10.59%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Jiangsu Guohua Chenjiagang Power Generation Co., Ltd. was RMB5,380.4547 million, the appraised value was RMB4,554.0823 million and the amount of decrease was RMB826.3724 million, representing a depreciation rate of 15.36%; the book value of total liabilities was RMB3,708.1047 million, the appraised value was RMB3,708.1047 million and there was no increase or decrease in the valuation; the book value of net assets was RMB1,672.3500 million and the appraised value of net assets was RMB845.9776 million and the amount of decrease was RMB826.3724 million, representing a depreciation rate of 49.41%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B–A	Appreciation rate *(%)* D=C/A×100%
Current assets	1	43,021.95	43,021.95	0.00	0.00
Non-current assets	2	495,023.52	412,386.28	-82,637.24	-16.69
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	482,768.93	395,269.11	-87,499.82	-18.12
Construction-in-progress	6	3,996.78	4,059.60	62.82	1.57
Intangible assets	7	6,669.21	11,471.27	4,802.06	72.00
In which: land use rights	8	5,683.33	10,331.50	4,648.17	81.79
Other non-current assets	9	1,588.60	1,586.30	-2.30	-0.14
Total assets	10	**538,045.47**	**455,408.23**	**-82,637.24**	**-15.36**
Current liabilities	11	370,810.47	370,810.47	0.00	0.00
Non-current liabilities	12	0.00	0.00	0.00	–
Total liabilities	13	**370,810.47**	**370,810.47**	**0.00**	**0.00**
Net assets	14	**167,235.00**	**84,597.76**	**-82,637.24**	**-49.41**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB1,849.3933 million, while the value of the entire shareholders' interests was RMB845.9776 million when the asset-based approach is used. The difference was RMB1,003.4157 million, representing a difference rate of 54.26%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Jiangsu Guohua Chenjiagang Power Generation Co., Ltd. was RMB845.9776 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702981) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Jiangsu Guohua Chenjiagang Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) Ownership

The evaluated entity has 6 land use rights, one of which has no land use certificate. The company undertook that the abovementioned lands are indeed owned by the company without title defects. The evaluated party has 10 housing properties with no property ownership certificates among its ownership. The company undertook that the abovementioned properties are indeed owned by the company with no dispute over the property rights.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guohua Xuzhou Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Guohua Xuzhou Power Generation Co., Ltd. was RMB5,852.3164 million; the book value of total liabilities was RMB3,357.4277 million; the book value of net assets was RMB2,494.8887 million.

The value of total equity interests of shareholders upon valuation by income approach wasRMB2,533.1823 million; amount of increase was RMB38.2936 million; the appreciation rate was 1.53%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Guohua Xuzhou Power Generation Co., Ltd. was RMB5,852.3164 million, the appraised value was RMB6,147.5882 million and the amount of increase was RMB295.2718 million, representing an appreciation rate of 5.05%; the book value of total liabilities was RMB3,357.4277 million, the appraised value was RMB3,357.4277 million and there was no increase or decrease in the valuation; the book value of net assets was RMB2,494.8887 million and the appraised value of net assets was RMB2,790.1605 million and the amount of increase was RMB295.2718 million, representing an appreciation rate of 11.84%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate *(%)* D=C/A×100%
Current assets	1	53,802.37	53,802.37	0.00	0.00
Non-current assets	2	531,429.27	560,956.45	29,527.18	5.56
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	508,171.61	475,547.11	-32,624.50	-6.42
Construction-in-progress	6	9,515.78	9,538.32	22.54	0.24
Intangible assets	7	8,237.27	70,366.41	62,129.14	754.24
In which: land use rights	8	6,753.33	68,682.91	61,929.58	917.02
Other non-current assets	9	5,504.61	5,504.61	0.00	0.00
Total assets	10	**585,231.64**	**614,758.82**	**29,527.18**	**5.05**
Current liabilities	11	322,386.04	322,386.04	0.00	0.00
Non-current liabilities	12	13,356.73	13,356.73	0.00	0.00
Total liabilities	13	**335,742.77**	**335,742.77**	**0.00**	**0.00**
Net assets	14	**249,488.87**	**279,016.05**	**29,527.18**	**11.84**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB2,533.1823 million, while the value of the entire shareholders' interests was RMB2,790.1605 million when the asset-based approach is used. The difference was RMB256.9782 million, representing a difference rate of 10.14%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Guohua Xuzhou Power Generation Co., Ltd. was RMB2,790.1605 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702983) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Guohua Xuzhou Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) Ownership

The evaluated entity has 35 land use rights, and 25 owners of the land use right stated in the certificates are the predecessors of the company and have not handled procedures for changes. The company undertook that the abovementioned lands are indeed owned by the company without title defects. The evaluated entity has 79 housing properties with no property ownership certificates among its ownership, and 52 owners of the land use right stated in the certificates are the predecessors of the company and have not handled procedures for changes. The company undertook that the abovementioned properties are indeed owned by the company with no dispute over the property rights.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd. was RMB3,374.2439 million; the book value of total liabilities was RMB2,283.9761 million; the book value of net assets was RMB1,090.2678 million.

The value of net assets of shareholders upon valuation by income approach was RMB1,343.8702 million; amount of increase was RMB253.6024 million; the appreciation rate was 23.26%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd. was RMB3,374.2439 million, the appraised value was RMB3,226.5914 million and the amount of decrease was RMB147.6525 million, representing a depreciation rate of 4.38%; the book value of total liabilities was RMB2,283.9761 million, the appraised value was RMB2,283.9761 million and there was no increase or decrease; the book value of net assets was RMB1,090.2678 million and the appraised value of net assets was RMB942.6153 million and the amount of decrease was RMB147.6525 million, representing a depreciation rate of 13.54%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	18,976.39	18,976.39	0.00	0.00
Non-current assets	2	318,448.00	303,682.75	-14,765.25	-4.64
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	314,416.48	297,923.91	-16,492.57	-5.25
Construction-in-progress	6	0.80	0.80	0.00	0.00
Intangible assets	7	2,307.91	4,035.23	1,727.32	74.84
In which: intangible assets – land use rights	8	2,128.23	3,336.14	1,207.91	56.76
Other non-current assets	9	1,722.81	1,722.81	0.00	0.00
Total assets	10	**337,424.39**	**322,659.14**	**-14,765.25**	**-4.38**
Current liabilities	11	158,949.61	158,949.61	0.00	0.00
Non-current liabilities	12	69,448.00	69,448.00	0.00	0.00
Total liabilities	13	**228,397.61**	**228,397.61**	**0.00**	**0.00**
Net assets	14	**109,026.78**	**94,261.53**	**-14,765.25**	**-13.54**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB1,343.8702 million, while the value of the entire shareholders' interests was RMB942.6153 million when the asset-based approach is used. The difference was RMB401.2548 million, representing a difference rate of 42.57%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd. was RMB942.6153 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702988) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: "the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Inner Mongolia Guohua Hulunbeier Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017."

(II) Assets with title defects

1. Properties with title defects

A total of 51 properties and structures had been included in the scope of valuation, including 8 properties and structures without obtaining the property ownership certificates, and the area of which was determined by the management of the company and the appraiser through budget information and on-site measurements. The company assured clear titles without disputes of the relevant assets of the properties within the scope of valuation. This valuation did not take into consideration the impact of relevant taxation arising from the registration of title certificates on the appraised value.

2. Vehicles with title defects

Hulunbeier Power Generation has four vehicles for the use of the power plant, which have not obtained motor vehicle driving permit, two fire trucks, one sprinkler and one electric tricycle. The company undertook that the title of the above vehicles within the scope of valuation was clear without title disputes.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Ningxia Guohua Ningdong Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Ningxia Guohua Ningdong Power Generation Co., Ltd. was RMB4,289.6673 million; the book value of total liabilities was RMB3,967.8365 million; the book value of net assets was RMB321.8308 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB354.2646 million; amount of increase was RMB32.4339 million; the appreciation rate was 10.08%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Ningxia Guohua Ningdong Power Generation Co., Ltd. was RMB4,289.6673 million, the appraised value was RMB4,293.2070 million and the amount of increase was RMB3.5397 million, representing

an appreciation rate of 0.08%; the book value of total liabilities was RMB3,967.8365 million, the appraised value was RMB3,967.8365 million and there was no increase or decrease in the valuation; the book value of net assets was RMB321.8308 million and the appraised value of net assets was RMB325.3705 million and the amount of increase was RMB3.5397 million, representing an appreciation rate of 1.10%.

The results of the asset valuation are detailed in the following summary of valuation results:

Summary of valuation results

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate *(%)* D=C/A×100%
Current assets	1	225,068.54	225,068.54	0.00	0.00
Non-current assets	2	203,898.19	204,252.16	353.97	0.17
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	201,565.83	194,112.50	-7,453.33	-3.70
Construction-in-progress	6	69.53	69.53	0.00	0.00
Intangible assets	7	2,050.27	9,857.57	7,807.30	380.79
In which: land use rights	8	1,129.50	8,692.76	7,563.26	669.61
Other non-current assets	9	212.56	212.56	0.00	0.00
Total assets	10	**428,966.73**	**429,320.70**	**353.97**	**0.08**
Current liabilities	11	282,253.65	282,253.65	0.00	0.00
Non-current liabilities	12	114,530.00	114,530.00	0.00	0.00
Total liabilities	13	**396,783.65**	**396,783.65**	**0.00**	**0.00**
Net assets	14	**32,183.08**	**32,537.05**	**353.97**	**1.10**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB354.2646 million, while the value of the entire shareholders' interests was RMB325.3705 million when the asset-based approach is used. The difference was RMB28.8942 million, representing a difference rate of 8.88%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Ningxia Guohua Ningdong Power Generation Co., Ltd. was RMB325.3705 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702985) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: "the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Ningxia Guohua Ningdong Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017."

(II) In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the In-depth Implementation of the Tax Policy of the Strategic Development of the Western Region (Cai Shui (2011) No. 58) and the Announcement of the State Administration of Taxation on the Enterprise Income Tax of the Strategic Development of the Western Region (Announcement No. 12 of the State Administration of Taxation in 2012), from 1 January 2011 to 31 December 2020, the enterprise income tax of the encouraged enterprises established in the western region is levied on the tax rate of 15%; in the valuation using the income approach, the preferential tax rate of the income tax was considered until 2020, and the income tax rate of 25% was considered since 2021.

(III) A total of 57 properties and structures without the ownership certificates had been included in the scope of valuation. The evaluated entity issued a statement to undertake that the above property is owned by the evaluated entity without title disputes.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shenhua Guohua Ningdong Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Shenhua Guohua Ningdong Power Generation Co., Ltd. was RMB3,310.3431 million; the book value of total liabilities was RMB2,927.3261 million; the book value of net assets was RMB383.0170 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB479.8129 million; amount of increase was RMB96.7959 million; the appreciation rate was 25.27%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Shenhua Guohua Ningdong Power Generation Co., Ltd. was RMB3,310.3431 million, the appraised value was RMB3,361.5432 million and the amount of increase was RMB51.2001 million, representing an appreciation rate of 1.55%; the book value of total liabilities was RMB2,927.3261 million, the appraised value was RMB2,927.3261 million and there was no increase or decrease in the valuation; the book value of net assets was RMB383.0170 million and the appraised value of net assets was RMB434.2171 million and the amount of increase was RMB51.2001 million, representing an appreciation rate of 13.37%.

The results of the asset valuation are detailed in the following summary of valuation results:

Summary of valuation results

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate *(%)* D=C/A×100%
Current assets	1	5,155.84	5,155.84	0.00	0.00
Non-current assets	2	325,878.47	330,998.48	5,120.01	1.57
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	22.41	21.27	-1.14	-5.09
Construction-in-progress	6	298,565.33	302,518.07	3,952.74	1.32
Intangible assets	7	1,519.10	2,687.51	1,168.41	76.91
In which: land use rights	8	1,449.79	2,613.91	1,164.12	80.30
Other non-current assets	9	25,771.63	25,771.63	0.00	0.00
Total assets	10	**331,034.31**	**336,154.32**	**5,120.01**	**1.55**
Current liabilities	11	243,732.61	243,732.61	0.00	0.00
Non-current liabilities	12	49,000.00	49,000.00	0.00	0.00
Total liabilities	13	**292,732.61**	**292,732.61**	**0.00**	**0.00**
Net assets	14	**38,301.70**	**43,421.71**	**5,120.01**	**13.37**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB479.8129 million, while the value of the entire shareholders' interests was RMB434.2171 million when the asset-based approach is used. The difference was RMB45.5958 million, representing a difference rate of 10.50%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Shenhua Guohua Ningdong Power Generation Co., Ltd. was RMB434.2171 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702984) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Shenhua Guohua Ningdong Power Generation Co., Ltd. as at 31 December 2016 and 30 June 2017 and the operating results and cash flows for the period from 1 September to 31 December 2016 and the six months ended 30 June 2017.

(II) In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the In-depth Implementation of the Tax Policy of the Strategic Development of the Western Region (Cai Shui (2011) No. 58) and the Announcement of the State Administration of Taxation on the Enterprise Income Tax of the Strategic Development of the Western Region

(Announcement No. 12 of the State Administration of Taxation in 2012), from 1 January 2011 to 31 December 2020, the enterprise income tax of the encouraged enterprises established in the western region is levied on the tax rate of 15%; in the valuation using the income approach, the preferential tax rate of the income tax was considered until 2020, and the income tax rate of 25% was considered since 2021.

(III) After the Benchmark Date of the valuation, two power generating units of Shenhua Guohua Ningdong Power Generation Co., Ltd. were put into official operation on 31 August 2017 and 26 December 2017, respectively.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Zhejiang Guohua Zheneng Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Zhejiang Guohua Zheneng Power Generation Co., Ltd. was RMB11,773.8591 million; the book value of total liabilities was RMB5,905.9780 million; the book value of net assets was RMB5,867.8811 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB9,900.6545 million; amount of increase was RMB4,032.7734 million; the appreciation rate was 68.73%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Zhejiang Guohua Zheneng Power Generation Co., Ltd. was RMB11,773.8591 million, the appraised value was RMB11,920.6590 million and the amount of increase was RMB146.7999 million, representing an appreciation rate of 1.25%; the book value of total liabilities was RMB5,905.9780 million, the appraised value was RMB5,888.3579 million and the amount of decrease was RMB17.6201 million, representing a depreciation rate of 0.30%; the book value of net assets was RMB5,867.8811 million and the appraised value of net assets was RMB6,032.3011 million and the amount of increase was RMB164.4200 million, representing an appreciation rate of 2.80%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate *(%)* D=C/A×100%
Current assets	1	174,722.92	174,722.92	0.00	0.00
Non-current assets	2	1,002,662.99	1,017,342.98	14,679.99	1.46
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	977,147.05	954,752.50	-22,394.55	-2.29
Construction-in-progress	6	635.63	641.89	6.26	0.98
Intangible assets	7	6,432.34	43,500.62	37,068.28	576.28
In which: land use rights	8	5,986.56	42,800.47	36,813.91	614.94
Other non-current assets	9	18,447.97	18,447.97	0.00	0.00
Total assets	10	**1,177,385.91**	**1,192,065.90**	**14,679.99**	**1.25**
Current liabilities	11	302,707.46	302,707.46	0.00	0.00
Non-current liabilities	12	287,890.34	286,128.33	-1,762.01	-0.61
Total liabilities	13	**590,597.80**	**588,835.79**	**-1,762.01**	**-0.30**
Net assets	14	**586,788.11**	**603,230.11**	**16,442.00**	**2.80**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB9,900.6545 million, while the value of the entire shareholders' interests was RMB6,032.3011 million when the asset-based approach is used. The difference was RMB3,868.3534 million, representing a difference rate of 39.07%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Zhejiang Guohua Zheneng Power Generation Co., Ltd. was RMB6,032.3011 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702980) issued by KPMG Huazhen (Special General Partnership). The opinions set out in the auditor's report are as follows: "the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Zhejiang Guohua Zheneng Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017."

(II) The evaluated entity did not provide the motor vehicle driving permit of the Nissan sedan with the license number of Zhe A0H638 due to the loss of its motor vehicle driving permit and registration certificate and the failure to get replacements. The evaluated entity has issued an ownership commitment document regarding this matter, proving that the above matters are true and the title of the vehicle is owned by the evaluated entity without title disputes.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shenhua Guohua (Zhoushan) Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. was RMB2,806.7107 million; the book value of total liabilities was RMB1,831.2677 million; the book value of net assets was RMB975.4430 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB1,075.5920 million; amount of increase was RMB100.1490 million; the appreciation rate was 10.27%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. was RMB2,806.7107 million, the appraised value was RMB3,127.5503 million and the amount of increase was RMB320.8396 million, representing an appreciation rate of 11.43%; the book value of total liabilities was RMB1,831.2677 million, the appraised value was RMB1,821.3997 million and the amount of decrease was RMB9.8680 million, representing a depreciation rate of 0.54%; the book value of net assets was RMB975.4430 million and the appraised value of net assets was RMB1,306.1506 million and the amount of increase was RMB330.7076 million, representing an appreciation rate of 33.90%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate *(%)* D=C/A×100%
Current assets	1	32,745.44	32,745.44	0.00	0.00
Non-current assets	2	247,925.63	280,009.59	32,083.96	12.94
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	236,882.30	238,242.46	1,360.16	0.57
Construction-in-progress	6	8,868.38	8,985.46	117.08	1.32
Intangible assets	7	746.26	31,352.98	30,606.72	4,101.35
In which: land use rights	8	124.29	30,420.05	30,295.76	24,374.99
Other non-current assets	9	1,428.69	1,428.69	0.00	0.00
Total assets	10	280,671.07	312,755.03	32,083.96	11.43
Current liabilities	11	**91,811.04**	**91,811.04**	**0.00**	**0.00**
Non-current liabilities	12	91,315.73	90,328.93	-986.80	-1.08
Total liabilities	13	**183,126.77**	**182,139.97**	**-986.80**	**-0.54**
Net assets	14	**97,544.30**	**130,615.06**	**33,070.76**	**33.90**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB1,075.5920 million, while the value of the entire shareholders' interests was 1,306.1506 million when the asset-based approach is used. The difference was RMB230.5586 million, representing a difference rate of 17.65%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. was RMB1,306.1506 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702991) issued by KPMG Huazhen (Special General Partnership). The opinions set out in the auditor's report are as follows: "the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Shenhua Guohua (Zhoushan) Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017."

(II) There is a total of 45 properties without the property ownership certificates, with a construction area of 47,293.32 sq.m. In terms of properties without the property ownership certificate, the evaluated entity has provided the supporting information regarding the title of the properties and structures, proving that the above properties without the property ownership certificates are indeed owned by the evaluated entity without title disputes.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd. was RMB1,545.7510 million; the book value of total liabilities was RMB1,138.7230 million; the book value of net assets was RMB407.0280 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB530.1893 million; amount of increase was RMB123.1613 million; the appreciation rate was 30.26%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd. was RMB1,545.7510 million, the appraised value was RMB1,525.8911 million and the amount of decrease was RMB19.8599 million, representing a depreciation rate of 1.28%; the book value of total liabilities was RMB1,138.7230 million, the appraised value was RMB1,138.7230 million and there was no increase or decrease; the book value of net assets was RMB407.0280 million and the appraised value of net assets was RMB387.1681 million and the amount of decrease was RMB19.8599 million, representing a depreciation rate of 4.88%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	29,124.78	29,124.78	0.00	0.00
Non-current assets	2	125,450.32	123,464.33	-1,985.99	-1.58
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	121,122.23	115,270.99	-5,851.24	-4.83
Construction-in-progress	6	1,071.76	1,071.76	0.00	0.00
Intangible assets	7	1,381.75	5,247.00	3,865.25	279.74
In which: land use rights	8	1,046.76	4,699.14	3,652.38	348.92
Other non-current assets	9	1,874.58	1,874.57	-0.01	0.00
Total assets	10	**154,575.10**	**152,589.11**	**-1,985.99**	**-1.28**
Current liabilities	11	97,022.30	97,022.30	0.00	0.00
Non-current liabilities	12	16,850.00	16,850.00	0.00	0.00
Total liabilities	13	**113,872.30**	**113,872.30**	**0.00**	**0.00**
Net assets	14	**40,702.80**	**38,716.81**	**-1,985.99**	**-4.88**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB530.1893 million, while the value of the entire shareholders' interests was RMB387.1681 million when the asset-based approach is used. The difference was RMB143.0212 million, representing a difference rate of 26.98%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd. was RMB387.1681 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702992) issued by KPMG Huazhen (Special General Partnership). The opinions set out in the auditor's report are as follows: "the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Zhejiang Guohua Yuyao Gas-fired Power Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017."

(II) A total of 12 properties that were included in the scope of valuation have not obtained the property ownership certificates. The evaluated entity has provided the supporting information regarding the title of the properties and structures, proving that the above properties without obtaining the property ownership certificates are indeed owned by the evaluated entity without title disputes.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shenhua Guohua International Power Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Shenhua Guohua International Power Co., Ltd. was RMB6,198.2791 million; the book value of total liabilities was RMB44.7861 million; the book value of net assets was RMB6,153.4930 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB7,763.6172 million; amount of increase was RMB1,610.2242 million; the appreciation rate was 26.17%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Shenhua Guohua International Power Co., Ltd. was RMB6,198.2791 million, the appraised value was RMB8,565.7782 million and the amount of increase was RMB2,367.4991 million, representing an appreciation rate of 38.20%; the book value of total liabilities was RMB44.7861 million, the appraised value was RMB44.7861 million and there was no increase or decrease in the valuation; the book value of net assets was RMB6,153.4930 million and the appraised value of net assets was RMB8,520.9921 million and the amount of increase was RMB2,367.4991 million, representing an appreciation rate of 38.47%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	21,290.04	21,280.17	-9.87	-0.05
Non-current assets	2	598,537.87	835,297.65	236,759.78	39.56
In which: Long-term equity investment	3	541,671.97	645,901.35	104,229.38	19.24
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	18,960.11	19,072.43	112.32	0.59
Construction-in-progress	6	0.00	0.00	0.00	–
Intangible assets	7	37,903.91	170,321.99	132,418.08	349.35
In which: Intangible assets – land use rights	8	37,729.03	170,180.68	132,451.65	351.06
Other non-current assets	9	1.88	1.88	0.00	0.00
Total assets	10	**619,827.91**	**856,577.82**	**236,749.91**	**38.20**
Current liabilities	11	4,478.61	4,478.61	0.00	0.00
Non-current liabilities	12	0.00	0.00	0.00	–
Total liabilities	13	**4,478.61**	**4,478.61**	**0.00**	**0.00**
Net assets	14	**615,349.30**	**852,099.21**	**236,749.91**	**38.47**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB7,763.6172 million, while the value of the entire shareholders' interests was RMB8,520.9921 million when the asset-based approach is used. The difference was RMB757.2749 million, representing a difference rate of 9.75%.

Shenhua Guohua International Power Co., Ltd. did not engage in any operation. The coal-fired generating units of Beijing Thermal Power Branch under the control of Guohua International were discontinued from power generation as stipulated in relevant documents issued by Beijing Government and the company did not have a specific plan for subsequent disposal of relevant assets; therefore, there were relatively substantial uncertainties in adopting the forecast information by way of income approach. On the other hand, due to the transparent structure of assets and liabilities of Shenhua Guohua International Power Co., Ltd., which gave a detailed and true picture of each item of assets and liabilities in conducting valuation, the parameters adopted when using the asset-based approach were more reliable. In light of the above analysis, it is more reasonable to adopt the valuation results derived by using the asset-based approach as the conclusion of valuation in this valuation. As such, the conclusion of valuation in the Asset Valuation Report adopts the valuation results derived by using the asset-based approach, that is to say, the appraised value of the entire shareholders' interests of Shenhua Guohua International Power Co., Ltd. was RMB8,520.9921 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702987) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: "the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by

the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Shenhua Guohua International Power Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017."

(II) Title defects of Shenhua Guohua International Power Co., Ltd.

1. Properties with title defects

As of the Benchmark Date, the company did not obtain property ownership certificates for certain properties and buildings (a total of two properties) within the scope of valuation. The company assured clear titles without disputes of the relevant assets of the properties within the scope of valuation. This valuation did not take into consideration the impact of relevant taxation arising from the registration of title certificates on the appraised value.

2. Vehicles with title defects

There were a total of 28 vehicles within the scope of valuation, among which, the licensed owner of an Audi A6L2 with license number of Jing EQ4431 was Beijing Guohua Power Company Limited Thermal Power Branch, which was not in line with the name of Shenhua Guohua International Power Co., Ltd. Despite this, the company undertook that such vehicle is owned by it and the title is clear without title disputes.

3. Vehicles to be scrapped

Shenhua Guohua International Power Co., Ltd. possessed six passenger vehicles with relatively longer useful life and poor condition which were scrapped or to be scrapped. The total original book value amounted to RMB2.0418 million and the total net book value amounted to RMB102,100.

(III) Title defects of Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.

1. Properties with title defects

Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd. is undergoing the registration of the title certificates for four properties and buildings within the scope of valuation, including the reclaimed water booster pump house, the circulation pump system at the first station within the heat supply network, and the commercial and residential buildings in Hohhot. Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd. undertook that the title of the above properties is owned by the company and the title is clear without title disputes.

2. Land use rights with title defects

Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd. is undergoing the registration of the certificate of land use right for an ash disposal site with an area of 877,133.33 sq.m., initial book value of RMB36.2289 million and net book value of RMB28.3993 million. The site area and initial book value of such ash disposal site were determined pursuant to the "Agreement on Compensation for Land Requisition of Ash Retention Dam of Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd.".

3. Vehicles with title defects

The licensed owner of a Dodge business car (license number: Jing AGH0998) declared by Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd. was Beijing Guohua Power Company Limited. The original book value and net book value of such business car amounted to RMB838,600 and RMB25,100, respectively and it was affiliated to other subordinates of the group for business trip to Beijing. In addition, the company did not obtain motor vehicle driving permit for three fire trucks as they were only used in the factory area. Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd. undertook that the title of the above vehicles is owned by the company and the title is clear without title disputes.

(IV) Title defects of Suizhong Power Co., Ltd.

1. Properties with title defects

Suizhong Power Co., Ltd. declared a total of 230 properties and buildings (excluding demolition and renovation fees) and, as of the Benchmark Date, the company obtained property ownership certificates of 123 properties but not for the remaining 107 properties (excluding furnishing fees). The evaluated entity provided the "Description on Property Ownership" and proved that such portion of property ownership is owned by the evaluated entity and it was undergoing the registration of the property ownership certificate and assured that there were no title disputes. The area of such portion of properties and buildings was determined by the management of the company and the appraiser based on estimated information and on-site measurement.

2. Land use rights with title defects

Certain properties erected on the land owned by the evaluated entity under Sui Guo Yong (2004) No. 14509394 were allocated among the staff. However, the land area had not yet been segmented accordingly and the land area to be segmented shall be 159,103.50 sq.m. upon preliminary estimate of the company. The above area was excluded in the valuation of such land under Sui Guo Yong (2004) No. 14509394.

3. Vehicles with title defects

As certain vehicles within the scope of valuation were vehicles used within the factory area, no registration of motor vehicle driving permit was made. The licensed owner of two motor vehicles was not in line with the name of the company and the company did not provide the motor vehicle driving permit for another five motor vehicles. There were 19 scrapped vehicles and 27 idle vehicles. The evaluated entity had issued undertakings on relevant titles and undertook that the title of such vehicles is owned by it.

(V) Title defects of Sanhe Power Co., Ltd.

1. Properties with title defects

Sanhe Power Co., Ltd. did not obtain the property ownership certificates for 36 properties it declared. The evaluated entity provided project settlement statements, construction contracts and other evidence to prove that the above properties without property ownership certificates are owned by it. The gross floor area of the above properties was determined mainly based on the construction planning permits, construction commencement permits, blueprints, construction contracts, budget and settlement statements and other relevant information provided by the evaluated entity together with the on-site investigation conducted by the appraiser.

2. Five out of all properties and structures declared by Sanhe Power Co., Ltd. were to be scrapped. Please see the below table for details:

Unit: RMB

No.	Reference number of assets	Name	Original book value	Net book value
1	GSH110000000011	Underground coal bunker room	2,884,612.07	1,362,233.1
2	GSH110000000055	Tensioning workshop for tailings	239,136.19	171,835.71
3	GSH120000000026	Ash belt conveyor gallery	11,821,162.86	3,447,839.23
4	GSH120000000105	7# Transfer station	1,778,342.06	1,142,314.52
5	GSH120000000106	Wind-proof and dust-suppressing wall	11,336,996.00	7,935,897.2
Total			28,060,249.18	14,060,119.76

3. Sanhe Power Co., Ltd. declared a total of 51 vehicles, 10 vehicles of which were owned by Beijing Sihui Property Management Co., Ltd. (北京四惠物業管理有限公司) and one was owned by Beijing Guohua Power Company Limited as stated on respective motor vehicle driving permit. Sanhe Power Co., Ltd. had issued undertakings on relevant titles and undertook that such vehicles are owned by it.

(VI) Title defects of Tianjin Guohua Panshan Power Generation Co., Ltd.

1. Properties with title defects

Tianjin Guohua Panshan Power Generation Co., Ltd. did not obtain the property ownership certificates for a total of 23 properties and buildings it declared but undertook that the title of such properties is owned by it and assured that the title is clear without title disputes.

2. Land use rights with title defects

Tianjin Guohua Panshan Power Generation Co., Ltd. had signed land transfer contracts for two parcels of land for the staff leisure center and Huang Hao Hotel it declared and is undergoing the registration of certificate of land use right. The parcel of land has an area of 9,969.60 sq.m.

3. Vehicles with title defects

The owner of an Audi (license number: Jing NPD595), with original book value of RMB435,600 and net book value of RMB146,300, declared by Tianjin Guohua Panshan Power Generation Co., Ltd. was Beijing Jiedi Industrial Company (北京杰地實業總公司). Tianjin Guohua Panshan Power Generation Co., Ltd. undertook that such vehicle is owned by it and do not have any title disputes.

(VII) On 20 March 2015, Shenhua Guohua International Power Co., Ltd. discontinued power generation of the coal-fired generating units of Beijing Thermal Power Branch pursuant to the "Notice to Close Coal-fired Generators at Guohua Beijing Thermal Power Plant" (Jing Fa Gai [2015] No. 510) (《關於國華北京熱電廠燃煤機組關停有關事項的函》(京發改[2015]510號)) issued by Beijing Municipal Commission of Development and Reform. As of the date of the Asset Valuation Report, there was no further approvals on relocation or continued operation.

(VIII) In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the In-depth Implementation of the Tax Policy of the Strategic Development of the Western Region (Cai Shui (2011) No. 58) and the Announcement of the State Administration of Taxation on the Enterprise Income Tax of the Strategic Development of the Western Region (Announcement No. 12 of the State Administration of Taxation in 2012), from 1 January 2011 to 31 December 2020, the enterprise income tax of the encouraged enterprises established in the western region is levied on the tax rate of 15%; in the valuation on Inner Mongolia Guohua Zhunge'er Power Generation Co., Ltd., a subsidiary of the company, using the income approach, the preferential tax rate of the income tax was considered until 2020, and the income tax rate of 25% was considered since 2021.

(IX) Pending litigation

1. On 11 January 2016, Suizhong Power Co., Ltd. received the notice to respondent (2016 Liao No. 72 Min Chu No. 65-86) from Dalian Maritime Court and attended the dispute case on the damage liability for marine pollution filed by 16 plaintiffs including Zhang Xingqi against Suizhong Power Co., Ltd.. On 26 December 2016, Dalian Maritime Court made a judgement at the court of first instance and dismissed the petition for appeal filed by the plaintiffs against Suizhong Power Co., Ltd., the defendant, by making reference to a precedent (2016 Liao No. 72 Min Chu No. 76), and the plaintiffs filed an appeal to the court.

2. On 22 December 2016, Suizhong Power Co., Ltd. filed a lawsuit against Qiansuo Sales Office of National Military Equipment of Suizhong County on the dispute over sale and purchase agreements and urged the court to order Qiansuo Sales Office of National Military Equipment of Suizhong County, the defendant, to make payment of coal ash of RMB120,075.64 to the plaintiff.

As of the Benchmark Date, the abovementioned two cases were still pending.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shenwan Energy Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Shenwan Energy Co., Ltd. was RMB7,023.9497 million; the book value of total liabilities was RMB892.1412 million; the book value of net assets was RMB6,131.8085 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB9,315.1136 million; amount of increase was RMB3,183.3051 million; the appreciation rate was 51.91%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Shenwan Energy Co., Ltd. was RMB7,023.9497 million, the appraised value was RMB10,654.2975 million and the amount of increase was RMB3,630.3478 million, representing an appreciation rate of 51.69%; the book value of total liabilities was RMB892.1412 million, the appraised value was RMB892.1412 million and there was no increase or decrease in the valuation; the book value of net assets was RMB6,131.8085 million and the appraised value of net assets was RMB9,762.1563 million and the amount of increase was RMB3,630.3478 million, representing an appreciation rate of 59.21%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	185,909.70	185,909.70	0.00	0.00
Non-current assets	2	516,485.27	879,520.05	363,034.78	70.29
In which: Long-term equity investment	3	465,666.60	828,063.70	362,397.10	77.82
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	9,683.55	10,273.06	589.51	6.09
Construction-in-progress	6	0.00	0.00	0.00	–
Intangible assets	7	0.25	48.42	48.17	19,268.00
In which: land use rights	8	0.00	0.00	0.00	–
Other non-current assets	9	41,134.87	41,134.87	0.00	0.00
Total assets	10	**702,394.97**	**1,065,429.75**	**363,034.78**	**51.69**
Current liabilities	11	69,214.12	69,214.12	0.00	0.00
Non-current liabilities	12	20,000.00	20,000.00	0.00	0.00
Total liabilities	13	**89,214.12**	**89,214.12**	**0.00**	**0.00**
Net assets	14	**613,180.85**	**976,215.63**	**363,034.78**	**59.21**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB9,315.1136 million, while the value of the entire shareholders' interests was RMB9,762.1563 million when the asset-based approach is used. The difference was RMB447.0427 million, representing a difference rate of 4.58%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Shenwan Energy Co., Ltd. was RMB9,762.1563 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No.1702979) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: "the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Shenwan Energy Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017."

(II) Details of lands and properties

The company did not obtain property ownership certificates for certain properties of all subsidiaries of Shenwan Energy Co., Ltd. under individual auditing within the scope of valuation as the licensed owner is the predecessor of companies and the companies have not yet registered with change of names, details of which are set out as follows:

Anhui Anqing Wanjiang Power Generation Co., Ltd., the subsidiary of the evaluated entity, did not apply for property ownership certificates for 101 properties owned by it, while the company undertook that the above properties are indeed owned by it without title disputes.

Anhui Chizhou Jiuhua Power Generation Company Limited, the subsidiary of the evaluated company, did not apply for property ownership certificates for 46 properties owned by it, while the company undertook that the above properties are indeed owned by it without title disputes.

Anhui Ma'anshan Wan'nengda Power Generation Co., Ltd., the subsidiary of the evaluated company, did not apply for property ownership certificates for 14 properties owned by it, while the company undertook that the above properties are indeed owned by it without title disputes. The company has land use right certificate of 6 parcels of land; on one of the certificate, the owner was registered as Preparatory Department of Ma'anshan Second Power Generation Plant, the predecessor of the company, and the certificate for change of names have not been obtained, while the company undertook that the above properties are indeed owned by it without title disputes.

Shenwan Hefei Lujiang Power Generation Co., Ltd., the subsidiary of the company, did not apply for property ownership certificates for 3 properties owned by it, while the company undertook that the above properties are indeed owned by it without title disputes.

(III) Details of finance leasing and secured guarantee

Anqing Wanjiang Power Generation Co., Ltd. entered into a Financing Leasing Contract (Shenhua Leasing [2016] No.001) with Shenhua (Tianjin) Finance Leasing Company Limited on 1 March 2016, agreed to sell and lease back #3 boiler equipment with a transfer consideration of RMB100.0000 million for a leasing period commencing from 1 March 2016 to 4 March 2021, with an annual interest rate for leasing of 4.275%.

Anqing Wanjiang Power Generation Co., Ltd. entered into Finance Leasing Contract (Shenhua Leasing [2016] No.002) with Shenhua (Tianjin) Finance Leasing Company Limited on 31 March 2016, agreed to sell and lease back #3 boiler equipment and #4 boiler equipment with a transfer consideration of RMB500.0000 million for a leasing period commencing from 31 March 2016 to 1 April 2021, with an annual interest rate for leasing of 4.275%.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Baode Shendong Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Baode Shendong Power Generation Co., Ltd. was RMB835.8254 million; the book value of total liabilities was RMB659.2092 million; the book value of net assets was RMB176.6162 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB195.1529 million; amount of increase was RMB18.5367 million; the appreciation rate was 9.50%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Baode Shendong Power Generation Co., Ltd. was RMB835.8254 million, the appraised value was RMB818.5085 million and the amount of decrease was RMB17.3169 million, representing a depreciation rate of 2.07%; the book value of total liabilities was RMB659.2092 million, the appraised value was RMB659.2092 million and there was no increase or decrease in the valuation; the book value of net assets was RMB176.6162 million and the appraised value of net assets was RMB159.2993 million and the amount of decrease was RMB17.3169 million, representing a depreciation rate of 9.80%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	8,937.21	8,938.70	1.49	0.02
Non-current assets	2	74,645.33	72,912.15	-1,733.18	-2.32
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	74,009.41	70,236.32	-3,773.09	-5.10
Construction-in-progress	6	0.00	0.00	0.00	1.61
Intangible assets	7	624.31	2,665.77	2,041.46	326.99
In which: Intangible assets – land use rights	8	459.72	2,473.48	2,013.76	438.04
Other non-current assets	9	11.61	10.06	-1.55	-13.35
Total assets	10	**83,582.54**	**81,850.85**	**-1,731.69**	**-2.07**
Current liabilities	11	65,920.92	65,920.92	0.00	0.00
Non-current liabilities	12	0.00	0.00	0.00	-1.50
Total liabilities	13	**65,920.92**	**65,920.92**	**0.00**	**0.00**
Net assets	14	**17,661.62**	**15,929.93**	**-1,731.69**	**-9.80**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB195.1529 million, while the value of the entire shareholders' interests was RMB159.2993 million when the asset-based approach is used. The difference was RMB35.8536 million, representing a difference rate of 18.37%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Baode Shendong Power Generation Co., Ltd. was RMB159.2993 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702994) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Baode Shendong Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) The application of property owner certificates for 4 properties of Baode Shendong Power Generation Co., Ltd. are in process (has not yet obtained) due to historical reasons and there are no title disputes.

(III) The licensed owner of the two vehicles (license number: Shan K82429 and Shan K33132) declared by Baode Shendong Power Generation Co., Ltd. is Shenhua Shenfu Dongsheng Coal Co., Ltd. As the two vehicles were transferred to Baode Shendong Power Generation Co., Ltd. by Shenhua Group in the early years of establishment, Baode Shendong Power Generation Co., Ltd. issued a statement in respect of the title of the vehicle stating that the vehicle has no title disputes.

(IV) The licensed owner of vehicle (license number: Jin HA7180) declared by Baode Shendong Power Generation Co., Ltd. is Baode Shenhua Coal Gangue Power Generation Co., Ltd. (the former name of Baode Shendong Power Generation Co., Ltd. during preparation period) and the company has not registered regarding the change of name. Baode Shendong Power Generation Co., Ltd. issued a statement in respect of the title of the vehicle stating that the vehicle has no title disputes.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd. was RMB2,749.7644 million; the book value of total liabilities was RMB2,192.5281 million; the book value of net assets was RMB557.2363 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB559.6838 million; amount of increase was RMB2.4475 million; the appreciation rate was 0.44%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd. was RMB2,749.7644 million, the appraised value was RMB2,814.1912 million and the amount of increase was RMB64.4268 million, representing an appreciation rate of 2.34%; the book value of total liabilities was RMB2,192.5281 million, the appraised value was RMB2,192.5281 million and there was no increase or decrease in the valuation; the book value of net assets was RMB557.2363 million and the appraised value of net assets was RMB621.6631 million and the amount of increase was RMB64.4268 million, representing an appreciation rate of 11.56%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	39,378.34	39,378.34	0.00	0.00
Non-current assets	2	235,598.10	242,040.78	6,442.68	2.73
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	222,228.17	232,891.29	10,663.12	4.80
Construction-in-progress	6	5,927.35	1,541.31	-4,386.04	-74.00
Intangible assets	7	7,349.62	7,515.22	165.60	2.25
In which: Intangible assets – land use rights	8	7,341.41	7,504.51	163.10	2.22
Other non-current assets	9	92.96	92.96	0.00	0.00
Total assets	10	**274,976.44**	**281,419.12**	**6,442.68**	**2.34**
Current liabilities	11	55,587.70	55,587.70	0.00	0.00
Non-current liabilities	12	163,665.11	163,665.11	0.00	0.00
Total liabilities	13	**219,252.81**	**219,252.81**	**0.00**	**0.00**
Net assets	14	**55,723.63**	**62,166.31**	**6,442.68**	**11.56**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB559.6838 million, while the value of the entire shareholders' interests was RMB621.6631 million when the asset-based approach is used. The difference was RMB61.9793 million, representing a difference rate of 9.97%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd. was RMB621.6631 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702993) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for the period from 13 March 2014 to 31 December 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) As at the Benchmark date, 3 properties in the scope of valuation owned by the evaluated entity have no property ownership certificates. The company assured clear titles without disputes of the relevant assets of the properties within the scope of valuation.

(III) According to the agreement in the Articles of Association of Shenhua Shendong Power Shanxi Hequ Power Generation Co., Ltd., the registered capital of the evaluated entity is RMB640.0000 million, of which Shenhua Shendong Power Co., Ltd. contributed to RMB512.0000 million (80% of the shareholding) and Shanxi Aoda Power Development Co., Ltd. contributed to RMB128.0000 million (20% of the shareholding). The paid-up capital of the appraised entitle as of the Benchmark Date was RMB619.5000 million, of which Shenhua Shendong Power Co., Ltd. paid up and registered for RMB512.0000 million and Shanxi Aoda Power Development Co., Ltd. contributed RMB107.5000 million (with RMB20.5000 million not yet in place).

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. was RMB2,688.0758 million; the book value of total liabilities was RMB1,243.5428 million; the book value of net assets was RMB1,444.5330 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB1,499.5055 million; amount of increase was RMB54.9726 million; the appreciation rate was 3.81%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. was RMB2,688.0758 million, the appraised value was RMB2,656.3339 million and the amount of decrease was RMB31.7419 million, representing a depreciation rate of 1.18%; the book value of total liabilities was RMB1,243.5428 million, the appraised value was RMB1,240.9206 million and the amount of decrease was RMB2.6222 million, representing a depreciation rate of 0.21%; the book value of net assets was RMB1,444.5330 million and the appraised value of net assets was RMB1,415.4133 million and the amount of decrease was RMB29.1197 million, representing a depreciation rate of 2.02%.

The results of the asset valuation are detailed in the following summary of valuation results:

Summary of valuation results

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	12,337.97	12,337.97	0.00	0.00
Non-current assets	2	256,469.61	253,295.42	-3,174.19	-1.24
In which: Long-term equity investment	3	0.00	0.00	0.00	
Investment properties	4	0.00	0.00	0.00	
Fixed assets	5	233,174.50	228,438.88	-4,735.62	-2.03
Construction-in-progress	6	6,773.61	6,773.61	0.00	0.00
Intangible assets	7	1,471.50	3,032.93	1,561.43	106.11
In which: land use rights	8	1,291.37	2,756.82	1,465.45	113.48
Other non-current assets	9	15,050.00	15,050.00	0.00	0.00
Total assets	10	**268,807.58**	**265,633.39**	**-3,174.19**	**-1.18**
Current liabilities	11	30,783.17	30,520.95	-262.22	-0.85
Non-current liabilities	12	93,571.11	93,571.11	0.00	0.00
Total liabilities	13	**124,354.28**	**124,092.06**	**-262.22**	**-0.21**
Net assets	14	**144,453.30**	**141,541.33**	**-2,911.97**	**-2.02**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB1,499.5055 million, while the value of the entire shareholders' interests was RMB1,415.4133 million when the asset-based approach is used. The difference was RMB84.0922 million, representing a difference rate of 5.94%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. was RMB1,415.4133 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No.1702990) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the In-depth Implementation of the Tax Policy of the Strategic Development of the Western Region (Cai Shui (2011) No. 58) and the Announcement of the State Administration of Taxation on the Enterprise Income Tax of the Strategic Development of the Western Region (Announcement No. 12 of the State Administration of Taxation in 2012), from 1 January 2011 to 31 December 2020, the enterprise income tax of the encouraged enterprises established in the western region is levied on the tax rate of 15%; in the valuation using the income approach, the preferential tax rate of the income tax was considered until 2020, and the income tax rate of 25% was considered since 2021.

(III) The evaluated entity owns 15 vehicles, the licensed owner of 3 of which is Shenhua Shendong Power Xinjiang Zhundong Wucaiwan Power Generation Co., Ltd. and the licensed owner of 7 of which is Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant. The evaluated entity has issued a statement on undertaking that the above vehicles are owned by the evaluated entity without title disputes.

(IV) The company has obtained the land transfer contracts and paid the land grant premium for 2 parcels of land, the use rights of which are owned by the evaluated entity. The ownership certificates are undergoing application and the lands were appraised based upon land-use rights. 53 buildings owned by the evaluated entity are undergoing application for property ownership certificates and the evaluated entity has issued a statement on undertaking that the above building and properties are owned by the evaluated entity without title disputes.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shenhua Shendong Power Co., Ltd. Salaqi Power Plant

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Co., Ltd. Salaqi Power Plant was RMB2,211.9683 million; the book value of total liabilities was RMB1,341.4702 million; the book value of net assets was RMB870.4981 million.

The value of asset group was RMB876.8780 million; amount of increase was RMB6.3799 million; the appreciation rate was 0.73%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Co., Ltd. Salaqi Power Plant was RMB2,211.9683 million, the appraised value was RMB2,315.7484 million and the amount of increase was RMB103.7801 million, representing an appreciation rate of 4.69%; the book value of total liabilities was RMB1,341.4702 million, the appraised value was RMB1,341.4702 million and there was no increase or decrease in the valuation; the book value of net assets (asset group) was RMB870.4981 million and the appraised value of net assets (asset group) was RMB974.2782 million and the amount of increase was RMB103.7801 million, representing an appreciation rate of 11.92%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	38,955.16	38,955.16	0.00	0.00
Non-current assets	2	182,241.67	192,619.68	10,378.01	5.69
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	167,491.41	183,158.30	15,666.89	9.35
Construction-in-progress	6	6,530.66	1,088.65	-5,442.01	-83.33
Intangible assets	7	6,912.27	7,065.40	153.13	2.22
In which: land use rights	8	6,616.52	6,829.78	213.26	3.22
Other non-current assets	9	1,307.33	1,307.33	0.00	0.00
Total assets	10	221,196.83	231,574.84	10,378.01	4.69
Current liabilities	11	**134,147.02**	**134,147.02**	**0.00**	**0.00**
Non-current liabilities	12	0.00	0.00	0.00	0.00
Total liabilities	13	134,147.02	134,147.02	0.00	0.00
Net assets (asset group)	14	**87,049.81**	**97,427.82**	**10,378.01**	**11.92**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the asset group was RMB876.8780 million, while the value of the asset group was RMB974.2782 million when the asset-based approach is used. The difference was RMB97.4002 million, representing a difference rate of 10%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the asset group of Shenhua Shendong Power Co., Ltd. Salaqi Power Plant was RMB974.2782 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No.1702974) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: "the financial statements were prepared in accordance with the preparation basis set out in Note 2 in all material aspects. And the financial statements of the Subsidiary expressed a fair view of the financial condition of Shenhua Shendong Power Co., Ltd. Salaqi Power Plant as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017 in all material aspects in accordance with the preparation basis set out in Note 2."

(II) Assets with title defects

1. Properties with title defects

As at the Benchmark date, 41 properties which were included in the scope of valuation had not obtained property ownership certificates. The company assured clear titles without disputes of the relevant assets of the properties within the scope of valuation.

2. Vehicles with title defects

The licensed owner of 5 cars of Shenhua Shendong Power Co., Ltd. Salaqi Power Plant that fall within the scope of valuation is Shenhua Shendong Power Co., Ltd. and the company assured clear titles without disputes of the relevant assets of the vehicles within the scope of valuation.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant was RMB1,017.8636 million; the book value of total liabilities was RMB460.6537 million; the book value of net assets was RMB557.2099 million.

The value of asset group upon valuation by income approach was RMB937.5018 million; amount of increase was RMB380.2919 million; the appreciation rate was 68.25%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant was RMB1,017.8636 million, the appraised value was RMB1,058.4146 million and the amount of increase was RMB40.5510 million, representing an appreciation rate of 3.98%; the book value of total liabilities was RMB460.6537 million, the appraised value was RMB460.6537 million and there was no increase or decrease in the valuation; the book value of net assets was RMB557.2099 million and the appraised value of net assets was RMB597.7609 million and the amount of increase was RMB40.5510 million, representing an appreciation rate of 7.28%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	9,164.74	9,164.74	0.00	0.00
Non-current assets	2	92,621.62	96,676.72	4,055.10	4.38
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	90,851.75	94,900.77	4,049.02	4.46
Construction-in-progress	6	1,761.83	0.00	-1,761.83	-100.00
Intangible assets	7	8.04	1,775.95	1,767.91	21,988.93
In which: Intangible assets – land use rights	8	0.00	1,760.50	1,760.50	–
Other non-current assets	9	0.00	0.00	0.00	0.00
Total assets	10	**101,786.36**	**105,841.46**	**4,055.10**	**3.98**
Current liabilities	11	46,065.37	46,065.37	0.00	0.00
Non-current liabilities	12	0.00	0.00	0.00	0.00
Total liabilities	13	**46,065.37**	**46,065.37**	**0.00**	**0.00**
Net assets	14	**55,720.99**	**59,776.09**	**4,055.10**	**7.28**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the asset group was RMB937.5018 million, while the value of the asset group was RMB597.7609 million when the asset-based approach is used. The difference was RMB339.7409 million, representing a difference rate of 56.84%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the asset group of Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant was RMB597.7609 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702977) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: "the financial statements were prepared in accordance with the preparation basis set out in Note 2 in all material aspects. And the financial statements of the Subsidiary expressed a fair view of the financial condition of Shenhua Shendong Power Co., Ltd. Shangwan Thermal Power Plant as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017 in all material aspects in accordance with the preparation basis set out in Note 2."

(II) Assets with title defects

1. Properties

As at the Benchmark date, a total of 47 properties were included in the scope of valuation, among which, 38 properties did not obtain property ownership certificates. The company assured clear titles without disputes of the relevant assets of the properties within the scope of valuation.

2. Lands

The land-use right owner of the use right of 3 parcels of land within the scope of valuation is the predecessor of the evaluated entity. There were no book value of the above land-use rights as at the Benchmark Date, and the company undertook that the above lands were indeed owned by the companies without title disputes.

3. Vehicles

The licensed owner of 3 cars of Shangwan Thermal Power Plant within the scope of valuation is the predecessor of the entity without application of changes of name. The company assured clear titles without disputes of the relevant assets of the vehicles within the scope of valuation.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant was RMB1,998.4953 million; the book value of total liabilities was RMB971.9972 million; the book value of net assets was RMB1,026.4981 million.

The value of asset group upon valuation by asset-based approach was RMB1,107.9548 million; amount of increase was RMB81.4566 million; the appreciation rate was 7.94%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant was RMB1,998.4953 million, the appraised value was RMB2,008.2624 million and the amount of increase was RMB9.7671 million, representing an appreciation rate of 0.49%; the book value of total liabilities was RMB971.9972 million, the appraised value was RMB971.9972 million and there was no increase or decrease in the valuation; the book value of net assets was RMB1,026.4981 million and the appraised value of net assets was RMB1,036.2652 million and the amount of increase was RMB9.7671 million, representing an appreciation rate of 0.95%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate (%) D=C/A×100%
Current assets	1	15,870.23	15,870.23	0.00	0.00
Non-current assets	2	183,979.30	184,956.01	976.71	0.53
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	178,670.79	178,604.07	-66.72	-0.04
Construction-in-progress	6	3,721.08	3,721.08	0.00	0.00
Intangible assets	7	1,587.43	2,630.86	1,043.43	65.73
In which: land use rights	8	1,319.25	2,265.57	946.32	71.73
Other non-current assets	9	0.00	0.00	0.00	-1.69
Total assets	10	**199,849.53**	**200,826.24**	**976.71**	**0.49**
Current liabilities	11	97,199.72	97,199.72	0.00	0.00
Non-current liabilities	12	0.00	0.00	0.00	–
Total liabilities	13	**97,199.72**	**97,199.72**	**0.00**	**0.00**
Net assets	14	**102,649.81**	**103,626.52**	**976.71**	**0.95**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of asset group was RMB1,107.9548 million, while the value of the asset group was RMB1,036.2652 million when the asset-based approach is used. The difference was RMB71.6896 million, representing a difference rate of 6.92%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the asset group of Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant was RMB1,036.2652 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No.1702986) issued by KPMG Huazhen LLP (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the preparation basis set out in Note 2 in all material aspects. And the financial statements of the Subsidiary expressed a fair view of the financial condition of Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017 in all material aspects in accordance with the preparation basis set out in Note 2."

(II) In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the In-depth Implementation of the Tax Policy of the Strategic Development of the Western Region (Cai Shui (2011) No. 58) and the Announcement of the State Administration of Taxation on the Enterprise Income Tax of the Strategic Development of the Western Region (Announcement No. 12 of the State Administration of Taxation in 2012), from 1 January 2011 to 31 December 2020, the enterprise income tax of the encouraged enterprises established in the western region is levied on the tax rate of 15%; in the valuation using the income approach, the preferential tax rate of the income tax was considered until 2020, and the income tax rate of 25% was considered since 2021.

(III) As at the Benchmark Date, the company obtained property ownership certificate for 1 property among 54 properties within the scope of valuation, and the licensed owner of which is Shenhua Shendong Power Co., Ltd. Xinjiang Midong Thermal Power Plant. The company did not obtain property ownership certificates for the remaining properties, among which, Beiku materials storage shed, color steel plate warehouse and color board room are temporary housings with land-use right occupied belonging to third parties. The evaluated entity has issued a statement to undertake the above properties are owned by the evaluated entity, without title disputes.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Zhejiang Zheneng Jiahua Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Benchmark Date, the book value of total assets of Zhejiang Zheneng Jiahua Power Generation Co., Ltd. was RMB11,022.6979 million; the book value of total liabilities was RMB5,446.8764 million; the book value of net assets was RMB5,575.8215 million.

The value of total equity interests of shareholders upon valuation by income approach was RMB9,275.3417 million; amount of increase was RMB3,699.5202 million; the appreciation rate was 66.35%.

(II) Valuation result using the asset-based approach

As of the Benchmark Date, the book value of total assets of Zhejiang Zheneng Jiahua Power Generation Co., Ltd. was RMB11,022.6979 million, the appraised value was RMB13,061.9862 million and the amount of increase was RMB2,039.2883 million, representing an appreciation rate of 18.50%; the book value of total liabilities was

RMB5,446.8764 million, the appraised value was RMB5,446.8764 million and the amount of decrease of RMB66.0033, representing a depreciation rate of 1.21%; the book value of net assets was RMB5,575.8215 million and the appraised value of net assets was RMB7,681.1131 million and the amount of increase was RMB2,105.2916 million, representing an appreciation rate of 37.76%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Benchmark Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate *(%)* D=C/A×100%
Current assets	1	327,214.34	327,214.34	0.00	0.00
Non-current assets	2	775,055.45	978,984.28	203,928.83	26.31
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	746,467.68	914,353.45	167,885.77	22.49
Construction-in-progress	6	1,266.10	1,286.49	20.39	1.61
Intangible assets	7	25,020.22	61,042.89	36,022.67	143.97
In which: land use rights	8	13,548.32	49,155.17	35,606.85	262.81
Other non-current assets	9	2,301.45	2,301.45	0.00	0.00
Total assets	10	**1,102,269.79**	**1,306,198.62**	**203,928.83**	**18.50**
Current liabilities	11	104,320.01	104,320.01	0.00	0.00
Non-current liabilities	12	440,367.63	433,767.30	-6,600.33	-1.50
Total liabilities	13	**544,687.64**	**538,087.31**	**-6,600.33**	**-1.21**
Net assets	14	**557,582.15**	**768,111.31**	**210,529.16**	**37.76**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB9,275.3417 million, while the value of the entire shareholders' interests was RMB7,681.1131 million when the asset-based approach is used. The difference was RMB1,594.2286 million, representing a difference rate of 17.19%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Zhejiang Zheneng Jiahua Power Generation Co., Ltd. was RMB7,681.1131 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special Notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (KPMG Huazhen Shen Zi No. 1702978) issued by KPMG Huazhen LLP. The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises released by the Ministry of Finance of the People's Republic of China in all material aspects. It expressed a fair view of the financial condition of Zhejiang Zheneng Jiahua Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) 9 properties with a construction area of 97,552.80 sq.m. that were included in the scope of valuation lacked property ownership certificates. The evaluated entity provided the title proofs of properties and buildings, confirming that the above properties without ownership certificates are indeed owned by the evaluated entity without title disputes.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

VI. RESTRICTIONS ON THE USE OF THE ASSET VALUATION REPORT

(1) This Asset Valuation Report can only be used for the objectives and purposes as stated in the Asset Valuation Report, and can only be used by the users as stated in the Asset Valuation Report.

(2) The asset appraisal institution and its professional appraisers will not assume any responsibilities arising from the failure of the clients or other users to use the Asset Valuation Report in accordance with the laws, administrative rules and regulations and the scope of use as set out in the Asset Valuation Report;

(3) Except for the clients, other users of the Asset Valuation Report as agreed in the entrustment contract on asset valuation and users of the Asset Valuation Report as set out under the laws and administrative rules and regulations, no other institutions and individuals can be the users of the Asset Valuation Report;

(4) Users of the Asset Valuation Report shall correctly acknowledge the conclusion of valuation, which should not be viewed as the realizable value of the valuation target; nor should it be deemed to be a guarantee for the realizable value of the valuation target;

(5) This Asset Valuation Report is filed with state-owned assets supervision and administration institutions and state-funded enterprises, and may be used officially only after being signed by asset appraisers and stamped by the relevant appraisal institution;

(6) The conclusion of valuation as stated in this Asset Valuation Report is only valid in relation to the economic behavior described in the Asset Valuation Report, and is valid for one year from the Benchmark Date.

VII. DATE OF THE ASSET VALUATION REPORT

The date of issuance of the Asset Valuation Report is 31 December 2017.

I. BASIS OF VALUATION

(I) Basis of economic activity

The Minutes of Leading Party Members Committee Meeting of China Guodian Group (《中國國電集團公司黨組會會議紀要》) (Edition 34, 2017).

(II) Laws and regulations

1. Assets Valuation Law of the People's Republic of China (《中華人民共和國資產評估法》) (Adopted at the 21st Meeting of the Standing Committee of the Twelfth National People's Congress on 2 July 2016);

2. The Company Law of the People's Republic of China (《中華人民共和國公司法》) (Adopted at the 6th Meeting of the Standing Committee of the Twelfth National People's Congress on 28 December 2013);

3. Securities Law of the People's Republic of China (《中華人民共和國證券法》) (Adopted at the 10th Meeting of the Standing Committee of the Twelfth National People's Congress on 31 August 2014);

4. The Urban Real Estate Administration Law of the People's Republic of China (《中華人民共和國城市房地產管理法》) (Adopted at the 29th Meeting of the Standing Committee of the Tenth National People's Congress on 30 August 2007);

5. Land Administration Law of the People's Republic of China (《中華人民共和國土地管理法》)(Adopted at the 11th Meeting of the Standing Committee of the Tenth National People's Congress on 28 August 2004);

6. Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得税法》) (Adopted at the 5th Meeting of the Tenth National People's Congress on 16 March 2007; adopted and revised at the 26th Meeting of the Standing Committee of the Twelfth National People's Congress on 24 February 2017);

7. Law of the People's Republic of China on State-owned Assets of Enterprises (《中華人民共和國企業國有資產法》)(Adopted at the 5th Meeting of the Standing Committee of the Eleventh National People's Congress on 28 October 2008);

8. Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises(《企業國有資產監督管理暫行條例》)(Decree No. 378 of the State Council) (國務院令第378號);

9. Interim Measures for the Administration of the Transfer of State-owned Assets of Enterprises (《企業國有產權轉讓管理暫行辦法》) (Decree No. 3 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance)(《國務院國有資產監督管理委員會、財政部令第3號》);

10. Notice on the Relevant Matters Concerning the Transfer of State-owned Property Rights of Enterprises (《關於企業國有產權轉讓有關事項的通知》)(Guo Zi Fa Chan Quan [2006] No. 306) (國資發產權[2006]306號);

11. Measures for the Administration of State-owned Assets Appraisal (《國有資產評估管理辦法》) (Decree No. 91 of the State Council)(國務院令第91號);

12. Notice on Publication and Distribution of the Detailed Rules for the Implementation of the Measures for the Administration of State-owned Assets Appraisal (《關於印發《國有資產評估管理辦法施行細則》的通知》) (Guo Zi Ban Fa [1992] No. 36) (國資辦發[1992]36號);

13. Interim Measures on the Administration of State-owned Assets Appraisal of Enterprises (《企業國有資產評估管理暫行辦法》) (Decree No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council) (國務院國有資產監督管理委員會令第12號);

14. Measures for the Supervision and Administration over the Trading of State-owned Assets in Enterprises (《企業國有資產交易監督管理辦法》) (Decree No. 32 of the State-owned Assets Supervision and Administration Commission of the State Council and the Ministry of Finance) (國務院國資委、財政部令第32號);

15. Notice on Strengthening the Administration of State-owned Assets Appraisal (《關於加強企業國有資產評估管理工作有關問題的通知》) (Guo Zi Wei Chan Quan [2006] No. 274) (國資委產權[2006] 274號);

16. Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (《關於企業國有資產評估報告審核工作有關事項的通知》) (Guo Zi Chan Quan [2009] No. 941)(國資產權[2009]941號);

17. Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (《企業國有資產評估項目備案工作指引》) (Guo Zi Fa Chan Quan [2013] No. 64) (國資發產權[2013]64號);

18. Notice on Publication and Distribution of the Approval Guidelines for the Assets Appraisal Projects of Central Enterprises (《關於印發〈中央企業資產評估項目核准工作指引〉的通知》)；(Guo Zi Fa Chan Quan [2010] No. 71) (國資發產權[2010]71號);

19. Accounting Standards for Business Enterprises – Basic Standards (Decree No. 33 of the Ministry of Finance) (《企業會計準則－基本準則》(財政部令第33號);

20. Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (《中華人民共和國增值稅暫行條例實施細則》) (Decree No. 50 of the Ministry of Finance and State Administration of Taxation) (財政部、國家稅務總局令第50號), amended according to Decree No. 65 of the Ministry of Finance and State Administration of Taxation in 2011 (2011年財政部、國家稅務總局令第65號修訂);

21. Circular on the Expansion of the Pilot Program of Levying VAT in lieu of Business Tax Nationwide (《關於全面推開營業稅改徵增值稅試點的通知》) (Ministry of Finance and the State Administration of Taxation Cai Shui [2016] No. 36) (財政部、國家稅務總局財稅[2016]36號);

22. Provisional Regulations of the People's Republic of China on Land Use Tax in Cities and Towns (《中華人民共和國城鎮土地使用稅暫行條例》) (Adopted at the 163th Executive Meeting of the State Council on 30 December 2006);

23. Regulations on Grant of State-owned Land Use Rights by Agreements (《協議出讓國有土地使用權規定》) (Decree No. 21 of the Ministry of Land and Resources) (國土資源部令第21號);

24. Other laws and regulations.

(III) Evaluation criteria

1. Basic Standards on Assets Valuation (《資產評估基本準則》) (Cai Zi [2017] No. 43) (財資[2017]43號);

2. Code of Ethics for Assets Valuation (《資產評估職業道德準則》)(Zhong Ping Xie [2017] No. 30) (中評協[2017]30號);

3. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (《資產評估執業準則－資產評估程序》) (Zhong Ping Xie [2017] No. 31)(中評協[2017]31號);

4. Practice Guidelines for Asset Valuation – Asset Valuation Report (《資產評估執業準則－資產評估報告》) (Zhong Ping Xie [2017] No. 32)(中評協[2017]32號);

5. Practice Guidelines for Asset Valuation – Asset Valuation Entrustment Contract (《資產評估執業準則－資產評估委託合同》) (Zhong Ping Xie [2017] No. 33)(中評協[2017]33號);

6. Practice Guidelines for Asset Valuation – Asset Valuation File (《資產評估執業準則－資產評估檔案》) (Zhong Ping Xie [2017] No. 34)(中評協[2017]34號);

7. Practice Guidelines for Asset Valuation – Utilization of Experts and Related Reports(《資產評估執業準則－利用專家工作及相關報告》)(Zhong Ping Xie [2017] No. 35)(中評協[2017]35號);

8. Practice Guidelines for Asset Valuation – Enterprise Value (《資產評估執業準則－企業價值》) (Zhong Ping Xie [2017] No. 36)(中評協[2017]36號);

9. Practice Guidelines for Asset Valuation – Intangible Assets (《資產評估執業準則－無形資產》) (Zhong Ping Xie [2017] No. 37)(中評協[2017]37號);

10. Practice Guidelines for Asset Valuation – Real Estate (《資產評估執業準則－不動產》) (Zhong Ping Xie [2017] No. 38)(中評協[2017]38號);

11. Practice Guidelines for Asset Valuation – Machinery and Equipment (《資產評估執業準則－機器設備》) (Zhong Ping Xie [2017] No. 39)(中評協[2017]39號);

12. Guidance on Valuation Report of State – owned Assets of Enterprises (《企業國有資產評估報告指南》) (Zhong Ping Xie [2017] No. 42)(中評協[2017]42號);

13. Quality Control Guidance on the Business of Asset Valuation Agency (《資產評估機構業務質量控制指南》) (Zhong Ping Xie [2017] No. 46)(中評協[2017]46號);

14. Guiding Opinions on Types of Value under Asset Valuation (《資產評估價值類型指導意見》) (Zhong Ping Xie [2017] No. 47)(中評協[2017]47號);

15. Guiding Opinions on Legal Ownership of the Target of Asset Valuation (《資產評估對象法律權屬指導意見》) (Zhong Ping Xie [2017] No. 48)(中評協[2017]48號).

(IV) Basis of ownership

1. State-owned Land Use Certificate, Property Ownership Certificate;

2. Motor Vehicle Driving Permit;

3. Other title-related certificates.

(V) Pricing basis

1. Regulations on the Preparation and Calculation of Budgets for Thermal Power Generation Construction Projects (《火力發電工程建設預算編製與計算規定》) by the National Energy Administration (2013 Edition);

2. Guiding Opinions on the Implementation of the Notice of National Development and Reform Commission on Further Liberalization of the Professional Service Fees for Construction Projects (Fa Gai Jia Ge [2015] No. 299) (《關於落實〈國家發展改革委關於進一步放開建設項目專業服務價格的通知〉(發改價格[2015]299號))的指導意見》) issued by China Electricity Council (Zhong Dian Lian Ding E [2015] No. 162)(中電聯定額[2015]162號);

3. Notice of China Electric Power Project Cost Administration on Issuing Estimate Schedule for Power Project Pricing under Replacing Business Tax with Value-added Tax (Ding E [2016] No. 45) (《電力工程造價與定額管理總站關於發佈電力工程計價依據營業税改徵增值税估價表的通知》(定額[2016]45號)) issued by China Electric Power Project Cost Administration (電力工程造價與定額管理總站);

4. Quota Design and Reference Cost Index for Thermal Power Projects (2016 Standard) (《火電工程限額設計參考造價指標(2016年水平)》) of Electric Power Planning and Design Institute (電力規劃設計總院);

5. Notice on the Issuance of 2016 Price Level Adjustment on the 2013 Edition of the Budget Estimate Quota of Electricity Construction Projects (Ding E [2016] No. 50) (《關於發佈2013版電力建設工程概預算定額2016年度價格水平調整的通知》(定額[2016]50號)) issued by China Electric Power Project Cost Administration (電力工程造價與定額管理總站);

6. Provisions on the Standards for Compulsory Retirement of Motor Vehicles (《機動車強制報廢標準規定》) (2012 Decree No. 12 of the Ministry of Commerce, National Development and Reform Commission, the Ministry of Public Security and the Ministry of Environmental Protection (商務部、國家發展和改革委員會、公安部、環境保護部令2012年第12號);

7. The benchmark deposit and lending rate and exchange rate on the Benchmark Date;

8. Fee Quote Manual for Mechanical and Electrical Products (2017) (《機電產品報價手冊》);

9. The feasibility study report of the project, investment budget of the project, estimated budget of the design and other information provided by the enterprise;

10. Relevant budgets and final accounts of the project provided by the enterprise;

11. Construction contracting agreements entered into between the enterprise and relevant entities;

12. Statistics of the payment progress for construction-in-progress and relevant proof of payment provided by the enterprise;

13. Financial statements and audit reports for previous years provided by the enterprise;

14. Future operating plans provided by the relevant departments of the enterprise;

15. Market forecast information for future years provided by the enterprise;

16. Contracts on purchase of raw materials entered into between the enterprise and relevant entities;

17. Other relevant information related to valuation recorded and collected by the appraisers during on-site survey;

18. Other information related to this asset valuation.

(VI) Other references

1. Regulations for Appraisal of Urban Land (《城鎮土地估價規程》) (GB/T18508-2014);

2. Regulations for Gradation and Classification of Urban Land (《城鎮土地分等定級規程》) (GB/T18507-2014);

3. Standards for Real Estate Valuation (《房地產估價規範》) (GB/T 50291-2015);

4. Housing Maintenance Grade and Evaluation Criteria (Trial) (《房屋完損等級評定標準（試行)》) (Cheng Zhu Zi [1984] No. 678)(城住字[1984]第678號);

5. The list of assets and the declaration form for valuation provided by the evaluated entity;

6. Audit report issued by Ruihua Certified Public Accountants (Special General Partnership);

7. Database of China Enterprise Appraisals Co., Ltd.

II. VALUATION METHODOLOGY

Income approach refers to the approach in which the expected return shall be capitalized or discounted so as to determine the value of the appraisal target.

Market approach refers to the approach in which the appraisal target shall be compared with other comparable listed companies or transactions so as to determine the value of the appraisal target.

Asset-based approach refers to the approach in which, based on the balance sheet of the appraisal target on the Benchmark Date, the value of identifiable assets and liabilities in and out of the balance sheet shall be reasonably appraised so as to determine the value of the appraisal target.

As stated in the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any evaluation of enterprise value, the suitability of the three basic asset valuation methods namely the income approach, the market approach and the asset-based approach shall be analyzed based on

the purpose of valuation, the appraisal target, the type of value, the collected information, etc. in its selection of valuation methods. If different valuation methods are suitable for any evaluation of enterprise value, asset valuation professionals should adopt two or more valuation methods for their valuation.

(I) It is not appropriate to adopt market approach when market information related to listed companies or transactions comparable to the evaluated entity is unavailable. Based on historical information on assets and liabilities within the scope of valuation, historical annual operating and financial information, and data and information in relation to the future forecast on operating income (all of which are provided by the evaluated entity), appraisers conducted analysis with consideration of macroeconomic conditions, development prospect of the industry in which the evaluated entity operates and preliminary analysis on the current operation of the evaluated entity, and determined that the evaluated entity is able to operate on going-concern basis and has fulfilled the conditions to be evaluated by asset-based approach and income approach. Therefore, asset-based approach and income approach are adopted in the valuation and the results derived from asset-based approach are deemed as the conclusion of valuation. Introduction of asset-based approach is set out below:

1. Current assets

Current assets within the scope of valuation mainly include cash at bank and on hand, bills receivable, accounts receivable, prepayments, other receivables, inventories and other current assets.

(1) Cash at bank and on hand, including cash and bank deposits, the appraised value of which is determined as the verified value arrived at through checking bank statements and bank confirmations.

(2) The appraised value of all receivable items shall be determined based on the recoverable amount of each receivable item upon due verification. For a receivable item that is believed to be fully recoverable, its appraised value shall be measured based on the total receivable amount. Where a certain part of a receivable item is probably unrecoverable and it is unable to accurately measure the unrecoverable amount, detailed ageing analysis shall be conducted on the amount, credit period and reason, recovery status, together with the financial position, credit status, and the current operation and management of the debtor with reference to historical information and on-site investigation to estimate such potential unrecoverable amount, which is regarded as the risk loss to be deducted in the evaluation of the appraised value. A receivable item is measured at zero if there is obvious evidence indicating that such item is not recoverable. The accounting item of "provisions for bad debts" is recognized as zero.

(3) The appraised value of prepayments shall be determined based on the value of assets or rights in the form of underlying goods that are recoverable. Verified book value shall be treated as the appraised value when underlying goods or rights are recoverable. The appraised value of prepayments shall be measured at zero when there is obvious evidence indicating that underlying goods are unrecoverable and may not form the underlying assets or rights.

(4) For purchased raw materials, the appraised value of each asset is determined based on the amount verified upon inspection to be multiplied by the prevailing procurement price in the market plus reasonable transportation expense, wastage, inspection and acceptance fees for admission into warehouse and other reasonable fees. For raw materials which are invalid, deteriorated, damaged, scrapped and useless, the appraised value is determined by deducting the corresponding depreciation (the net realizable value to be retained) and calculated through analysis according to the technical appraisal results and relevant evidences.

(5) For other current assets, appraisers made enquiries with relevant personnel of the evaluated entity to make clear the reasons for the formation of such other current assets, review tax returns, accounting documents and other relevant materials, and conduct sample check on corresponding purchase contracts. The appraised value of other current assets shall be determined based on verified book value.

2. Machinery and equipment

Machinery and equipment were evaluated mainly by the cost method according to conditions such as the characteristics of the equipment, types of values appraised and the collection of materials.

The statements were consistent with those listed in the account books after verifying against the spreadsheets of the machinery and equipment provided by the enterprise. At the same time, the ownership was recognized after examining and verifying the related contracts, legal ownership certificates and accounting documents. On such basis, professional engineering staff was assigned to carry out necessary on-site inspection and verification of the major equipment.

(1) Determination of full replacement cost

① Equipment for power generation

For equipment to be installed, the full replacement cost generally covers: purchase price of equipment, transportation expense, installation fees, upfront and other expenses, and capital cost. For equipment ready for direct use, the full replacement cost generally covers purchase price of equipment and transportation expense. In addition, pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36" and the requirements from the documents concerning the adjustments to pricing basis in relevant industries, the corresponding VAT shall be deducted from the full replacement cost for equipment eligible for VAT credit. The formula for full replacement cost is set out below:

Full replacement cost of equipment to be installed = purchase price of equipment + transportation expense + installation fees + upfront and other expenses + capital cost – deductible VAT

Full replacement cost of equipment ready for direct use = purchase price of equipment + transportation expense – deductible VAT

A. Purchase price of equipment

The purchase price is mainly determined with reference to the market price checked with the manufacturers as at the Benchmark Date, or the current market prices available in the information on price quotes or with reference to the contract prices of comparable equipment being recently purchased.

B. Transportation expense

Transportation expense is determined based on relevant requirements set out in the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013) issued by the National Energy Administration.

Transportation expense = Purchase price of equipment × freight rate

Transportation expense would not be measured separately when the quoted price is on EXW basis.

C. Installation fees

The installation fees and parameters are determined by referring to preliminary design, design booklet, technical parameter tables, project settlement of equipment and other relevant information. The installation fees shall be derived after making adjustments to the difference between budgeted labor costs and materials and equipment price based on relevant expenses calculated in accordance with requirements as set out in Notice of China Electric Power Project Cost Administration on Issuing Estimate Schedule for Power Project Pricing under Replacing Business Tax with Value-added Tax (Ding E [2016] No. 45) (《電力工程造價與定額管理總站關於發佈電力工程計價依據營業税改徵增值税估價表的通知》(定額[2016]45號)) issued by China Electric Power Project Cost Administration (電力工程造價與定額管理總站), the Estimate Schedule for Power Project Budget Quota (2013) (《2013年版電力建設工程定額估價表》) and the Notice on the Issuance of 2016 Price Level Adjustment on the 2013 Edition of the Budget Estimate Quota of Electricity Construction Projects (Ding E [2016] No. 50) (《關於發佈2013版電力建設工程概預算定額2016年度價格水平調整的通知》(定額[2016]50號)).

D. Upfront and other expenses

Such expenses are measured in accordance with relevant requirements as set out in Regulations on the Preparation and Calculation of Budgets for Thermal Power Generation Construction Projects (2013) (《火力發電工程建設預算編製與計算規定》(2013年)) issued by the National Energy Administration and the Guiding Opinions on Implementation of the 'Notice of National Development and Reform Commission on Further Liberalization of the Professional Service Fees for Construction Projects' (Fa Gai Jia Ge [2015] No. 299) (Zhong Dian Lian Ding E [2015] No. 162)(關於落實《國家發展改革委關於進一步放開建設項目專業服務價格的通知》(發改價格[2015]299號）的指導意見)(中電聯定額[2015]162號)), which is issued by China Electricity Council.

E. Capital cost

Subject to a reasonable construction period under this project at the lending rate corresponding to the term as at the Benchmark Date, the capital cost is determined on the basis of the sum of the purchase price of equipment, installation fees and other fees.

For thermal power generating units, capital interest is measured separately based on the method for settlement upon completion of a single generating unit, formula of which is listed below:

Interest payable on loans during the construction period = loan interest payable for the construction period before the first unit starts generating power + loan interest payable for the construction period after the first unit starts generating power

In which: Loan interest payable for the construction period before the first unit starts generating power =∑[(accumulated principal and interest of loans at the beginning of the year + loans for the year/2) × annual interest rate]

Loan interest payable for the construction period after the first unit starts generating power =∑[(loans for the year/2) × annual interest rate]

F. Deductible VAT

Pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36", the derived VAT amount shall be deducted for items that are eligible for VAT credit.

Deductible VAT = VAT included in the purchase price of equipment + VAT included in transportation expense + VAT included in installation fees +VAT included in other expenses

In which:

VAT included in purchase price of equipment = purchase price of equipment/(1+17%)×17%

VAT included in transportation expense= transportation expense/(1+11%)×11%

VAT included in installation fees = installation fees/(1+11%)×11%

VAT included in other expenses = (project management fee + project technical service fee + production staff training fee – management fee incurred by the legal person of the project – management fee related to upfront work)/(1+6%)×6%

② Vehicles

Full replacement cost = Purchase cost of vehicle + vehicle purchase tax + license and other fees – deductible VAT

In which: Vehicle purchase tax = Tax-exclusive selling price × 10%

Purchase cost of vehicle is determined primarily by way of enquiries to local dealers or online information search. Vehicle purchase tax is determined by applying pricing methods set out in the Measures for the Administration of the Collection of Vehicle Purchase Tax (Order No. 33 of the State Administration of Taxation) and relevant amendments and supporting documents. License and other fees are measured by taking full account of charging standards announced by local traffic management departments and fees actually incurred. In addition, pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36", the derived VAT amount shall be deducted from the purchase cost of vehicles eligible for VAT credit.

③ Other equipment and electronic equipment

A. Other equipment

For equipment to be installed, the full replacement cost generally covers: purchase price of equipment, transportation expense, installation fees, upfront and other expenses, and capital cost. For equipment ready for direct use, the full replacement cost generally covers purchase price of equipment and transportation expense. In addition, pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36" and requirements of local and from the

documents concerning the adjustments to pricing basis in relevant industries, the corresponding VAT shall be deducted from the full replacement cost for equipment eligible for VAT credit.

a. The formula for full replacement cost is set out below:

Full replacement cost of equipment to be installed = purchase price of equipment + transportation expense + installation fees + upfront and other expenses + capital cost – deductible VAT

Full replacement cost of equipment ready for direct use = purchase price of equipment + transportation expense – deductible VAT

b. Deductible VAT

Relevant requirements set out in "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36" include, among others:

VAT credit included in purchase price of equipment = Purchase price of equipment/(1+17%) × 17%

VAT credit included in transportation expense = Transportation expense/(1+11%) × 11%

VAT credit included in other expenses = Other expenses (deductible portion)/(1+6%) × 6%

B. Electronic equipment

For electronic equipment, the purchase price is used as a replacement value due to its low value and the fact that no installation is required or installation is the responsibility of the supplier.

Full replacement cost = purchase price of equipment – deductible VAT

The purchase price of equipment is determined primarily by consulting local vendors or through network inquiries or other ways.

The deductible VAT included in purchase price of equipment = purchase price of equipment/(1+17%)×17%

(2) Determination of newness rate

① For large-scale power-specific equipment and general machinery under normal operation, the appraisers have, based on the usage and maintenance of the equipment, and the technical advanced level of the equipment, and taking into account the requirements on the actual useful life of various equipment and the used life of the equipment, recognized the remaining useful life to determine the integrated newness rate. The formula is as below:

Integrated newness rate = remaining useful life/(remaining useful life + used life)×100%

② For small-sized equipment, such as electronic equipment, air-conditioner, etc., the integrated newness rate is determined primarily based on the economic useful life of equipment; for large-scale electronic equipment, the integrated newness rate is also determined with reference to the working environment and operating condition of the equipment. The formula is as below:

Newness rate under the service life approach = (economic useful life – used life)/economic useful life×100%

Integrated newness rate = newness rate under the service life approach × adjustment coefficient

③ For vehicles, the newness rate is determined primarily based on the Standards for Compulsory Retirement of Motor Vehicles promulgated by the State.

First of all, the calculation uses the newness rate under the service life approach and the newness rate under the mileage approach. For vehicles subject to compulsory retirement, both the remaining useful life approach and the average useful life approach can be adopted when using the newness rate under the service life approach for calculation; for vehicles not subject to compulsory retirement, the remaining useful life approach is adopted, and the total useful life is generally considered as 15 years. If the useful life of vehicles is near or exceeding 15 years, the total useful life is considered as the sum of the actual remaining useful life and used life.

Secondly, the lower of the newness rate under the service life approach and the newness rate under the mileage approach is selected.

Thirdly, the newness rate under the observation approach is obtained through on-site inspection.

Finally, the integrated newness rate is formed by averaging the lower of the newness rate under the service life approach and the newness rate under the mileage approach, and the newness rate under the observation approach, which is as below:

Integrated newness rate = MIN (newness rate under the service life approach, newness rate under the mileage approach) × 50% + newness rate under the observation approach × 50%

(3) Determination of appraised value

Appraised value = full replacement cost × integrated newness rate

3. Buildings (structures)

According to the characteristics of the assets under valuation, cost approach is primarily adopted for the valuation of industrial buildings. As it is not possible to find comparable transactions for industrial buildings, it is not appropriate to adopt market approach and therefor, the cost approach is a better valuation method.

Appraised value under the cost approach = full replacement cost × integrated newness rate

(1) Determination of full replacement cost of buildings

Full replacement cost of buildings generally includes: construction and installation cost, upfront and other expenses, capital cost and deductible VAT included in construction and installation cost and upfront expenses. The formula for calculating the full replacement cost of buildings is as follows:

Full replacement cost = construction and installation cost + upfront and other expenses + capital cost – deductible VAT

① Calculation of construction and installation cost

For buildings (structures) of large size, high value and great importance, relevant fees are calculated and charged, and the pre-tax construction and installation cost and the construction and installation cost are calculated according to the volume of works in the drawings, change of design or project settlement, pursuant to the relevant provisions under the Notice of China Electric Power Project Cost Administration on Issuing Estimate Schedule for Power Project Pricing under Replacing Business Tax with Value-added Tax (Ding E [2016] No. 45) (《電力工程造價與定額管理總站關於發佈電力工程計價依據營業税改增值税估價表的通知》(定額[2016]45號)), in accordance with the 2013 Quota Valuation for the Electric Power Construction Projects – Construction (《2013年版電力建設工程定額估價表–建築工程》) and Notice on the Issuance of 2016 Price Level Adjustment on the 2013 Edition of the Budget Estimate Quota of Electricity Construction Projects (Ding E [2016] No. 50) (《關於發佈2013版電力建設工程概預算定額2016年度價格水平調整的通知》(定額[2016]50號)), combined with the market price information as at June 2017 published on the local construction cost information website, and in accordance with other relevant provisions.

For low-value and simple structured buildings (structures), the comprehensive cost is determined by adopting the unilateral cost approach.

② Calculation of upfront and other expenses

Upfront and other expenses are calculated in accordance with the relevant provisions under the Preparation of Cost Estimate and Calculation Basis for Construction of Thermal Power Projects (2013) (《火力發電工程建設預算編制與計算規定》(2013年)) issued by the National Energy Administration and the Guiding Opinions on the Implementation of the Notice of National Development and Reform Commission on Further Liberalization of the Professional Service Fees for Construction Projects (Fa Gai Jia Ge [2015] No. 299) (《關於落實〈國家發展改革委關於進一步放開建設項目專業服務價格的通知〉(發改價格[2015]299號))的指導意見》) issued by China Electricity Council (Zhong Dian Lian Ding E [2015] No. 162) (中電聯定額[2015]162號).

③ Capital cost

Capital cost is determined according to the reasonable construction period of the project and on the basis of the sum of construction and installation cost and upfront and other expenses with reference to the loan interest rate during the period corresponding to the Benchmark Date.

Capital cost for buildings (structures) of professional turbine generators equals to the loan interest of the capital invested during the construction period. According to the calculation approach of completion and settlement of single unit of electric power construction projects, the interest incurred from investment in the first unit and the public system is calculated until the commencement of operation of the first unit, and the interest incurred from investment in the second unit is calculated until the commencement of operation of the second unit, the formula of which is set out as follows:

Before power generation of the first generating unit, interest = (accumulation of the loan principal and interest at the beginning of the year + loans for the year/2) × actual annual interest rate

After power generation of the first generating unit, interest = (loans for the year/2) × actual annual interest rate

④ Deductible VAT

Pursuant to "Cai Shui [2008] No. 170" and "Cai Shui [2016] No. 36", the corresponding VAT shall be deducted from the full replacement cost for construction projects eligible for VAT credit.

Deductible VAT = VAT included in construction and installation cost + VAT included in upfront and other expenses

Wherein:

VAT included in construction and installation cost = pre-tax construction and installation cost×11%

VAT included in upfront and other expenses = (project construction management fees + technical service fee of project construction + production preparation charges – project legal person management fees – preliminary work management fee)/(1+6%)×6%

Upfront and other expenses is determined according to the industry standard and relevant local provisions of administrative fees. Capital cost is firstly determined according to the loan interest rate on the Benchmark Date and normal construction period of the buildings of this type, and the full replacement cost is subsequently calculated.

(2) Determination of integrated newness rate

① For buildings (structures) of large size, high value and great importance, their remaining useful life is comprehensively determined based on their economic useful life and used life, through on-site inspection, and the judgments made on the actual use of structures, decorations, ancillary equipment and other parts of the buildings (structures), and the their integrated newness rate is subsequently determined according to the formula set out below:

Integrated newness rate = remaining useful life/(remaining useful life + used life) ×100%

② For low-value and simple structured buildings (structures), the newness rate is determined primarily based on their economic useful life. The formula is as below:

Newness rate under the service life approach = (economic useful life – used life)/economic useful life×100%

(3) Determination of appraised value

Appraised value = full replacement cost × integrated newness rate

4. Construction-in-progress

Cost approach is applied in the valuation of construction-in-progress. In order to avoid duplicated valuation or omission of asset measurement, the following valuation approaches are adopted in light of the characteristics of construction-in-progress, and the type and specific conditions of construction-in-progress:

The construction-in-progress of which the major newly-added equipment has completed but not yet consolidated, shall be evaluated with reference to the fixed assets valuation approach.

5. Land-use right

Market comparison approach, cost approximation approach and benchmark land price coefficient modification approach are primarily adopted for this project in accordance with the relevant requirements of Assets Appraisal Standard-Real Estate, together with the valuation purposes of this project and the circumstances of the land parcel to be evaluated. The valuation approaches are summarized as follows:

(1) Market comparison approach

Market comparison approach refers to the approach which makes comparison between the land to be evaluated and similar land which can be used as a substitute and is traded on the market close to the Benchmark Date according to the substitution principle of the market, and make appropriate adjustment to the transaction prices of similar land, which will be used to make objective and reasonable estimation on the price of the land to be evaluated. The formula of the market comparison approach is as follows:

Formula: P = PB×A×B×C×D×E

Wherein:

P – the price of the land parcel to be evaluated;

PB – the price of the compared item;

A – the transaction index of the land parcel to be evaluated divided by the transaction index of the compared item;

B – the land price index of the land parcel to be evaluated on the Benchmark Date divided by the land price index of the compared item on the transaction date;

C – the regional factor index of the land parcel to be evaluated divided by the regional factors index of the compared item;

D – the individual factor index of the land parcel to be evaluated divided by the individual factor index of the compared item;

E – the modification index of the land use term of the land parcel to be evaluated divided by the modification index of the land use term of the compared item;

(2) Cost approximation approach

Cost approximation approach refers to the approach for determination of the land price mainly based on the sum of various objective expenses for land development, plus a certain amount of profit, interest, tax payable and proceeds of land appreciation. The formula is as follows:

Land price=(land acquisition expenses + land development expenses + tax expenses + investment interests + land development profit + proceeds of appreciation)×modification coefficient during the usage term ×modification for regional and individual factors

(3) Benchmark land price coefficient modification approach

Benchmark land price coefficient modification approach refers to the approach for obtaining the price of the land parcel to be evaluated on the Benchmark date by using such valuation results as the benchmark land price and benchmark land price modification coefficients table for towns and cities, and compare the regional conditions and the individual conditions of the land parcel to be evaluated with the average conditions of the region in which such land parcel is located on the basis of the substitution principle, and adjust the benchmark land price by a corresponding modification coefficient selected from the modification coefficient table.

The formula of using the benchmark land price coefficient modification approach is as follows:

Price of the land parcel evaluated under the benchmark land price coefficient modification approach (price of the land parcel under the set development level at the benchmark land price) = [the benchmark land price×K1×(1+∑K)×K3×K4±K5]×K2

Wherein:

K1 – the modification coefficient of date

∑K – sum of the modification coefficients of regional factors and individual factors, which have impact on the land price

K2 – the modification coefficient of land use term

K3 – the modification coefficient of floor area ratio

K4 – the modification coefficient of usage

K5 – the modification coefficient of development degree

6. Other intangible assets

Other intangible assets which fall under the scope of this valuation are mainly software purchased externally by the enterprise. If the external software purchased by the enterprise is still available but there are no upgraded versions in the market as at the Benchmark Date, the appraised value will be determined based on the market prices of similar software as at the Benchmark Date. If the external software purchased by the enterprise is still available and there are upgraded versions in the market, the appraised value will be determined by deducting the software upgrading fees from the current market price. If no more transactions of the software can be found in the market but the software could still be used for their intended purposes, the original purchase costs of the enterprise and the price trend of similar software in the market will be taken into account to determine the depreciation rate for the calculation of the appraised value. For the software with older version and no longer in use, the appraised value will be nil.

7. Long-term unamortized expenses

The appraisers understand the unamortized expenses and balance, and formulate new assets, rights and remaining balance. The appraised value will be determined based on the value of assets and rights of the evaluated entity which still exists with no duplication compared with other evaluated targets.

8. Deferred tax assets

Deferred tax assets are deferred tax assets incurred by the book value of the enterprise arising from the provision for diminution in value of inventories and provision for impairment of fixed assets. The appraised value shall be determined by the book value after verification.

9. Liabilities

The liabilities which fall under the scope of this valuation are current liabilities that include accounts payable, accounts received in advance, payroll payable, tax payable, dividends payable and other payables. According to the statements and relevant financial documents provided by the company, the appraised value shall be determined based on the liabilities actually assumed by the company.

III. IMPLEMENTATION AND PARTICULARS OF VALUATION PROCEDURES

The implementation and particulars of the valuation procedures are as follows:

(I) Acceptance of engagement

On 8 June 2017, our company and the clients reached an agreement on the basic matters (including the purpose of valuation, the target of valuation, the scope of valuation and the benchmark date etc.) related to the valuation service and the rights and obligations of the parties, and we have, upon negotiations with the clients, prepared an appropriate valuation plan.

(II) First-phase preparation

1. Preparation of valuation scheme

On 8 June 2017, our company and the clients reached an agreement on the basic matters (including the purpose of valuation, the target of valuation, the scope of valuation and the benchmark date etc.) related to the valuation service and the rights and obligations of the parties, and we have, upon negotiations with the clients, prepared an appropriate valuation plan.

2. Building of a valuation team

In light of the distribution of assets, industry and amount of assets, which fall under the scope of this valuation, our company formed valuation teams equipped with appropriate professionals in accordance with the valuation scheme.

3. Implementation of project training

(1) Training to the staff of the evaluated entity

In order to give the financial and assets management personnel of the evaluated entity an all-round understanding of asset valuation to facilitate their completion and submission of asset valuation-related materials so as to ensure the quality of the declaration materials for the purpose of valuation, our company prepared the Training Materials for Enterprises to provide training to relevant staff of the evaluated entity and assigned appropriate staff to answer any questions raised in the course of completing asset valuation-related materials.

(2) Training to appraisers

To ensure the quality of the valuation project and to improve efficiency, as well as to thoroughly implement the proposed Implementation Plan for Asset Valuation, our company provided relevant training to the project team members including the background of the relevant economic behavior, the characteristics of the assets of the valuation target, technical ideas and requirements for conducting valuation.

(III) On-site investigation

During the period between 14 August 2017 and 20 September 2017, the appraisers conducted necessary investigations and verification on the assets and liabilities of the valuation target and carried out necessary due diligence on the operation and management of the evaluated entity.

1. Asset verification

(1) Guiding the evaluated entity on how to complete the forms and to prepare materials to be provided to the appraisal institution

While the financial and asset management personnel of the evaluated entity are required to conduct their own checking of assets, the appraisers guided them on how to correctly and carefully fill out each of the required forms covering the assets which fall under the scope of this valuation according to the Statement of Asset Valuation and their instructions to complete the Statement and the list of information which were provided by the appraisal institution. They are also required to collect and prepare title certification of the assets and documents and information that can reflect their performance, status and economic and technical indexes.

(2) Preliminary review and improvement of the Statement of Asset Valuation filled out by the evaluated entity

The appraisers checked the relevant information to have an understanding of the details of the assets which fall under the scope of this valuation and carefully reviewed the various Statements of Asset Valuation to check if there are any incomplete information, errors, or unclear statements of asset items. Based on their experience and the information they had obtained, the appraisers reviewed the Statement of Asset Valuation to check if there is any omission before providing feedback to the evaluated entity for it to improve the Statements of Asset Valuation.

(3) On-site survey

In accordance with the relevant asset valuation standards, the appraisers conducted, with the cooperation of the relevant personnel of the evaluated entity, on-site survey on various assets in terms of the types, quantity and distribution of the assets. Different survey methods were used in light of the nature and characteristics of the different types of assets.

(4) Supplementation, modification and improvement of Detailed Statements of Asset Valuation

Based on the on-site survey result, the appraisers further improved the Statements of Asset Valuation after proper communication with the relevant personnel of the evaluated entity in order to ensure the consistency among the accounts, forms and actual circumstances.

(5) Verification of property title certificates

After verifying the property title certificates of the assets (such as buildings, vehicles and land use rights) which fall under the scope of this valuation, the appraisers requested the enterprise to verify or provide relevant supporting documents related to property title for assets with defective title or unclear ownership.

2. Due diligence

The appraisers conducted necessary due diligence in order to fully understand the operation and management of the evaluated entity and the risks which the entity is facing. The due diligence work mainly covered the following:

(1) History, substantial shareholders and shareholding proportions of the evaluated entity, necessary property title and operation and management structure;

(2) Assets, financial position, production, operation and management of the evaluated entity;

(3) Business plans, development planning and financial forecast of the evaluated entity;

(4) Previous valuations and transactions of the valuation target and the evaluated entity;

(5) Macro and regional economic factors which affect the production and operation of the evaluated entity;

(6) Development trend and outlook of the industry that the evaluated entity is engaged in;

(7) Other relevant information.

(IV) Collection of information

The appraisers collected necessary information for the valuation project, including the information acquired directly and independently from the market and other channels, the information obtained from the clients and relevant parties and the information obtained from government agencies, professional institutions and other relevant departments. They made necessary analysis, induction and collation of the collected information to develop basis for valuation and estimate.

(V) Valuation and estimate

The appraisers adopted, in light of the specific situations of various assets, the corresponding formulae and parameters to make analysis, calculation and judgment on the assets using the selected valuation methods to reach a conclusion of valuation. The project leader summarized the conclusion of valuation concerning various assets, and prepared and formulated the preliminary asset valuation report.

(VI) Internal audit

According to the Administrative Measures for Valuation Process of our company, the project leader would submit the Asset Valuation Report for our internal audit after the preliminary asset valuation report has been prepared. Upon completion of the internal audit, the project leader would then prepare the exposure draft of the Asset Valuation Report and seek for comments from the client. After reasonable modification, the project leader would determine and submit the final version of the Asset Valuation Report to the client based on the feedback.

IV. VALUATION ASSUMPTIONS

The following assumptions were used for the analysis and estimate in this Asset Valuation Report:

(I) General assumptions

1. It is assumed that the evaluated entity will continue to operate after the Benchmark Date;

2. It is assumed that there are no material changes in the local political, economic and social environment of such countries and territories where the evaluated entity operates after the Benchmark Date;

3. It is assumed that there are no significant changes in national policies on macro economy and policies on industry and regional development after the Benchmark Date;

4. It is assumed that there are no material changes in the interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the evaluated entity after the Benchmark Date;

5. It is assumed that the management of the evaluated entity is accountable, stable and competent to perform their duties after the Benchmark Date;

6. It is assumed that the evaluated entity fully complies with all relevant laws and regulations; and

7. It is assumed that there is no force majeure events which may materially and adversely affect the evaluated entity after the Benchmark Date.

(II) Special assumptions

1. It is assumed that the accounting policies adopted by the evaluated entity after the Benchmark Date are consistent with the accounting policies adopted when preparing this Asset Valuation Report in all material aspects;

2. It is assumed that the scope of business and the mode of operation of the evaluated entity after the Benchmark Date are consistent with the current ones based on the existing management mode and management level and that the management of the entity will propel its development plans smoothly; and

3. It is assumed that the evaluated entity will have balance cash inflows and cash outflows after the Benchmark Date.

The conclusion of valuation of this Asset Valuation Report is established on the Benchmark Date based on the above assumptions. In the event of any material changes to the above assumptions, the undersigned appraisers and the appraisal institution shall not be responsible for deducing different conclusions of valuation due to any changes of the assumptions.

V. CONCLUSION OF VALUATION

Guodian Jiangsu Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Jiangsu Power Generation Co., Ltd. was RMB7,949.4611 million, the book value of total liabilities was RMB2,113.3717 million and the book value of net assets was RMB5,836.0894 million.

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB11,593.1262 million and the amount of increase was RMB5,757.0368 million, representing an appreciation rate of 98.65%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Jiangsu Power Generation Co., Ltd. was RMB7,949.4611 million, the appraised value was RMB11,742.7043 million and the amount of increase was RMB3,793.2432 million, representing an appreciation rate of 47.72%; the book value of total liabilities was RMB2,113.3717 million, the appraised value was RMB2,075.9804 million and the amount of decrease was RMB37.3913 million, representing a depreciation rate of 1.77%; the book value of net assets was RMB5,836.0894 million and the appraised value of net assets was RMB9,666.7239 million and the amount of increase was RMB3,830.6345 million, representing an appreciation rate of 65.64%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	120,030.65	120,030.65	0.00	0.00
Non-current assets	2	674,915.46	1,054,239.78	379,324.32	56.20
In which: Long-term equity investment	3	149,727.40	327,950.71	178,223.32	119.03
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	482,880.78	569,260.47	86,379.69	17.89
Construction-in-progress	6	24,458.73	25,771.60	1,312.87	5.37
Intangible assets	7	13,724.56	127,133.00	113,408.44	826.32
In which: land use rights	8	13,151.03	126,476.88	113,325.85	861.73
Other non-current assets	9	4,124.00	4,124.00	0.00	0.00
Total assets	10	**794,946.11**	**1,174,270.43**	**379,324.32**	**47.72**
Current liabilities	11	189,019.18	189,019.18	0.00	0.00
Non-current liabilities	12	22,317.99	18,578.86	-3,739.13	-16.75
Total liabilities	13	**211,337.17**	**207,598.04**	**-3,739.13**	**-1.77**
Net assets	14	**583,608.94**	**966,672.39**	**383,063.45**	**65.64**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB11,593.1262 million, while the value of the entire shareholders' interests was RMB9,666.7239 million when the asset-based approach is used. The difference was RMB1,926.4023 million, representing a difference rate of 16.62%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation have also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Guodian Jiangsu Power Generation Co., Ltd. was RMB9,666.7239 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2018] No.32110001) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the consolidated and financial condition of Guodian Jiangsu Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and consolidated and operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) Ownership

1. The appraised unit possessed the land use rights of 52 parcels of land, one of which hadn't obtained the certificate of land use right and 51 of which had the use right holder registered as China Guodian Corporation Jianbi Power Plant (predecessor of the enterprise), and the formalities of change haven't been handled. The enterprise undertakes that it possesses the actual ownership of the above lands and there is no dispute on such ownership; the title of property ownership hasn't been obtained for 23 houses and buildings owned by it, and the right holder of 573 houses and buildings was registered as China Guodian Corporation Jianbi Power Plant (predecessor of the enterprise) and the formalities of change haven't been handled. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

2. The title of property ownership hasn't been obtained for 29 houses and buildings owned by the appraised unit's subsidiary Guodian Taizhou Power Generation Co., Ltd. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

3. The title of property ownership hasn't been obtained for 5 houses and buildings owned by the appraised unit's subsidiary Guodian Changzhou Power Generation Co., Ltd. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

4. The title of property ownership hasn't been obtained for 50 houses and buildings owned by the appraised unit's subsidiary Guodian Suqian Thermal Power Co., Ltd. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

(III) Financing lease and guarantees

1. China Guodian Corporation Jianbi Power Plant signed a financing lease contract with Guodian Finance Co., Ltd. in August 2014. As of 30 June 2017, the Valuation Reference Date, the machinery equipment with book value of RMB100 million of China Guodian Corporation Jianbi Power Plant was purchased by means of financing lease.

2. The subsidiary Guodian Taizhou Power Generation Co., Ltd. and Guodian Finance Lease Co., Ltd. signed a financing lease contract in April 2016; it signed financing lease contracts with Zhuoyue International Lease Co., Ltd. in February 2015 and April 2016 respectively; it signed a financing lease contract with ICBC Financial Leasing Co., Ltd. in September 2015. As of 30 June 2017, the Valuation Reference Date, the machinery equipment with book value of RMB1,005.7350 million of Guodian Taizhou Power Generation Co., Ltd. was purchased by means of financing lease.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Anhui Power Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Anhui Power Co., Ltd. was RMB2,430.3247 million, the book value of total liabilities was RMB78.6004 million and the book value of net assets was RMB2,351.7243 million.

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB2,372.9320 million and the amount of increase was RMB21.2077 million, representing an appreciation rate of 0.90%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Anhui Power Co., Ltd. was RMB2,430.3247 million, the appraised value was RMB2,782.9363 million and the amount of increase was RMB352.6116 million, representing an appreciation rate of 14.51%; the book value of total liabilities was RMB78.6004 million, the appraised value was RMB78.6004 million and there was no increase or decrease in the valuation; the book value of net assets was RMB2,351.7243 million and the appraised value of net assets was RMB2,704.3359 million and the amount of increase was RMB352.6116 million, representing an appreciation rate of 14.99%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate% D=C/A×100%
Current assets	1	80,305.81	80,305.81	0.00	0.00
Non-current assets	2	162,726.66	197,987.82	35,261.16	21.67
In which: Long-term equity investment	3	158,597.20	192,990.39	34,393.19	21.69
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	2,888.41	3,527.04	638.63	22.11
Construction-in-progress	6	1,219.90	1,219.90	0.00	0.00
Intangible assets	7	21.15	250.49	229.34	1,084.35
In which: land use rights	8	0.00	0.00	0.00	–
Other non-current assets	9	0.00	0.00	0.00	–
Total assets	10	**243,032.47**	**278,293.63**	**35,261.16**	**14.51**
Current liabilities	11	7,860.04	7,860.04	0.00	0.00
Non-current liabilities	12	0.00	0.00	0.00	–
Total liabilities	13	**7,860.04**	**7,860.04**	**0.00**	**0.00**
Net assets	14	**235,172.43**	**270,433.59**	**35,261.16**	**14.99**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB2,372.9320 million, while the value of the entire shareholders' interests was RMB2,704.3359 million when the asset-based approach is used. The difference was RMB331.4039 million, representing a difference rate of 12.25%.

Guodian Anhui Power Co., Ltd. is mainly specialized in development, investment, operation management of power source, heat source and new energy, coal investment, industrial investment and operation management. In the current management and accounting mode, the income approach only took into consideration the costs and expenses incurred by the headquarters, thus making it difficult to quantify the superiority characteristics of the headquarters in project development and management and causing the value of cash flows of the headquarters to be negative. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the entire shareholders' interests of Guodian Anhui Power Co., Ltd. was RMB2,704.3359 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.01470094) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the simulation financial statements were prepared in accordance with the preparation basis disclosed in the Notes II to the simulation financial statements in all material aspects. It expressed a fair view of the simulation financial condition of Guodian Anhui Power Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the simulation consolidated operating results for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) In accordance with the file from the Ministry of Finance titled the *Notice by the Ministry of Finance on Grant of the Funding Budget (Financial Allocation) for Energy Conservation and Emission Reduction in the Central State-owned Capital Management Budget 2012* (Cai Qi [2012] No.390), Suzhou No.2 Thermal Plant Company received the allocated fund of RMB20.39 million as the increase in the state capital fund of China Guodian Group Corporation, so the paid-in capital of Guodian Anhui Power Co., Ltd. was RMB390.9820, which exceeded the amount of RMB370.5920 as agreed in the Articles of Association. The paid-in capital was increased to RMB5.2119 billion, which exceeded the amount of RMB5.008 billion as agreed in the Articles of Association. The ratio of shareholding of Anhui Power increased from 74% to 75.02%.

The valuation calculated the appraised value of shares using the actual proportion of shares.

(III) The file titled the *Official Reply from the National Development and Reform Commission on Approval of the Extension Project "Developing Large Generator Units and Shutting Down Small Ones" Undertaken by Anhui Guodian Suzhou Thermal Power Plant* (Fa Gai Neng Yuan [2012] No.1521) specified that, 3# and 4# unit would be shut down and dismantled in the whole except the parts shared with Suzhou No.2 Thermal Power Plant.

(IV) Ownership of lands and houses

The lands owned by the independent accounting units including all subsidiaries of Anhui Power Company suffered discrepancies between the right holder registered in the certificate of land use right and the name provided in the Business License for Enterprise Legal Person and the title for property ownership for certain properties hasn't been obtained yet. The details are specified as follows:

1. The title of property ownership hasn't been obtained and the formalities of change haven't been handled yet for 26 houses and buildings owned by Guodian Suzhou No.2 Thermal Plant Co., Ltd. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

2. Guodian Suzhou Thermal Power Co., Ltd. owned use right for 6 parcels of land, one of which had its holder of use right registered as Sudong Power Plant in the certificate, 2 of which had their holder of use right registered as Suzhou Huiyuan Power Generation Co., Ltd. in the certificate and 3 of which had their holder of use right as Anhui Suzhou Huiyuan Electric Heating Co., Ltd. All of these holders were the predecessors of the enterprise and the formalities of change haven't been handled yet. The enterprise undertakes that it possesses the actual ownership of the above lands and there is no dispute on such ownership; the title of property ownership hasn't been obtained for 7 houses and buildings owned by it and remaining properties have been removed or would be removed due to shut down of units. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

3. The title of property ownership hasn't been obtained for 55 houses and buildings owned by Guodian Bengbu Power Generation Co., Ltd. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

4. The title of property ownership hasn't been obtained for 41 houses and buildings owned by Guodian Tongling Power Generation Co., Ltd. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

(V) Financing lease and guarantees

Guodian Bengbu Power Generation Co., Ltd. signed a financing lease contract (contract number: Guodian Rong Zu [2016] Hui Zi No.0018) with Guodian Finance Lease Co., Ltd. on 20 April 2016, in which leaseback of 2 gas turbine was agreed. The transfer price of leased equipment was RMB200.00 million, with lease term from June 2016 to June 2021 and annual lease rate of 4.7239%.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Xinjiang Power Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Xinjiang Power Co., Ltd. was RMB5,098.8341 million, the book value of total liabilities was RMB1,899.3280 million, the book value of net assets was RMB3,199.5061 million.

Based on the valuation using the income approach, the value of the entire shareholder's equity is RMB2,859.3861 million, the amount of decrease was RMB340.1200 million, representing a depreciation rate of 10.63%;

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Xinjiang Power Co., Ltd. was RMB5,098.8341 million, the appraised value was RMB4,745.1809 million and the amount of decrease was RMB353.6532 million, representing an depreciation rate of 6.94%; the book value of total liabilities was RMB1,899.3280 million, the appraised value was RMB1,899.3280 million and there was no increase or decrease in the valuation; the book value of net assets was RMB3,199.5061 million and the appraised value of net assets was RMB2,845.8529 million and the amount of decrease was RMB353.6532 million, representing a depreciation rate of 11.05%.

The results are detailed in the following summary of valuation results:

Summary of Valuation Results

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current Assets:	1	302,863.59	302,863.59	0.00	0.00
Non-current Assets	2	207,019.82	171,654.50	-35,365.32	-17.08
In which: Long-term equity investment	3	182,492.20	145,398.40	-37,093.80	-20.33
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	72.89	260.79	187.90	257.80
Construction in progress	6	18,172.64	18,314.47	141.83	0.78
Intangible assets	7	6,271.49	7,670.23	1,398.74	22.30
In which: Intangible assets-land use right	8	6,210.21	7,434.85	1,224.64	19.72
Other current assets	9	10.62	10.62	0.00	0.00
Total assets	10	**509,883.41**	**474,518.09**	**-35,365.32**	**-6.94**
Current liabilities	11	171,932.80	171,932.80	0.00	0.00
Non-current liabilities	12	18,000.00	18,000.00	0.00	0.00
Total liabilities	13	**189,932.80**	**189,932.80**	**0.00**	**0.00**
Net assets	14	**319,950.61**	**284,585.29**	**-35,365.32**	**-11.05**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholder's equity is RMB2,859.3861 million, while the value of the entire shareholders' equity was RMB2,845.8529 million when the asset-based approach is used. The difference was RMB13.5332 million, representing a difference rate of 0.48%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation

Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' equity of Guodian Xinjiang Power Co., Ltd. was RMB2,845.8529 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No. [2018]21040001) issued by Ruihua Certified Public Accounts (Special General Partnership). The opinions set out in the auditor's report are as follows: the stimulated financial statements were prepared on the basis of disclosure in Explanatory Note 2 to the stimulated financial statements in all material aspects.".

(II) In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the In-depth Implementation of the Tax Policy of the Strategic Development of the Western Region (Cai Shui (2011) No. 58) and the Announcement of the State Administration of Taxation on the Enterprise Income Tax of the Strategic Development of the Western Region (Announcement No. 12 of the State Administration of Taxation in 2012), from 1 January 2011 to 31 December 2020, the enterprise income tax of the encouraged enterprises established in the western region is levied on the tax rate of 15%; in the valuation using the income approach, the preferential tax rate of the income tax was considered until 2020, and the income tax rate of 25% was considered since 2021.

(III) The Articles of Association stipulated that Guodian Xinjiang Power Co., Ltd. holds 84.17% shares of its subsidiary, Guodian Kuche Power Generation Co., Ltd., while the actual contribution on the Valuation Reference Date indicated that Guodian Xinjiang Power Co., Ltd. holds 79.40% shares of Guodian Kuche Power Generation Co., Ltd., the appraisal and summary will be based on the actual contribution.

(IV) Ownership defects

1. In this valuation, the land use right of one parcel of land possessed by Xinjiang Power Co., Ltd. is not supported by any certificate of ownership, with the address at North Hetan Road, Shuimogou District, Urumqi, Xinjiang Uygur Autonomous Region, and a total area of 12,993.44 square meters. Guodian Xinjiang Power Co., Ltd. undertakes that such properties are actually owned by it, without any dispute related to such ownership.

2. In this valuation, the land use rights of 12 parcels of land possessed by Guodian Kelamayi Power Generation Co., Ltd. are not supported by any certificate of ownership, with a total area of 5,695.25square meters, and Guodian Karamay Power Generation Co., Ltd. undertakes that such properties are actually owned by it, without any dispute related to such ownership.

3. In this valuation, 40 houses possessed by Guodian Kelamayi Power Generation Co., Ltd. are not supported by any certificate of house ownership, and Guodian Kelamayi Power Generation Co., Ltd. has given a full account of the ownership information and undertakes that such properties are actually owned by it, without any dispute related to such ownership.

4. In this valuation, 118 houses possessed by Guodian Xinjiang Hongyanchi Power Generation Co., Ltd. are appraised, in which, 15 houses are removed, 52 houses are supported by the certificate of house ownership. Among those 52 houses, 29 houses are supported by the certificates with Guodian Xinjiang Hongyanchi Power Generation Co., Ltd. as the right holder, and 23 houses are supported by the certificates with Xinjiang Hongyanchi Science, Industry and Trade General Company as the right holder; 51 houses are not supported by any certificate of house ownership, and Guodian Xinjiang Hongyanchi Power Generation Co., Ltd. has given a full account of the ownership information and undertakes that such properties are actually owned by it, without any dispute related to such ownership.

5. In this valuation, 44 houses possessed by Guodian Hami Coal-fired Power Development Co., Ltd. are appraised, and not supported by any certificate of house ownership, and Guodian Hami Coal-fired Power Development Co., Ltd. has given a full account of the ownership information and undertakes that such properties are actually owned by it, without any dispute related to such ownership.

6. In this valuation, 79 houses possessed by Guodian Kuche Power Generation Co., Ltd. are appraised, in which, 28 houses are supported by the certificates of house ownership and 51 houses are not supported by any certificate of house ownership, and Guodian Kuche Power Generation Co., Ltd. has given a full account of the ownership information and undertakes that such properties are actually owned by it, without any dispute related to such ownership.

(V) Financing lease and Guarantee

1. As of the valuation reference date, the book value of long term loans (including those due within one year) of Guodian Kelamayi Power Generation Co., Ltd., was RMB2.099 billion, including two loans, and in which: ①Guodian Kelamayi Power Generation Co., Ltd. borrowed RMB517.60 million from Xinjiang Uygur Autonomous Region Branch, Postal Savings Bank of China, by pledging the right to collect heating charges and any yields and derived rights arising therefrom, with the loan term from 26 May 2014 to 26 December 2025, and as of the Valuation Reference Date, the book value was RMB201 million; ②for the purpose of constructing the 2×350,000 Kw cogeneration project, Guodian Kelamayi Power Generation Co., Ltd. signed the syndicated loan contract, by pledging the right to collect electricity charges and any yields and derived rights arising therefrom, with Xinjiang Uygur Autonomous Region Branch of Industry and Commerce Bank of China, and Karamay Branch of Kunlun Bank as the arrangers, Xinjiang Uygur Autonomous Region Branch of Bank of China and Xinjiang Uygur Autonomous Region Branch of Construction Bank of China as the lenders, with a loan amount of RMB2.2 billion, and the loan term from 25 November 2011 to 25 October 2027, and as of the Valuation Reference Date, the book value was RMB1.897 billion.

2. As of the Valuation Reference Date, Guodian Kelamayi Power Generation Co., Ltd. leased back part of the facilities in 2×350MW cogeneration project from BOCOM Financial Leasing Co., Ltd., with the lease term of 60 months from January 2016 to January 2021.

3. As of the Valuation Reference Date, for the purpose of constructing the "Developing Large Generator Units and Shutting Down Small Ones" cogeneration extension project, Guodian Hongyanchi Power Generation Co., Ltd. signed the syndicated loan contract, by pledging the right to collect electricity charges and any yields and derived rights arising therefrom, with China Development Bank Corporation as the arranger, China Development Bank Corporation, Xinjiang Uygur Autonomous Region Branch of Industry and Commerce Bank of China, Xinjiang Uygur Autonomous Region Branch of

Construction Bank of China, Xinjiang Uygur Autonomous Region Branch of Bank of China, and Urumqi Branch of Bank of Communications as the lenders, with a loan amount of RMB1.6 billion, and the loan term from 15 December 2008 to 14 December 2026, as of the Valuation Reference Date, the book value of long term loans (including those due within one year) was RMB613 million.

4. As of the Valuation Reference Date, Guodian Kuche Power Generation Co., Ltd. leased back equipment from Guodian Finance Co., Ltd., with the lease term of 60 months from August 2014 to August 2019.

5. As of the Valuation Reference Date, the book value of short term loans of Guodian Kuche Power Generation Co., Ltd, is RMB370 million. In which: Guodian Kuche Power Generation Co., Ltd. borrowed RMB205 million (six loans)from Kuqa Branch, Construction Bank of China, by pledging the right to collect electricity charges and any yields and derived rights arising therefrom, as of the Valuation Reference Date, the book value was RMB205 million.

6. As of the Valuation Reference Date, for the purpose of constructing the 2×330,000 Kw cogeneration project, Guodian Kuche Power Generation Co., Ltd. signed the syndicated loan contract, by pledging the right to collect electricity charges and any yields and derived rights arising therefrom, with China Development Bank Corporation, Xinjiang Uygur Autonomous Region Branch of Industry and Commerce Bank of China, Xinjiang Production, and Construction Corps Branch of Agriculture Bank of China as the arrangers, China Development Bank Corporation, Xinjiang Uygur Autonomous Region Branch of Industry and Commerce Bank of China, Xinjiang Uygur Autonomous Region Branch of Construction Bank of China, Xinjiang Production and Construction Corps Branch of Agriculture Bank of China, Xinjiang Uygur Autonomous Region Branch of Bank of China as the lenders, with a loan amount of RMB2.2 billion, and the loan term from 28 March 2012 to 27 March 2030, as of the Valuation Reference Date, the book value of long term loans (including those due within one year) was RMB1.035 billion.

7. As of the Valuation Reference Date, Guodian Hami Coal-fired Power Development Co., Ltd. leased back facilities including steam turbine from Guodian Finance Leasing Co., Ltd., with the lease term of 60 months from April 2016 to April 2021.

8. As of the Valuation Reference Date, Guodian Hami Coal-fired Power Development Co., Ltd. leased back the generation production line equipment in 2×660MW IGCC project from BOCOM Financial Leasing Co., Ltd., with the lease term of 60 months from August 2015 to August 2020.

9. As of the Valuation Reference Date, for the purpose of constructing the 2×660,000 Kw thermal power project, Guodian Hami Coal-fired Power Development Co., Ltd. signed the syndicated loan contract, by pledging the right to collect electricity charges and any yields and derived rights arising therefrom, with Xinjiang Uygur Autonomous Region Branch of Industry and Commerce Bank of China, Xinjiang Production, and Construction Corps Branch of Agriculture Bank of China as the arrangers, Xinjiang Uygur Autonomous Region Branch of Industry and Commerce Bank of China, Xinjiang Uygur Autonomous Region Branch of Construction Bank of China, Xinjiang Production and Construction Corps Branch of Agriculture Bank of China, Xinjiang Uygur Autonomous Region Branch of Postal Savings Bank of China as the lenders, with a loan amount of RMB4.1 billion, and the loan term from 10 December 2015 to 9 December 2030, as of the Valuation Reference Date, the book value of long term loans (including those due within one year) was RMB1.669 billion.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

GD Power Datong Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of GD Power Datong Power Generation Co., Ltd. was RMB5,492.203 million, the book value of total liabilities was RMB3,164.9069 million and the book value of net assets was RMB2,327.2961 million.

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB6,181.6654 million and the amount of increase was RMB3,854.3693 million, representing an appreciation rate of 165.62%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of GD Power Datong Power Generation Co., Ltd. was RMB5,492.203 million, the appraised value was RMB5,583.5476 million and the amount of increase was RMB91.3446 million, representing an appreciation rate of 1.66%; the book value of total liabilities was RMB3,164.9069 million, the appraised value was RMB3,151.8107 million and the amount of decrease was RMB13.0962 million, representing a depreciation rate of 0.41%; the book value of net assets was RMB2,327.2961 million and the appraised value of net assets was RMB2,431.7369 million and the amount of increase was RMB104.4408 million, representing an appreciation rate of 4.49%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: 30 June 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	35,309.73	35,309.73	0.00	0.00
Non-current assets	2	513,910.57	523,045.03	9,134.46	1.78
In which: Long-term equity investment	3	0.00	6,098.00	6,098.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	500,474.36	482,869.40	-17,604.96	-3.52
Construction-in-progress	6	12,951.02	12,951.02	0.00	0.00
Intangible assets	7	166.54	20,867.91	20,701.37	12,430.27
In which: land use rights	8	0.00	20,688.05	20,688.05	–
Other non-current assets	9	318.65	258.70	-59.95	-18.81
Total assets	10	**549,220.30**	**558,354.76**	**9,134.46**	**1.66**
Current liabilities	11	255,244.53	255,244.53	0.00	0.00
Non-current liabilities	12	61,246.16	59,936.54	-1,309.62	-2.14
Total liabilities	13	**316,490.69**	**315,181.07**	**-1,309.62**	**-0.41**
Net assets	14	**232,729.61**	**243,173.69**	**10,444.08**	**4.49**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB6,181.6654 million, while the value of the entire shareholders' interests was RMB2,431.7369 million when the asset-based approach is used. The difference was RMB3,749.9285 million, representing a difference rate of 154.21%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation have also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of GD Power Datong Power Generation Co., Ltd. was RMB2,431.7369 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.21040008) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of GD Power Datong Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) As of 30 June 2017, the Valuation Reference date, for GD Power Datong Power Generation Co., Ltd., there were 54 properties for which the title of house ownership hasn't been handled or has been in the process of handling within the scope of declaration for valuation; there were 7 vehicles of which the right holder recorded in the vehicle certificate failed to conform to the name of the Company among the vehicles subject to the valuation. The enterprise undertakes that there is no dispute on ownership of above assets.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd. was RMB2,942.1975 million, the book value of total liabilities was RMB2,283.1615 million and the book value of net assets was RMB659.0360 million.

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB689.3437 million and the amount of increase was RMB30.3077 million, representing an appreciation rate of 4.60%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd. was RMB2,942.1975 million, the appraised value was RMB2,622.9878 million and the amount of decrease was RMB319.2097 million, representing an depreciation rate of 10.85%; the book value of total liabilities was RMB2,283.1615 million, the appraised value was RMB2,253.5312 million and the amount of decrease was RMB29.6303 million, representing a depreciation rate of 1.30%; the book value of net assets was RMB659.0360 million and the appraised value of net assets was RMB369.4566 million and the amount of increase was RMB289.5794 million, representing an appreciation rate of 43.94%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	65,853.75	65,853.75	0.00	0.00
Non-current assets	2	228,366.00	196,445.03	-31,920.97	-13.98
In which: Long-term equity investment	3	12,600.00	19,808.63	7,208.63	57.21
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	188,601.86	148,699.52	-39,902.34	-21.16
Construction-in-progress	6	12,314.17	12,474.99	160.82	1.31
Intangible assets	7	12,046.65	12,658.57	611.92	5.08
In which: land use rights	8	11,975.06	12,514.96	539.90	4.51
Other non-current assets	9	2,803.32	2,803.32	0.00	0.00
Total assets	10	**294,219.75**	**262,298.78**	**-31,920.97**	**-10.85**
Current liabilities	11	115,065.68	115,065.68	0.00	0.00
Non-current liabilities	12	113,250.47	110,287.44	-2,963.03	-2.62
Total liabilities	13	**228,316.15**	**225,353.12**	**-2,963.03**	**-1.30**
Net assets	14	**65,903.60**	**36,945.66**	**-28,957.94**	**-43.94**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB689.3437 million, while the value of the entire shareholders' interests was RMB369.4566 million when the asset-based approach is used. The difference was RMB319.8871 million, representing a difference rate of 86.58%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation have also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation

Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd. was RMB369.4566 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.21040006) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) 81 houses and buildings were included in the scope of the valuation, including 80 houses and buildings for which the title of ownership hasn't been handled, with a floor area of 70,213.25 square meters. The enterprise undertakes that the ownership of above housing properties has been clearly established and there are no disputes on ownership.

(III) Subsequent events

The board of shareholders of Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd. resolved on July 24 2017 that the change in shareholder of Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd. from Hebei Huafeng Investment Co., Ltd. to Hebei Huarui Energy Group Co., Ltd. was approved.

Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd. completed the formalities for the industrial and commercial registration of change in shareholder on July 26 2017. Upon completion of change in shareholder, the equity structure of Guodian Inner Mongolia Dongsheng Thermal Power Co., Ltd. is shown as follows:

No.	Shareholders	Subscribed amount of contribution *(RMB0'000)*	Paid-in amount of contribution *(RMB0'000)*	Percentage of shares *(%)*
1	GD Power Development Co., Ltd.	27,500.00	27,500.00	55.00
2	Hebei Huarui Energy Co., Ltd.	10,000.00	10,000.00	20.00
3	Hebei Hengguan Power Development Co., Ltd.	7,500.00	7,500.00	15.00
4	Erdos Mengtai Coal Power Co., Ltd.	5,000.00	5,000.00	10.00
Total		50,000.00	50,000.00	100.00

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

GD Power Dalian Zhuanghe Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of GD Power Dalian Zhuanghe Power Generation Co., Ltd. was RMB3,405.1555 million, the book value of total liabilities was RMB2,608.7823 million and the book value of net assets was RMB796.3732 million.

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB879.4651 million and the amount of increase was RMB83.0919 million, representing an appreciation rate of 10.43%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of GD Power Dalian Zhuanghe Power Generation Co., Ltd. was RMB3,405.1555 million, the appraised value was RMB3,312.4929 million and the amount of decrease was RMB92.6626 million, representing a depreciation rate of 2.72%; the book value of total liabilities was RMB2,608.7823 million, the appraised value was RMB2,600.4044 million and the amount of decrease was RMB8.3779 million, representing a depreciation rate of 0.32%; the book value of net assets was RMB796.3732 million and the appraised value of net assets was RMB712.0885 million and the amount of increase was RMB84.2847 million, representing an appreciation rate of 10.58%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	31,563.19	31,563.19	0.00	0.00
Non-current assets	2	308,952.36	299,686.10	-9,266.26	-3.00
In which: Long-term equity investment	3	500.00	521.69	21.69	4.34
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	287,341.76	271,683.94	-15,657.82	-5.45
Construction-in-progress	6	10,257.52	9,372.82	-884.70	-8.62
Intangible assets	7	5,457.86	17,399.53	11,941.67	218.80
In which: land use rights	8	2,804.06	14,566.69	11,762.63	419.49
Other non-current assets	9	5,395.22	708.12	-4,687.10	-86.88
Total assets	10	**340,515.55**	**331,249.29**	**-9,266.26**	**-2.72**
Current liabilities	11	217,301.18	217,301.18	0.00	0.00
Non-current liabilities	12	43,577.05	42,739.26	-837.79	-1.92
Total liabilities	13	**260,878.23**	**260,040.44**	**-837.79**	**-0.32**
Net assets	14	**79,637.32**	**71,208.85**	**-8,428.47**	**-10.58**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB879.4651 million, while the value of the entire shareholders' interests was RMB712.0885 million when the asset-based approach is used. The difference was RMB167.3766 million, representing a difference rate of 23.51%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation have also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation

Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of GD Power Dalian Zhuanghe Power Generation Co., Ltd. was RMB712.0885 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.21030003) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the consolidated and financial condition of GD Power Dalian Zhuanghe Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) Ownership defects

1. The Land Grant Contract has been obtained for grant of 2 parcels of land in the front area of the plant within the scope of valuation of lands owned by the appraised unit, but the certificate of land use right hasn't been obtained. The valuation was conducted based on the assumption that the land use right has been granted.

2. 53 houses and buildings were included in the scope of valuation and the title of property ownership hasn't been obtained for 52 houses and buildings. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

3. 27 vehicles were included in the scope of valuation and some were used in the plant area, for which the motor vehicle driving permit hasn't been obtained. The right holder of three vehicles was Dalian Huanghai Investment Co., Ltd. and one vehicle was Dalian Zhuanghe Branch of Beijing Guodian Longyuan Environmental Engineering Co., Ltd. and the formalities of change for these vehicles haven't been handled. The enterprise undertakes that it possesses actual ownership of above vehicles and there are no disputes on ownership.

4. The appraised unit owned the use right of 4 sea areas. The right holder of the sea area (Guo Hai Zheng No.062100654) within the scope of valuation was Dalian Huanghai Investment Co., Ltd. The right to use this sea area was acquired by GD Power Dalian Zhuanghe Power Generation Co., Ltd. after Dalian Huanghai Investment Co., Ltd. undertook a wharf project from GD Power Dalian Zhuanghe Power Generation Co., Ltd. The formalities for change haven't been handled. The enterprise undertakes that it possesses the actual ownership of the above assets and there is no dispute on the ownership.

5. The certificate of land use right for partial areas of the sea waters (Guo Hai Zheng No.042102006, Guo Hai Zheng No.052102506 and Guo Hai Zheng No.071100046) with right to use owned by the appraised unit. Surveying and mapping haven't been carried out for such areas. Preliminary statistics indicate that, the dividable area was 593,541.41 square meters. The above three certificates of maritime right of use haven't been subject to change in area as of the Valuation Reference Date and the Valuation was carried out based on the remaining area deducted the areas after reissue of the Certificate for the Use of State-owned Land from three areas with the maritime right of use. The appraisers have requested the appraised enterprise to change the related ownership certificates as soon as possible so as to consummate the property right. In case the area of maritime right of use used in this Valuation Report was inconsistent with the area registered in the future's ownership certificate, the conclusions of valuation should be adjusted accordingly.

(III) Financing lease and guarantees

The appraised unit pledged 25% of its right to collect electricity charges and all rights and yields arising therefrom or the right to collect electricity charges not lower than RMB200 million per year and all rights or interests arising therefrom (whichever is higher) to China Development Bank Co., Ltd. The Loan Contract number was 2102100732011020666 specifying the loan amount of RMB1,033.00 million and loan term from 16 September 2011 to 15 September 2023.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

GD Power Chaoyang Thermal Power Co., Ltd.

I. Conclusion of valuation

As of the Valuation Reference Date, the book value of total assets of GD Power Chaoyang Thermal Power Co., Ltd. was RMB2,443.4290 million, the appraised value was RMB2,459.0016 million and the amount of increase was RMB15.5726 million, representing an depreciation rate of 0.64%; the book value of total liabilities was RMB1,847.2104 million, the appraised value was RMB1,847.2104 million and there was no increase or decrease in the valuation; the book value of net assets was RMB596.2186 million and the appraised value of net assets was RMB611.7912 million and the amount of increase was RMB15.5726 million, representing an appreciation rate of 2.61%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	3,446.82	3,446.82	0.00	0.00
Non-current assets	2	240,896.08	242,453.34	1,557.26	0.65
In which: Long-term equity investment	3	9,630.00	10,547.57	917.57	9.53
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	274.19	295.47	21.28	7.76
Construction-in-progress	6	151,099.70	141,272.45	-9,827.25	-6.50
Intangible assets	7	184.48	10,630.14	10,445.66	5,662.22
In which: land use rights	8	0.00	10,434.10	10,434.10	–
Other non-current assets	9	79,707.71	79,707.71	0.00	0.00
Total assets	10	**244,342.90**	**245,900.16**	**1,557.26**	**0.64**
Current liabilities	11	36,354.04	36,354.04	0.00	0.00
Non-current liabilities	12	148,367.00	148,367.00	0.00	0.00
Total liabilities	13	**184,721.04**	**184,721.04**	**0.00**	**0.00**
Net assets	14	**59,621.86**	**61,179.12**	**1,557.26**	**2.61**

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. The appraised value of the entire shareholders' interests of GD Power Chaoyang Thermal Power Co., Ltd. was RMB611.7912 million.

This Asset Valuation Report did not take into consideration the impact of liquidity on the value of the valuation target.

II. Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.21030002) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the consolidated and financial condition of GD Power Chaoyang Thermal Power Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) Ownership defects

1. For GDPD Chaoyang Water Affairs Environmental Protection Co.,Ltd., the houses and buildings included in the scope of valuation occupied the land belonging to Chaoyang Jingyuan Sewage Treatment Plant. As the list of assets subject to handover of franchise right did not include this land, the Valuation didn't include this land in the scope of valuation and the appraised value of houses and buildings excluded the value of occupied land.

2. For GDPD Chaoyang Water Affairs Environmental Protection Co.,Ltd., there were 25 houses and buildings in franchise right in intangible assets – physical assets in total (of which 11 items were houses and buildings and 14 were structures), and the title of property ownership hasn't been handled for 11 houses and buildings. GDPD Chaoyang Water Affairs Environmental Protection Co.,Ltd. undertakes that it posses the actual ownership of the above properties and there is no dispute on the ownership.

3. For GDPD Chaoyang Water Affairs Environmental Protection Co.,Ltd., there was 1 vehicle in in franchise right in intangible assets – physical assets, with right holder registered in the vehicle certificate being Chaoyang Jingyuan Sewage Treatment Plant. GDPD Chaoyang Water Affairs Environmental Protection Co.,Ltd. undertakes that it actually posses the above ownership and there is no dispute. According to the franchise agreement, all assets with respect to the franchise right would be handed over to the agency designated by the municipal government upon maturity. See details in the following table:

No.	License plate number	Vehicle name and model	Manufacturer	Unit of measurement	Qty	Date of purchase	Date of using	Travelled mileage *(km.)*
1	Liao NA1681	Medium common passenger car, Jinbei branded, SY6483D3	Jinbei	Set	1	2005/4/27	2008/4/30	390,000

(III) Subsequent events

1. After GD Power Chaoyang Thermal Power Co., Ltd. increased in the capital in November 2017, its registered capital changed from RMB523.7570 million to RMB644.6370 and the paid-up capital changed from RMB615.0170 to RMB644.6370.

2. In January 2018, the business scope of GD Power Chaoyang Thermal Power Co., Ltd. changed from preparations for thermal power projects (no production and operation activities are allowed during the period of preparation); heating supply service for housing estates to production and sale of electric power, thermal power and gypsum; sale of coal ash and lime-ash; water treatment and sale; electric power technology development consultation, technical service and overhaul and maintenance of equipment for power generation, transmission and transformation; installation, repair and commissioning of electric power facilities; installation, improvement and maintenance of boilers; installation of

pressure pipelines; heating supply service; purchase and sale of electricity, heat and gas; power transmission and distribution and investment, construction and operation of power distribution network; overhaul, maintenance, improvement and operation of electric power and thermal power facilities; power selling value-added service; investment, construction and operation of charging station.

3. In August 2017, GDPD Chaoyang Water Affairs Environmental Protection Co., Ltd. increased the capital and shares by introducing a new investor Beikong Water Affairs (China) Investment Co., Ltd. and the registered capital increased from RMB188.8200 million to RMB298.0300 million.

4. The name of GDPD Chaoyang Water Affairs Environmental Protection Co., Ltd. was changed to Chaoyang Beikong Water Affairs Co., Ltd., with its legal representative changed to Wang Zhupin.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Jiangsu Jianbi Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Jiangsu Jianbi Power Generation Co., Ltd. was RMB1,097.7139 million, the book value of total liabilities was RMB344.8365 million and the book value of net assets was RMB752.8774 million.

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB2,020.2397 million and the amount of increase was RMB1,267.3623 million, representing an appreciation rate of 168.34%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Jiangsu Jianbi Power Generation Co., Ltd. was RMB1,097.7139 million, the appraised value was RMB1,663.2702 million and the amount of increase was RMB565.5563 million, representing an appreciation rate of 51.52%; the book value of total liabilities was RMB344.8365 million, the appraised value was RMB326.5931 million and the amount of decrease was RMB18.2434 million, representing a depreciation rate of 5.29%; the book value of net assets was RMB752.8774 million and the appraised value of net assets was RMB1,336.6771 million and the amount of increase was RMB583.7997 million, representing an appreciation rate of 77.54%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	31,334.05	31,334.05	0.00	0.00
Non-current assets	2	78,437.34	134,992.97	56,555.63	72.10
In which: Long-term equity investment	3	1,000.00	13,689.19	12,689.19	1,268.92
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	59,727.53	99,096.17	39,368.64	65.91
Construction-in-progress	6	12,796.11	12,935.27	139.16	1.09
Intangible assets	7	2,996.44	7,355.08	4,358.64	145.46
In which: land use rights	8	2,916.58	7,272.55	4,355.97	149.35
Other non-current assets	9	1,917.26	1,917.26	0.00	0.00
Total assets	10	**109,771.39**	**166,327.02**	**56,555.63**	**51.52**
Current liabilities	11	32,051.20	32,051.20	0.00	0.00
Non-current liabilities	12	2,432.45	608.11	-1,824.34	-75.00
Total liabilities	13	**34,483.65**	**32,659.31**	**-1,824.34**	**-5.29**
Net assets	14	**75,287.74**	**133,667.71**	**58,379.97**	**77.54**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB2,020.2397 million, while the value of the entire shareholders' interests was RMB1,336.6771 million when the asset-based approach is used. The difference was RMB683.5626 million, representing a difference rate of 33.84%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation have also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Guodian Jiangsu Jianbi Power Generation Co., Ltd. was RMB1,336.6771 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.32110001) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the consolidated and financial condition of Guodian Jiangsu Jianbi Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) The title of property ownership hasn't been obtained for 3 houses and buildings owned by the appraised unit. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on the ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd. was RMB2,124.9255 million, the book value of total liabilities was RMB307.3832 million and the book value of net assets was RMB1,817.5423 million.

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB2,321.3491 million and the amount of increase was RMB503.8068 million, representing an appreciation rate of 27.72%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd. was RMB2,124.9255 million, the appraised value was RMB4,180.3202 million and the amount of increase was RMB2,055.3947 million, representing an appreciation rate of 96.73% the book value of total liabilities was RMB307.3832 million, the appraised value was RMB295.1627 million and the amount of decrease was RMB12.2205 million, representing a depreciation rate of 3.98%; the book value of net assets was RMB1,817.5423 million and the appraised value of net assets was RMB3,885.1575 million and the amount of increase was RMB2,067.6152 million, representing an appreciation rate of 113.76%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	37,144.20	37,144.20	0.00	0.00
Non-current assets	2	175,348.35	380,887.82	205,539.47	117.22
In which: Long-term equity investment	3	970.00	21,972.12	21,002.12	2,165.17
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	94,138.16	149,496.84	55,358.68	58.81
Construction-in-progress	6	30,627.03	29,078.58	-1,548.45	-5.06
Intangible assets	7	31,035.08	161,778.28	130,743.20	421.28
In which: land use rights	8	30,867.06	161,028.66	130,161.60	421.68
Other non-current assets	9	18,578.08	18,562.00	-16.08	-0.09
Total assets	10	**212,492.55**	**418,032.02**	**205,539.47**	**96.73**
Current liabilities	11	29,108.92	29,108.92	0.00	0.00
Non-current liabilities	12	1,629.40	407.35	-1,222.05	-75.00
Total liabilities	13	**30,738.32**	**29,516.27**	**-1,222.05**	**-3.98**
Net assets	14	**181,754.23**	**388,515.75**	**206,761.52**	**113.76**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB2,321.3491 million, while the value of the entire shareholders' interests was RMB3,885.1575 million when the asset-based approach is used. The difference was RMB1,563.8084 million, representing a difference rate of 40.25%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation have also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation

Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd. was RMB3,885.1575 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.01470087) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Guodian Zhejiang Beilun No. 1 Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) The title of property ownership hasn't been obtained for 35 houses and buildings owned by the appraised unit and the formalities of change haven't been handled for 60 houses and buildings with the owner registered as Zhejiang Beilun No.1 Power Generation Co., Ltd. (predecessor of the enterprise) in the title of ownership. The enterprise undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd. was RMB3,809.9748 million, the book value of total liabilities was RMB1,581.6704 million and the book value of net assets was RMB2,228.3044 million.

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB6,038.0376 million and the amount of increase was RMB3,809.7332 million, representing an appreciation rate of 170.97%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd. was RMB3,809.9748 million, the appraised value was RMB4,188.1207 million and the amount of increase was RMB378.1459 million, representing an appreciation rate of 9.93%; the book value of total liabilities was RMB1,581.6704 million, the appraised value was RMB1,567.3108 million and the amount of decrease was RMB14.3596 million, representing a depreciation rate of 0.91%; the book value of net assets was RMB2,228.3014 million and the appraised value of net assets was RMB2,620.8099 million and the amount of increase was RMB392.5055 million, representing an appreciation rate of 17.61%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	39,831.40	39,831.40	0.00	0.00
Non-current assets	2	341,166.08	378,980.67	37,814.59	11.08
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	327,050.65	350,669.69	23,619.04	7.22
Construction-in-progress	6	919.69	923.93	4.24	0.46
Intangible assets	7	12,392.52	26,583.83	14,191.31	114.52
In which: land use rights	8	12,174.11	26,336.12	14,162.01	116.33
Other non-current assets	9	803.22	803.22	0.00	0.00
Total assets	10	**380,997.48**	**418,812.07**	**37,814.59**	**9.93**
Current liabilities	11	156,252.42	156,252.42	0.00	0.00
Non-current liabilities	12	1,914.62	478.66	-1,435.96	-75.00
Total liabilities	13	**158,167.04**	**156,731.08**	**-1,435.96**	**-0.91**
Net assets	14	**222,830.44**	**262,080.99**	**39,250.55**	**17.61**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholders' interests was RMB6,038.0376 million, while the value of the entire shareholders' interests was RMB2,620.8099 million when the asset-based approach is used. The difference was RMB3,417.2277 million, representing a difference rate of 130.39%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation have also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation

Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the entire shareholders' interests of Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd. was RMB2,620.8099 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.01470088) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) There were 35 houses and buildings included in the scope of valuation, 23 of which haven't been provided with the title of property ownership. Guodian Zhejiang Beilun No. 3 Power Generation Co., Ltd. undertakes that it possesses the actual ownership of the above properties and there is no dispute on such ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Ningxia Shizuishan Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Ningxia Shizuishan Power Generation Co., Ltd. was RMB2,256.0909 million, the book value of total liabilities was RMB1,134,5334 million, the book value of net assets was RMB1,121.5575 million.

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB2,379.1424 million, the amount of increase was RMB1,257.5849 million, representing an appreciation rate of 112.13%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Ningxia Shizuishan Power Generation Co., Ltd. was RMB2,256.0909 million, the appraised value was RMB3,048.5752 million and the amount of increase was RMB792.4843 million, representing an appreciation rate of 35.13%; the book value of total liabilities was RMB1,134.5334 million, the appraised value was RMB1,134.5334 million and there is no increase or decrease in the valuation; the book value of net assets was RMB1,121.5575 million and the appraised value of net assets was RMB1,914.0418 million and the amount of increase was RMB792.4843 million, representing an appreciation rate of 70.66%.

The results are detailed in the following summary of valuation results:

Summary of Valuation Results

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current Assets	1	52,288.91	52,288.91	0.00	0.00
Non-current Assets	2	173,320.18	252,568.61	79,248.43	45.72
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	167,113.42	237,231.48	70,118.06	41.96
Construction in progress	6	4,919.98	4,928.87	8.89	0.18
Intangible assets	7	1,184.24	10,305.72	9,121.48	770.24
In which: Land use rights	8	0.00	8,970.54	8,970.54	
Other current assets	9	102.54	102.54	0.00	0.00
Total assets	10	**225,609.09**	**304,857.52**	**79,248.43**	**35.13**
Current liabilities	11	90,453.34	90,453.34	0.00	0.00
Non-current liabilities	12	23,000.00	23,000.00	0.00	0.00
Total liabilities	13	**113,453.34**	**113,453.34**	**0.00**	**0.00**
Net assets	14	**112,155.75**	**191,404.18**	**79,248.43**	**70.66**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB2,379.1424 million, while the value of the entire shareholders' equity was RMB1,914.0418 million when the asset-based approach is used. The difference was RMB465.1006 million, representing a difference rate of 24.30%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the entire shareholders' equity of Guodian Ningxia Shizuishan Power Generation Co., Ltd. was RMB1,914.0418 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It is discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No. [2017]01470085) issued by Ruihua Certified Public Accounts (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Guodian Ningxia Shizuishan Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) As of the Valuation Reference Date, the book value of the long term loans of Guodian Ningxia Shizuishan Power Generation Co., Ltd. was RMB230 million, including two loans. In which: ① Guodian Ningxia Shizuishan Power Generation Co., Ltd. borrowed RMB100 million from Guodian Finance Co., Ltd., by pledging 15% of the right to collect electricity charges and any yields and derived rights arising therefrom, with the loan term from 27 October 2015 to 27 October 2018. ② Guodian Ningxia Shizuishan Power Generation Co., Ltd. borrowed RMB130 million from Guodian Finance Co., Ltd., by pledging 10% of the right to collect electricity charges and any yields and derived rights arising therefrom, with the loan term from 17 November 2015 to 17 November 2018. It borrowed RMB150 million from Guodian Finance Co., Ltd., by pledging the derived rights, with the loan term from 27 October 2015 to 27 October 2018.As of the valuation reference date, the book value was RMB130 million.

(III) **3**4 houses and buildings possessed by Guodian Ningxia Shizuishan Power Generation Co., Ltd. are not supported by certificate of house ownership, and Guodian Ningxia Shizuishan Power Generation Co., Ltd. undertakes that such properties are actually owned by it, without any dispute related to such ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Dawukou Thermal Power Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Dawukou Thermal Power Co., Ltd. was RMB2,205.3762 million, the book value of total liabilities was RMB1,790.8279 million, the book value of net assets was RMB414.5483 million.

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB426.0427 million, the amount of increase was RMB11.4944 million, representing an appreciation rate of 2.77%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Dawukou Thermal Power Co., Ltd. was RMB2,205.3762 million, the appraised value was RMB21,64.9718 million and the amount of decrease was RMB -40.4044 million, representing a depreciation rate of 1.83%; the book value of total liabilities was RMB1,790.8279 million, the appraised value was RMB1,787.7373 million and the amount of decrease was RMB3.0906 million, representing a depreciation rate of 0.17%; the book value of net assets was RMB414.5483 million and the appraised value of net assets was RMB377.2345 million and the amount of decrease was RMB -37.3138 million, representing a depreciation rate of 9.00%.

The results are detailed in the following summary of valuation results:

Summary of Valuation Results

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current Assets:	1	24,320.67	24,320.67	0.00	0.00
Non-current Assets	2	196,216.95	192,176.51	-4,040.44	-2.06
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	192,017.56	187,917.78	-4,099.78	-2.14
Construction in progress	6	3,893.09	3,898.29	5.20	0.13
Intangible assets	7	222.13	276.27	54.14	24.37
In which: Land use rights	8	0.00	0.00	0.00	–
Other current assets	9	84.17	84.17	0.00	0.00
Total assets	10	**220,537.62**	**216,497.18**	**-4,040.44**	**-1.83**
Current liabilities	11	73,219.19	73,219.19	0.00	0.00
Non-current liabilities	12	105,863.60	105,554.54	-309.06	-0.29
Total liabilities	13	**179,082.79**	**178,773.73**	**-309.06**	**-0.17**
Net assets	14	**41,454.83**	**37,723.45**	**-3,731.38**	**-9.00**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB426.0427 million, while the value of the entire shareholders' equity was RMB377.2345 million when the asset-based approach is used. The difference was RMB48.8082 million, representing a difference rate of 12.94%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the entire shareholders' equity of Guodian Dawukou Thermal Power Co., Ltd. was RMB377.2345 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No. [2017]01470083) issued by Ruihua Certified Public Accounts (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Guodian Dawukou Thermal Power Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) 54 houses and buildings possessed by Guodian Dawukou Thermal Power Co., Ltd. are based on the land use right leased from GD Power Development Co., Ltd. Dawukou Branch and not supported by any certificate of house ownership, and Guodian Dawukou Thermal Power Co., Ltd. undertakes that such properties are actually owned by it, without any dispute related to such ownership.

(III) In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the In-depth Implementation of the Tax Policy of the Strategic Development of the Western Region (Cai Shui (2011) No. 58) and the Announcement of the State Administration of Taxation on the Enterprise Income Tax of the Strategic Development of the Western Region (Announcement No. 12 of the State Administration of Taxation in 2012), from 1 January 2011 to 31 December 2020, the enterprise income tax of the encouraged enterprises established in the western region is levied on the tax rate of 15%; in the valuation using the income approach, the preferential tax rate of the income tax was considered until 2020, and the income tax rate of 25% was considered since 2021.

(IV) As of the valuation reference date, the book value of short term loans of Guodian Dawukou Thermal Power Co., Ltd., was RMB485.0000 million, including seven loans, in which Guodian Dawukou Thermal Power Co., Ltd. borrowed RMB60 million from Ningxia Hui Autonomous Region Branch, Postal Savings Bank of China, by pledging 100% of the right to collect electricity charges and any yields and derived rights arising therefrom, with the loan term of one year.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd.

(I) Conclusion of valuation

As of the Valuation Reference Date, the book value of total assets of Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd. was RMB799.0237 million, the appraised value was RMB802.0709 million and the amount of increase was RMB3.0472 million, representing an appreciation rate of 0.38%; the book value of total liabilities was RMB598.6063 million, the appraised value was RMB598.6063 million and there was no increase or decrease in the valuation; the book value of net assets was RMB200.4174 million and the appraised value of net assets was RMB203.4646 million and the amount of increase was RMB3.0472 million, representing an appreciation rate of 1.52%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	4,624.73	4,624.73	0.00	0.00
Non-current assets	2	75,277.64	75,582.36	304.72	0.40
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	71.66	148.60	76.94	107.37
Construction-in-progress	6	25,212.80	25,115.29	-97.51	-0.39
Intangible assets	7	2,335.86	2,661.15	325.29	13.93
In which: land use rights	8	2,276.20	2,532.52	256.32	11.26
Other non-current assets	9	47,657.32	47,657.32	0.00	0.00
Total assets	10	**79,902.37**	**80,207.09**	**304.72**	**0.38**
Current liabilities	11	21,766.41	21,766.41	0.00	0.00
Non-current liabilities	12	38,094.22	38,094.22	0.00	0.00
Total liabilities	13	**59,860.63**	**59,860.63**	**0.00**	**0.00**
Net assets	14	**20,041.74**	**20,346.46**	**304.72**	**1.52**

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. The appraised value of the entire shareholders' interests of Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd. was RMB203.4646 million.

This Asset Valuation Report did not take into consideration the impact of liquidity on the value of the valuation target.

(II) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.01470086) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) The details on pledging by the appraised unit on the Valuation Reference date:

1. Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd. signed a financing lease contract (contract number: Guodian Rong Zu [2017]Hui Zi No.0005, for leaseback) with Guodian Finance Lease Co., Ltd. The assets for leaseback included 2 heat recovery boilers and 1 centralized water vapor sampling equipment, with purchase price of RMB50.0610 million and the lease term expiring on 19 March 2023.

2. Guodian Huzhou Nanxun Natural Gas Thermal Power Co., Ltd. signed a financing lease contract (contract number: Guodian Rong Zu [2017] Hui Zi No.0007, for leaseback) with Guodian Finance Lease Co., Ltd. The assets for leaseback included 1# gas turbine power generator, 1# extracting and condensing steam turbine, 1# turbonator and 2# back pressure steam turbine, with purchase price of RMB51.1454 million and the lease term expiring on 19 June 2027.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Shizuishan No.1 Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Guodian Shizuishan No.1 Power Generation Co., Ltd. was RMB1,786.3783 million, the book value of total liabilities was RMB1,384.4036 million, the book value of net assets was RMB401.9747 million.

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB408.7543 million, the amount of increase was RMB6.7796 million, representing an appreciation rate of 1.69%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Guodian Shizuishan No. 1 Power Generation Co., Ltd. was RMB1,786.3783 million, the appraised value was RMB1,653.2879 million and the amount of decrease was RMB133.0904 million, representing a depreciation rate of 7.45%; the book value of total liabilities was RMB1,384.4036 million, the appraised value was RMB1,384.4036 million and there was no increase or decrease in the valuation; the book value of net assets was RMB401.9747 million and the appraised value of net assets was RMB268.8843 million and the amount of decrease was RMB133.0904 million, representing a depreciation rate of 33.11%.

The results are detailed in the following summary of valuation results:

Summary of Valuation Results

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current Assets:	1	20,562.29	20,562.29	0.00	0.00
Non-current Assets	2	158,075.54	144,766.50	-13,309.04	-8.42
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	153,875.09	135,580.75	-18,294.34	-11.89
Construction in progress	6	3,418.45	3,478.85	60.40	1.77
Intangible assets	7	718.40	5,643.31	4,924.91	685.54
In which: Land use rights	8	0.00	4,793.49	4,793.49	–
Other current assets	9	63.60	63.59	-0.01	-0.02
Total assets	10	**178,637.83**	**165,328.79**	**-13,309.04**	**-7.45**
Current liabilities	11	128,465.36	128,465.36	0.00	0.00
Non-current liabilities	12	9,975.00	9,975.00	0.00	0.00
Total liabilities	13	**138,440.36**	**138,440.36**	**0.00**	**0.00**
Net assets	14	**40,197.47**	**26,888.43**	**-13,309.04**	**-33.11**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB408.7543 million, while the value of the entire shareholders' equity was RMB268.8843 million when the asset-based approach is used. The difference was RMB139.8700 million, representing a difference rate of 52.02%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors

led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the entire shareholders' equity of Guodian Shizuishan No.1 Power Generation Co., Ltd. was RMB268.8843 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No.[2017]01470084) issued by Ruihua Certified Public Accounts (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Guodian Shizuishan No. 1 Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the In-depth Implementation of the Tax Policy of the Strategic Development of the Western Region (Cai Shui (2011) No. 58) and the Announcement of the State Administration of Taxation on the Enterprise Income Tax of the Strategic Development of the Western Region (Announcement No. 12 of the State Administration of Taxation in 2012), from 1 January 2011 to 31 December 2020, the enterprise income tax of the encouraged enterprises established in the western region is levied on the tax rate of 15%; in the valuation using the income approach, the preferential tax rate of the income tax was considered until 2020, and the income tax rate of 25% was considered since 2021.

(III) In this valuation, 12 items of land use right are supported by the certificates with China Guodian Corporation Shizuishan Power Plant the land use right holder. The ownership changes are not registered, Guodian Shizuishan No. 1 Power Generation Co., Ltd. has given a full account of ownership information, and undertakes that the land use right is owned by it, without any dispute related to such ownership; 55 houses and buildings possessed by Guodian Shizuishan No. 1 Power Generation Co., Ltd. are not supported by certificate of house ownership, and Guodian Shizuishan No. 1 Power Generation Co., Ltd. undertakes that such properties are actually owned by it, without any dispute related to such ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

GD Power Jiuquan Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of GD Power Jiuquan Power Generation Co., Ltd. was RMB2,705.9883 million, the book value of total liabilities was RMB2,230.3497 million, the book value of net assets was RMB475.6386 million.

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB502.1985 million, the amount of increase was RMB26.5599 million, representing an appreciation rate of 5.58%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of GD Power Jiuquan Power Generation Co., Ltd. was RMB2,705.9883 million, the appraised value was RMB2,619.7943 million and the amount of decrease was RMB86.1940 million, representing a depreciation rate of 3.19%; the book value of total liabilities was RMB2,230.3497 million, the appraised value was RMB2,218.4205 million and the amount of decrease was RMB11.9292 million, representing a depreciation rate of 0.53%; the book value of net assets was RMB475.6386 million and the appraised value of net assets was RMB401.3738 million and the amount of decrease was RMB74.2648 million, representing a depreciation rate of 15.61%.

The results are detailed in the following summary of valuation results:

Valuation result using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current Assets:	1	41,420.97	41,420.97	0.00	0.00
Non-current Assets	2	229,177.86	220,558.46	-8,619.40	-3.76
In which: Long-term equity investment	3	361.06	346.80	-14.26	-3.95
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	190,940.70	189,748.21	-1,192.49	-0.62
Construction in progress	6	36,920.44	22,495.43	-14,425.01	-39.07
Intangible assets	7	684.64	7,697.01	7,012.37	1,024.24
In which: Intangible assets-land use right	8	604.13	7,611.84	7,007.71	1,159.97
Other current assets	9	271.02	271.01	-0.01	0.00
Total assets	10	**270,598.83**	**261,979.43**	**-8,619.40**	**-3.19**
Current liabilities	11	133,085.54	133,085.54	0.00	0.00
Non-current liabilities	12	89,949.43	88,756.51	-1,192.92	-1.33
Total liabilities	13	**223,034.97**	**221,842.05**	**-1,192.92**	**-0.53**
Net assets	14	**47,563.86**	**40,137.38**	**-7,426.48**	**-15.61**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB502.1985 million, while the value of the entire shareholders' equity was RMB401.3738 million when the asset-based approach is used. The difference was RMB100.8247 million, representing a difference rate of 25.12%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors

led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the entire shareholders' equity of GD Power Jiuquan Power Generation Co., Ltd. was RMB401.3738 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No.[2017]01470095) issued by Ruihua Certified Public Accounts (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of GD Power Jiuquan Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) As of the Valuation Reference Date, the houses and buildings in this valuation are not supported by any certificate of house ownership, and GD Power Jiuquan Power Generation Co., Ltd. undertakes that such properties are owned by it, without any dispute related to such ownership. Two items of land use right are supported by the certificates of land use right with the certificate number at Jiu Guo Yong No. (2008)0133 and Jiu Guo Yong No. (2008)0132, and its predecessor as the right holder, GD Power Jiuquan Power Generation Co., Ltd. has provided the ownership certificates including the assignment contracts, and undertakes that such assets are owned by it, without any dispute related to such ownership.

(III) In accordance with the Notice of the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation on the In-depth Implementation of the Tax Policy of the Strategic Development of the Western Region (Cai Shui (2011) No. 58) and the Announcement of the State Administration of Taxation on the Enterprise Income Tax of the Strategic Development of the Western Region (Announcement No. 12 of the State Administration of Taxation in 2012), from 1 January 2011 to 31 December 2020, the enterprise income tax of the encouraged enterprises established in the western region is levied on the tax rate of 15%; in the valuation using the income approach, the preferential tax rate of the income tax was considered until 2020, and the income tax rate of 25% was considered since 2021.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Shanghai Waigaoqiao No.2 Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Shanghai Waigaoqiao No.2 Power Generation Co., Ltd. was RMB4,880.4943 million, the book value of total liabilities was RMB788.0660 million, the book value of net assets was RMB4,092.4283 million.

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB5,571.6141 million, the amount of increase was RMB1,479.1858 million, representing an appreciation rate of 36.14%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Shanghai Waigaoqiao No. 2 Power Generation Co., Ltd. was RMB4,880.4943 million, the appraised value was RMB5,045.7846 million and the amount of increase was RMB165.2903 million, representing a depreciation rate of 3.39%; the book value of total liabilities was RMB788.0660 million, the appraised value was RMB716.1421 million and the amount of decrease was RMB71.9238 million, representing a depreciation rate of 9.13%; the book value of net assets was RMB4,092.4283 million and the appraised value of net assets was RMB4,329.6425 million and the amount of decrease was RMB237.2142 million, representing a depreciation rate of 5.80%.

The valuation results using asset-based approach are detailed in the following summary of valuation results:

Valuation result using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current Assets:	1	173,410.72	173,410.72	0.00	0.00
Non-current Assets	2	314,638.71	331,167.74	16,529.03	5.25
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	286,803.40	302,096.80	15,293.40	5.33
Construction in progress	6	25,308.45	26,544.08	1,235.64	4.88
Intangible assets	7	0.00	0.00	0.00	–
In which: Intangible assets-land use right	8	0.00	0.00	0.00	–
Other current assets	9	2,526.86	2,526.86	0.00	0.00
Total assets	10	**488,049.43**	**504,578.46**	**16,529.03**	**3.39**
Current liabilities	11	70,557.11	69,551.84	-1,005.27	-1.42
Non-current liabilities	12	8,249.49	2,062.37	-6,187.12	-75.00
Total liabilities	13	**78,806.60**	**71,614.21**	**-7,192.38**	**-9.13**
Net assets	14	**409,242.83**	**432,964.25**	**23,721.42**	**5.80**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB5,571.6141 million, while the value of the entire shareholders' equity was RMB4,329.6425 million when the asset-based approach is used. The difference was RMB1,241.9716 million, representing a difference rate of 28.69%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation

enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the entire shareholders' equity of Shanghai Waigaoqiao No. 2 Power Generation Co., Ltd. was RMB4,329.6425 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No. [2017]21060014) issued by Ruihua Certified Public Accounts (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Shanghai Waigaoqiao No. 2 Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) For the historic reasons, as of the Valuation Reference Date, the land occupied practically by Shanghai Waigaoqiao No. 2 Power Generation Co., Ltd., is not supported by any certificate for the use of state-owned land, or any registration of changes in titles. The registration of relevant certificates are in process.

(III) As the certificate for the use of state-owned land is not obtained, the ground houses and buildings are also not supported by any certificate of house ownership, the related formalities are ongoing; Shanghai Waigaoqiao No. 2 Power Generation Co., Ltd., has provided the construction contracts, construction drawings and other ownership certificates, and undertakes that such properties are actually owned by it, without any dispute related to such ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Guodian Zheneng Ningdong Power Generation Co., Ltd.

(I) Conclusion of valuation

As of the Valuation Reference Date, the book value of total assets of Guodian Zheneng Ningdong Power Generation Co., Ltd. was RMB4,001.4493 million, the appraised value was RMB4,072.8440 million and the amount of increase was RMB71.3947 million, representing an appreciation rate of 1.78%; the book value of total liabilities was RMB3,165.4493 million, the appraised value was RMB3,165.4493 million and there was no increase or decrease in the valuation; the book value of net assets was RMB836.0000 million and the appraised value of net assets was RMB907.3947 million and the amount of increase was RMB71.3947 million, representing an appreciation rate of 8.54%.The Summary of Valuation Results is set out below:

Summary of Valuation Results

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item	Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current Assets:	1,361.44	1,361.44	0.00	0.00
Non-current Assets	398,783.49	405,922.96	7,139.47	1.79
In which: Long-term equity investment	0.00	0.00	0.00	–
Investment properties	0.00	0.00	0.00	–
Fixed assets	2,975.38	380.42	-2,594.96	-87.21
Construction in progress	239,056.26	243,908.66	4,852.40	2.03
Intangible assets	145.77	5,027.80	4,882.03	3,349.13
In which: Land use rights	0.00	4,880.73	4,880.73	–
Other current assets	156,606.08	156,606.08	0.00	0.00
Total assets	**400,144.93**	**407,284.40**	**7,139.47**	**1.78**
Current liabilities	62,344.93	62,344.93	0.00	0.00
Non-current liabilities	254,200.00	254,200.00	0.00	0.00
Total liabilities	**316,544.93**	**316,544.93**	**0.00**	**0.00**
Net assets	**83,600.00**	**90,739.47**	**7,139.47**	**8.54**

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the entire shareholders' equity of Guodian Zheneng Ningdong Power Generation Co., Ltd. was RMB907.3947 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(II) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No.[2017]01470082) issued by Ruihua Certified Public Accounts (Special General Partnership) on 18 September 2017. The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Guodian Zheneng Ningdong Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) As of the Valuation Reference Date, the book value of long term loans of Guodian Zheneng Ningdong Power Generation Co., Ltd. was RMB2.542 billion, in which, Guodian Zheneng Ningdong Power Generation Co., Ltd. borrowed RMB2.092 billion from Ningxia Branch, Bank of China, by pledging the right to collect electricity charges, with the loan term of 180 months.

(III) Ownership defects

Part (5) of the houses and buildings in this valuation are not supported by certificate of ownership, with a total construction area of 12,899.70 square meters, and Guodian Zheneng Ningdong Power Generation Co., Ltd. undertakes that such properties are owned by it, without any dispute related to such ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Zhejiang Zheneng Beilun Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Zhejiang Zheneng Beilun Power Generation Co., Ltd. was RMB3,795.0881 million, the book value of total liabilities was RMB381.0476 million, the book value of net assets was RMB3,414.0405 million.

Based on the valuation using the income approach, the value of the entire shareholder's equity is RMB5,210.8605 million, the amount of increase was RMB1,796.8200 million, representing an appreciation rate of 52.63%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Zhejiang Zheneng Beilun Power Generation Co., Ltd. was RMB3,795.0881 million, the appraised value was RMB5,545.4952 million and the amount of increase was RMB1,750.4071 million, representing an appreciation rate of 46.12%; the book value of total liabilities was RMB381.0476 million, the appraised value was RMB327.3350 million and the amount of decrease was RMB53.7126 million, representing a depreciation rate of 14.10%; the book value of net assets was RMB3,414.0405 million and the appraised value of net assets was RMB5,218.1602 million and the amount of decrease was RMB1,804.1197 million, representing a depreciation rate of 52.84%.

The valuation results using asset-based approach are detailed in the following summary of valuation results:

Valuation result using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current Assets:	1	230,942.00	230,942.00	0.00	0.00
Non-current Assets	2	148,566.81	323,607.52	175,040.71	117.82
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	716.62	2,451.64	1,735.02	242.11
Fixed assets	5	126,701.34	270,351.62	143,650.28	113.38
Construction in progress	6	1,086.80	1,061.28	-25.52	-2.35
Intangible assets	7	10,307.06	35,485.71	25,178.65	244.29
In which: Land use rights	8	9,991.69	34,791.92	24,800.23	248.21
Other current assets	9	9,754.99	14,257.27	4,502.28	46.15
Total assets	10	**379,508.81**	**554,549.52**	**175,040.71**	**46.12**
Current liabilities	11	30,943.08	30,943.08	0.00	0.00
Non-current liabilities	12	7,161.68	1,790.42	-5,371.26	-75.00
Total liabilities	13	**38,104.76**	**32,733.50**	**-5,371.26**	**-14.10**
Net assets	14	**341,404.05**	**521,816.02**	**180,411.97**	**52.84**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB5,210.8605 million, while the value of the entire shareholders' equity was RMB5,218.1602 million when the asset-based approach is used. The difference was RMB7.2997 million, representing a difference rate of 0.14%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation

Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the entire shareholders' equity of Zhejiang Zheneng Beilun Power Generation Co., Ltd. was RMB5,218.1602 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No.[2017]01470089) issued by Ruihua Certified Public Accounts (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Zhejiang Zheneng Beilun Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) 34 houses and buildings possessed by Zhejiang Zheneng Beilun Power Generation Co., Ltd. are not supported by any certificate of house ownership. The underground parking spaces (B1-82, 83, 84 and 85) are supported by the use right certificate with its predecessor, Zhejiang Beilun Power Generation Co., Ltd. as the right holder, and Zhejiang Energy Beilun Power Generation Co., Ltd. undertakes that such properties are actually owned by it, without any dispute related to such ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

Zhejiang Zheneng Yueqing Power Generation Co., Ltd.

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of Zhejiang Zheneng Yueqing Power Generation Co., Ltd. was RMB6,757.2526 million, the book value of total liabilities was RMB4,435.9992 million, the book value of net assets was RMB2,321.2534 million.

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB2,565.1655 million, the amount of increase was RMB240.9497 million, representing an appreciation rate of 10.51%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of Zhejiang Zheneng Yueqing Power Generation Co., Ltd. was RMB6,757.2526 million, the appraised value was RMB8,214.7868 million and the amount of increase was RMB1,457.5342 million, representing an appreciation rate of 21.57%; the book value of total liabilities was RMB4,435.9992 million, the appraised value was RMB4,420.4505 million and the amount of decrease was RMB15.5487 million, representing a depreciation rate of 0.35%; the book value of net assets was RMB2,321.2534 million, the appraised value was RMB3794.3363 million and and the appraised increase was RMB1,473.0829 million, representing an appreciation rate of 63.46%.

The valuation results using asset-based approach are detailed in the following summary of valuation results:

Valuation result using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current Assets:	1	100,833.53	100,833.53	0.00	0.00
Non-current Assets	2	574,891.73	720,639.88	145,753.42	25.35
In which: Long-term equity investment	3	507.00	507.00	0.00	0.00
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	543,446.20	620,396.03	76,949.83	14.16
Construction in progress	6	4,203.89	3,867.95	-335.94	-7.99
Intangible assets	7	25,196.59	94,384.10	69,187.51	274.59
In which: Land use rights	8	24,695.40	91,893.56	67,198.16	272.11
Other current assets	9	1,538.05	1,490.07	-47.98	-3.12
Total assets	10	**675,725.26**	**821,478.68**	**145,753.42**	**21.57**
Current liabilities	11	174,396.33	174,396.33	0.00	0.00
Non-current liabilities	12	269,203.59	267,648.72	-1,554.87	-0.58
Total liabilities	13	**443,599.92**	**442,045.05**	**-1,554.87**	**-0.35**
Net assets	14	**232,125.34**	**379,433.63**	**147,308.29**	**63.46**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the entire shareholder's equity was RMB2,565.1655 million, while the value of the entire shareholders' equity was RMB3,794.3363 million when the asset-based approach is used. The difference was RMB1,229.1708 million, representing a difference rate of 32.39%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation

Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the entire shareholders' equity of Zhejiang Zheneng Yueqing Power Generation Co., Ltd. was RMB3,794.3363 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No.[2017]21060013) issued by Ruihua Certified Public Accounts (Special General Partnership). The opinions set out in the auditor's report are as follows: the financial statements were prepared in accordance with the Accounting Standards for Business Enterprises in all material aspects. It expressed a fair view of the financial condition of Zhejiang Zheneng Yueqing Power Generation Co., Ltd. as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the operating results and cash flows for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) House Ownership

9 houses and buildings possessed by Zhejiang Zheneng Yueqing Power Generation Co., Ltd. are not supported by certificate of house ownership, and Zhejiang Zheneng Yueqing Power Generation Co., Ltd. undertakes that such properties are actually owned by it, without any dispute related to such ownership.

(III) Maritime right of use

Zhejiang Zheneng Yueqing Power Generation Co., Ltd. owns the maritime right of use with the Certificate National Sea Use Right at NO. 063300135, part of the area has been supported by the certificate of land use right, part of the area has not yet been measured. Its primary statistics showed that the divisible area is 223,987.38 square meters which has been deducted when appraising the maritime right of use with the Certificate National Sea Use Right at NO. 063300135.

(IX) Vehicle ownership

One vehicle possessed by Zhejiang Zheneng Yueqing Power Generation Co., Ltd. is supported by the certificate with the Preparatory Office of Zhejiang Yueqing Power Plant as the right holder, and Zhejiang Zheneng Yueqing Power Generation Co., Ltd. undertakes that such vehicle is actually owned by it, without any dispute related to such ownership.

(V) Financing lease and guarantee

1. Zhejiang Zheneng Yueqing Power Generation Co., Ltd. signed the Fixed Assets Loan Contract and the Electricity Income Pledge Contract with Yueqing Branch, Industry and Commerce Bank of China on 6 February 2007, and was granted with a long term credit line at RMB2,800 million, by pledging the electricity income right after the project is completed.

2. Zhejiang Zheneng Yueqing Power Generation Co., Ltd. signed the Fixed Assets Loan Contract and the Electricity Income Pledge Contract with Zhejiang Branch, China Development Bank Corporation on 13 March 2007, and was granted with a long term credit loan at RMB1,500 million, by pledging the electricity income right after the project is completed.

3. Zhejiang Zheneng Yueqing Power Generation Co., Ltd. signed the Fixed Assets Loan Contract and the Electricity Income Pledge Contract with Yueqing Branch, Bank of China on 15 May 2008, and was granted with a long term credit loan at RMB750 million, by pledging the electricity income right after the project is completed.

4. Zhejiang Zheneng Yueqing Power Generation Co., Ltd. signed the Fixed Assets Loan Contract and the Electricity Income Pledge Contract with Zhejiang Energy Group Finance Co., Ltd. on 24 February 2007, and was granted with a long term credit loan at RMB850 million, by pledging the electricity income right after the project is completed.

5. Zhejiang Zheneng Yueqing Power Generation Co., Ltd. signed the Financing Lease Contract (Leaseback) (Contract No.: PNLQ2016001) with Shanghai Puneng Financing Lease Co., Ltd. in January 2016, with the purchase price at RMB547.9842 million, and the lease term from February 2016 to February 2019.

6. Zhejiang Zheneng Yueqing Power Generation Co., Ltd. signed the Financing Lease Contract (Leaseback) (Contract No.: SYZ20160321002) with Sanyi Financing Lease Co., Ltd. in January 2016, with the purchase price of fixed assets at RMB705.9964 million, and the lease term from June 2016 to March 2021.

(VI) Subsequent events

On 17 July 2017, Yueqing Power Plant registered the following change with the Administration of Industry and Commerce: China Guodian Corporation transferred 23% of Zhejiang Zheneng Yueqing Power Generation Co., Ltd. to Guodian Power Development Co., Ltd.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

GD Power Development Co., Ltd. Datong No. 2 Power Plant

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of GD Power Development Co., Ltd. Datong No. 2 Power Plant was RMB1,134.6114 million, the book value of total liabilities was RMB361.9038 million and the book value of net assets was RMB772.7076 million.

Based on the valuation using the income approach, the value of the asset unit was RMB950.827 million and the amount of increase was RMB178.1194 million, representing an appreciation rate of 23.05%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of GD Power Development Co., Ltd. Datong No. 2 Power Plant was RMB1,134.6114 million, the appraised value was RMB2,844.557 million and the amount of increase was RMB1,709.9456 million, representing an appreciation rate of 150.71%; the book value of total liabilities was RMB361.9038 million, the appraised value was RMB350.7857 million and the amount of decrease was RMB11.1181 million, representing a depreciation rate of 3.07%; the book value of net assets was RMB772.7076 million and the appraised value of net assets was RMB2,493.7713 million and the amount of increase was RMB1,721.0637 million, representing an appreciation rate of 222.73%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	25,495.98	25,495.98	0.00	0.00
Non-current assets	2	87,965.16	258,959.72	170,994.56	194.39
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	87,193.67	178,162.36	90,968.69	104.33
Construction-in-progress	6	593.92	593.92	0.00	0.00
Intangible assets	7	96.27	79,454.36	79,358.09	82,432.83
In which: land use rights	8	0.00	79,353.57	79,353.57	–
Other non-current assets	9	81.30	749.08	667.78	821.38
Total assets	10	**113,461.14**	**284,455.70**	**170,994.56**	**150.71**
Current liabilities	11	33,378.48	33,378.48	0.00	0.00
Non-current liabilities	12	2,811.90	1,700.09	-1,111.81	-39.54
Total liabilities	13	**36,190.38**	**35,078.57**	**-1,111.81**	**-3.07**
Net assets (asset unit)	14	**77,270.76**	**249,377.13**	**172,106.37**	**222.73**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the asset unit was RMB950.8270 million, while the value of the asset unit was RMB2,493.7713 million when the asset-based approach is used. The difference was RMB1,542.9443 million, representing a difference rate of 162.27%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation have also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation

Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the asset unit of GD Power Development Co., Ltd. Datong No. 2 Power Plant was RMB2,493.7713 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.21040009) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the simulation financial statements were prepared in accordance with the preparation basis disclosed in the Notes II to the simulation financial statements in all material aspects. It expressed a fair view of the simulation financial condition of GD Power Development Co., Ltd. Datong No. 2 Power Plant as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the simulation operating results for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) As of 30 June 2017, the Valuation Reference Date, for GD Power Development Co., Ltd. Datong No. 2 Power Plant, there were 11 properties for which the title of house ownership hasn't been handled or has been in the process of handling within the scope of declaration for valuation. The enterprise undertakes that it owns the above properties and there is no disputes on such ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant

(I) Valuation result using the income approach

As of the Valuation Reference Date, the book value of total assets of GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant was RMB4,595.8409 million, the book value of total liabilities was RMB251.6714 million and the book value of net assets (asset unit) was RMB4,344.1695 million.

Based on the valuation using the income approach, the value of the asset unit was RMB4,367.0381 million and the amount of increase was RMB22.8686 million, representing an appreciation rate of 0.53%.

(II) Valuation result using the asset-based approach

As of the Valuation Reference Date, the book value of total assets of GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant was RMB4,595.8409 million, the appraised value was RMB4,228.7951 million and the amount of decrease was RMB367.0458 million, representing an depreciation rate of 7.99%; the book value of total liabilities was RMB251.6714 million, the appraised value was RMB157.4064 million and the amount of decrease was RMB94.2650 million, representing a depreciation rate of 37.46%; the book value of net assets (asset unit) was RMB4,344.1695 million and the appraised value of net assets (asset unit) was RMB4,071.3887 million and the amount of decrease was RMB272.7808 million, representing an appreciation rate of 6.28%.

The results of the asset valuation using the asset-based approach are detailed in the following summary of valuation results:

Summary of valuation results using the asset-based approach

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised value B	Increase or decrease C=B-A	Appreciation rate % D=C/A×100%
Current assets	1	183,478.86	183,478.86	0.00	0.00
Non-current assets	2	276,105.23	239,400.65	-36,704.58	-13.29
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	257,411.09	220,269.45	-37,141.64	-14.43
Construction-in-progress	6	2,526.54	2,569.50	42.96	1.70
Intangible assets	7	12,679.99	16,007.88	3,327.89	26.25
In which: land use rights	8	12,347.81	15,627.63	3,279.82	26.56
Other non-current assets	9	3,487.61	553.82	-2,933.79	-84.12
Total assets	10	**459,584.09**	**422,879.51**	**-36,704.58**	**-7.99**
Current liabilities	11	12,598.48	12,598.48	0.00	0.00
Non-current liabilities	12	12,568.66	3,142.16	-9,426.50	-75.00
Total liabilities	13	**25,167.14**	**15,740.64**	**-9,426.50**	**-37.46**
Net assets	14	**434,416.95**	**407,138.87**	**-27,278.08**	**-6.28**

(III) Conclusion of valuation

Based on the valuation using the income approach, the value of the asset unit was RMB4,367.0381 million, while the value of the asset unit was RMB4,071.3887 million when the asset-based approach is used. The difference was RMB295.6494 million, representing a difference rate of 7.26%.

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation have also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation, that is to say, the appraised value of the asset unit of GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant was RMB4,071.3887 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(IV) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi [2017] No.21030001) issued by Ruihua Certified Public Accountants (Special General Partnership). The opinions set out in the auditor's report are as follows: the simulation financial statements were prepared in accordance with the preparation basis disclosed in the Notes II to the simulation financial statements in all material aspects. It expressed a fair view of the simulation financial condition of GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the simulation operating results for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) Ownership defects

1. Owned by the appraised unit, there were 50 houses and buildings for which the title of ownership hasn't been handled. The enterprise undertakes that it possesses actual ownership of the above properties and there is no dispute on such ownership.

2. 37 vehicles were included in the scope of valuation and some were used in the plant area, for which the motor vehicle driving permit hasn't been obtained. The right holder of 2 vehicles was GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant and the formalities of change haven't been handled. The enterprise undertakes that it possesses actual ownership of above vehicles and there is no dispute on such ownership.

(III) Lawsuits

GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant and Dalian Economic and Technological Development Zone Thermal Power Co., Ltd. now reached a consensus through negotiations that the dispute on high-temperature water trading settlement for the period from 1 November 2011 to 5 April 2012 and the period from 1 November 2012 to 17 March 2013 (amount in dispute totaled RMB4,376,425.60) should be submitted to Dalian Arbitration Committee for arbitration. The court session was opened in June 2016. Due to its complexity, the case is still under trail up to now and Dalian Arbitration Committee hasn't issued the arbitration result yet. As the Claimant, GD Power Development Co., Ltd. Dalian Development Zone Thermal Power Plant should make advance payment of the arbitration fee for this case (the amount of such fee totaled RMB35,867.00) and after arbitration award, the losing party should pay the arbitration fee finally based on the award of arbitration.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

GD Power Development Co., Ltd. Dawukou Branch

(I) Conclusion of valuation

As of the Valuation Reference Date, the book value of total assets of GD Power Development Co., Ltd. Dawukou Branch was RMB176.2723 million, the appraised value was RMB270.9226 million and the amount of increase was RMB94.6503 million, representing an appreciation rate of 53.70%; the book value of total liabilities was RMB181.3707 million, the appraised value was RMB181.3707 million and there was no increase or decrease in the valuation; the book value of net assets was RMB -5.0984 million and the appraised value of net assets was RMB89.5519 million and the amount of increase was RMB94.6503 million, representing an appreciation rate of 1,856.47%.

The results are detailed in the following summary of valuation results:

Summary of Valuation Results

Valuation Reference Date: June 30, 2017 *Unit: RMB0'000*

Item		Book value A	Appraised Value B	Increase or Decrease C=B-A	Appreciation (%) D=C/A×100%
Current assets:	1	11,341.82	11,341.82	0.00	0.00
Non-current assets	2	6,285.41	15,750.44	9,465.03	150.59
In which: Long-term equity investment	3	0.00	0.00	0.00	–
Investment properties	4	0.00	0.00	0.00	–
Fixed assets	5	3,597.41	4,852.86	1,255.45	34.90
Construction-in-progress	6	0.00	0.00	0.00	–
Intangible assets	7	2,688.00	10,897.58	8,209.58	305.42
In which: Land use rights	8	2,688.00	10,897.58	8,209.58	305.42
Other current assets	9	0.00	0.00	0.00	–
Total assets	10	**17,627.23**	**27,092.26**	**9,465.03**	**53.70**
Current liabilities	11	18,137.07	18,137.07	0.00	0.00
Non-current liabilities	12	0.00	0.00	0.00	–
Total liabilities	13	**18,137.07**	**18,137.07**	**0.00**	**0.00**
Net assets (asset group)	14	**-509.84**	**8,955.19**	**9,465.03**	**1,856.47**

At present, the market price of electricity is still governed by the state, while thermal coal price has been completely market-oriented. In recent years, the market price of coal has recorded relatively significant fluctuations and the coal-electricity price linkage policy has not been comprehensively implemented in a timely manner. In the meantime, the utilization hours for power generation has also been fluctuating in recent years. All the above factors led to the difficulties in accurately reflecting the enterprise value of the power generation enterprise in the short term based on the income approach. Therefore, this Asset Valuation Report adopted the valuation results derived by using the asset-based approach as the final conclusion of valuation. That is to say, the appraised value of the asset group of GD Power Development Co., Ltd. Dawukou Branch was RMB8,955.19 million.

This Asset Valuation Report did not take into consideration the possible premium or discount resulting from the possession or lack of right of control nor the impact of liquidity on the value of the valuation target.

(II) Special notes

It was discovered in the course of valuation that the following matters may affect the conclusion of valuation but they are matters which are beyond the standards of valuation practice and professional competence of the appraisers to evaluate and estimate:

(I) The type and book value of the assets mentioned in this Asset Valuation Report are based on the unqualified auditor's report (Ruihua Zhuan Shen Zi No. [2017]01470090) issued by Ruihua Certified Public Accounts (Special General Partnership). The opinions set out in the auditor's report are as follows: the stimulated financial statements were prepared on the basis of disclosure in Explanatory Note 2 to the stimulated financial statements in all material aspects. It expressed a fair view of the stimulated financial condition of GD Power Development Co., Ltd. Dawukou Branch as at 31 December 2014, 31 December 2015, 31 December 2016 and 30 June 2017 and the stimulated operating results for 2014, 2015, 2016 and the six months ended 30 June 2017.

(II) the land use rights to 162 parcels of land possessed by GD Power Development Co., Ltd. Dawukou Branch are supported by the certificates with China Guodian Corporation Dawukou Power Plant (the predecessor of GD Power Development Co., Ltd. Dawukou Branch) as the holder of the land use rights, and the changes in ownership are not registered. GD Power Development Co., Ltd. Dawukou Branch has given a full account of ownership information, and undertakes that the land use right is owned by it, without any dispute related to such ownership; 19 houses and buildings possessed by GD Power Development Co., Ltd. Dawukou Branch are not supported by certificate of house ownership, and GD Power Development Co., Ltd. Dawukou Branch undertakes that such properties are actually owned by it, without any dispute related to such ownership.

Users of the Asset Valuation Report should be aware of the impact of the above special notes on the conclusion of valuation.

VI. RESTRICTIONS ON THE USE OF THE ASSET VALUATION REPORT

(1) This Asset Valuation Report can only be used for the objectives and purposes as stated in the Asset Valuation Report, and can only be used by the users as stated in the Asset Valuation Report;

(2) The asset appraisal institution and its professional appraisers will not assume any responsibilities arising from the failure of the clients or other users to use the Asset Valuation Report in accordance with the laws, administrative rules and regulations and the scope of use as set out in the Asset Valuation Report;

(3) Except for the clients, other users of the Asset Valuation Report as agreed in the entrustment contract on asset valuation and users of the Asset Valuation Report as set out under the laws and administrative rules and regulations, no other institutions and individuals can be the users of the Asset Valuation Report;

(4) Users of the Asset Valuation Report shall correctly acknowledge the conclusion of valuation, which should not be viewed as the realizable value of the valuation target; nor should it be deemed to be a guarantee for the realizable value of the valuation target;

(5) This Asset Valuation Report is filed with state-owned assets supervision and administration institutions and state-funded enterprises, and may be used officially only after being signed by asset appraisers and stamped by the relevant appraisal institution;

(6) The conclusion of valuation as stated in this Asset Valuation Report is only valid in relation to the economic behavior described in the Asset Valuation Report, and is valid for one year from the Benchmark Date.

VII. DATE OF THE ASSET VALUATION REPORT

The date of issuance of the Asset Valuation Report is 31 December 2017.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the issuer. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this document is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this document misleading.

2. DIRECTORS' INTERESTS IN SHARES

As at the Latest Practicable Date:

2.1 none of the Directors, chief executive, supervisors or their respective associates had any interests or short positions in the shares, underlying shares or debentures of the Company or any associated corporation (within the meaning of Part XV of the SFO) which were (i) required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; (ii) required pursuant to section 352 of the SFO to be entered in the register referred to therein; or (iii) required pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange;

2.2 none of the Directors, supervisors, proposed Directors or proposed supervisors of the Company has any direct or indirect interest in any assets which have since 31 December 2016 (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

No.	Name of shareholders	Capacity	H share/ domestic share	Nature of interest	Number of H shares/domestic shares held	Percentage of H shares/domestic shares over total issued H shares/ domestic shares respectively %	Percentage of total issued share capital of the Company %
1	CHNENERGY	Beneficial owner	Domestic shares	N/A	14,530,574,452	88.11	73.06
2	BlackRock, Inc.	Interest of corporation controlled by the substantial shareholders	H shares	Long position	236,432,360	6.96	1.19
				Short position	94,500	0.00	0.00

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
Platinum Securities Company Limited	A corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities as defined under the SFO, the independent financial adviser to the Independent Board Committee and the Independent Shareholders
Beijing China Enterprise Appraisals Co., Ltd.	A PRC appraisal institution engaged in and qualified for the securities and futures business
KPMG Huazhen Certified Public Accountants	PRC certified public accountants
Ruihua Certified Public Accountants	PRC certified public accountants

4.2 As at the Latest Practicable Date, none of the above professional advisers has shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

4.3 Each of the above professional advisers 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, none of the above professional advisers has 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 2016, 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 2016 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

7. PROCEDURES FOR DEMANDING A POLL BY SHAREHOLDERS

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

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

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

8. DIRECTORS' INTERESTS

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

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

Directors	Name of company	Position held	Commencement of term of office
Ling Wen	CHNENERGY	Vice Secretary of the Leading Party Members, Director, General Manager	2017-11
Han Jianguo	CHNENERGY	Vice Secretary of the Leading Party Members	2017-11
Li Dong	CHNENERGY	Member of the Leading Party Members, Deputy General Manager	2017-11
Zhao Jibin	CHNENERGY	External Director	2017-11

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

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

9. DOCUMENTS AVAILABLE FOR INSPECTION

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

9.1 Joint Venture Agreement;

9.2 Existing Coal Supply Agreement;

9.3 Existing Mutual Supplies and Services Agreement;

9.4 Existing Financial Services Agreement;

9.5 Existing Non-Competition Agreement;

9.6 Supplemental Agreement to the Existing Non-Competition Agreement;

9.7 Articles of Association;

9.8 the letter from the Independent Board Committee as set out in this circular;

9.9 the letter from the Independent Financial Adviser, the text of which is set out in this circular;

9.10 the written consents of the experts referred to in 4.1 of this Appendix; and

9.11 the service contracts entered into by and between the Company and Directors.