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中国神华能源股份有限公司

CHINA SHENHUA ENERGY COMPANY LIMITED

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

(Stock Code: 01088)

CONNECTED TRANSACTIONS

ACQUISITION OF BAOTOU COMPANY AND JIUJIANG POWER

Joint Financial Advisers to the Company



ACQUISITION OF BAOTOU COMPANY AND JIUJIANG POWER

The Board announces that on 23 December 2013, the Company entered into the Baotou Company Equity Transfer Agreement with Shenhua Group Co, pursuant to which the Company has agreed to acquire from Shenhua Group Co 100% equity interest in Baotou Company for a consideration of RMB9,272.7370 million. The consideration was determined on arm's length terms between the parties.

The Board also announces that on the same day, the Company entered into the Jiujiang Power Equity Transfer Agreement with Guohua Power, a wholly-owned subsidiary of Shenhua Group Co, pursuant to which the Company has agreed to acquire from Guohua Power 100% equity interest in Jiujiang Power for a consideration of RMB50.0834 million. The consideration was determined on arm's length terms between the parties.

The aggregated consideration to be paid by the Company under the Equity Transfer Agreements amounts to RMB9,322.8204 million. The consideration will be satisfied by the Company with proceeds from the initial public offering of A shares, and internal financial resources of the Company in case of any deficiency.

Shenhua Group Co holds 73.01% interest in the Company, and is the controlling shareholder of the Company. Shenhua Group Co also holds 100% interest in Guohua Power. As such, Shenhua Group Co and its associates (including Guohua Power) are connected persons of the Company under the Hong Kong Listing Rules, and the Acquisitions constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the Acquisitions (on an aggregated basis) exceeds 0.1% but all such percentage ratios are less than 5%, the Acquisitions are subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules but are exempted from independent shareholders' approval requirements.

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, and railway, port and ship transportation of coal.

Shenhua Group Co and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities.

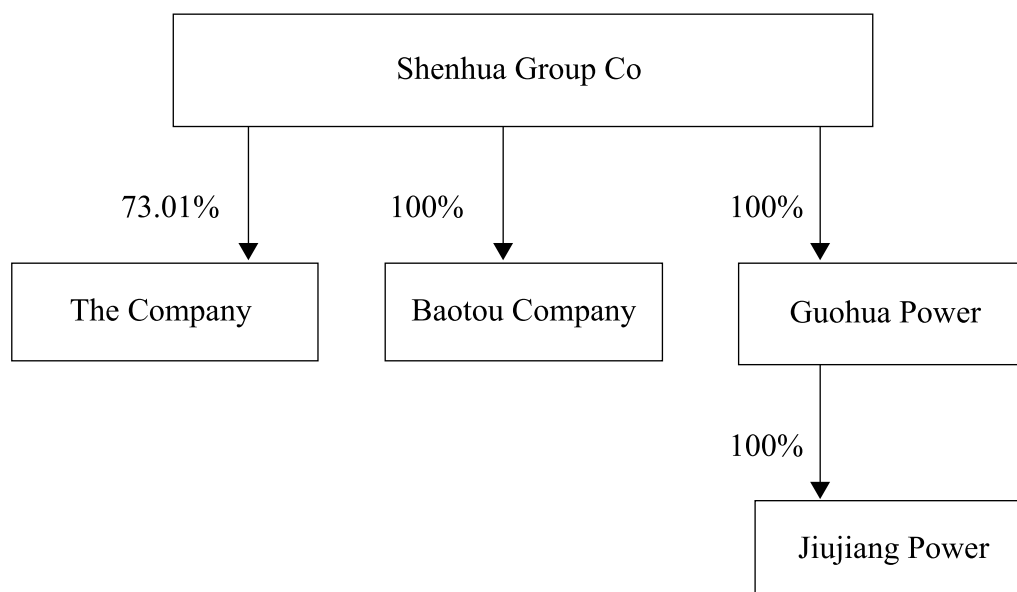
Guohua Power and its subsidiaries are principally engaged in electricity production, and the construction, operation and management of power generation projects.

Baotou Company is a limited liability company incorporated under the laws of the PRC. Baotou Company is principally engaged in coal based chemical processing business.

Jiujiang Power is a limited liability company incorporated under the laws of the PRC. Jiujiang Power is principally engaged in coal storage and transmission and power project investment business.

Shenhua Group Co is the controlling shareholder of the Company. As at the date hereof, Shenhua Group Co holds 73.01% interest in the Company. Shenhua Group Co is the controlling shareholder of Baotou Company, holding 100% equity interests in Baotou Company. Shenhua Group Co is also the ultimate controlling shareholder of Jiujiang Power, holding 100% equity interest in Jiujiang Power through Guohua Power.

As at the date hereof, the relationship among the Company, Shenhua Group Co, Baotou Company, Guohua Power and Jiujiang Power is as follows:



EQUITY TRANSFER AGREEMENTS

The Company has on 23 December 2013 entered into the following Equity Transfer Agreements:

- (a) Baotou Company Equity Transfer Agreement with Shenhua Group Co, pursuant to which the Company conditionally agreed to acquire 100% equity interest in Baotou Company from Shenhua Group Co;
- (b) Jiujiang Power Equity Transfer Agreement with Guohua Power, pursuant to which the Company conditionally agreed to acquire 100% equity interest in Jiujiang Power from Guohua Power.

The aggregate consideration for the acquisition of equity interests pursuant to the Equity Transfer Agreements amounts to RMB9,322.8204 million.

(1) Baotou Company Equity Transfer Agreement

The major terms of the Baotou Company Equity Transfer Agreement are as follows:

Date: 23 December 2013

Parties: Purchaser: The Company

Vendor: Shenhua Group Co

Equity interest to be acquired:

Subject to the terms and conditions of the Baotou Company Equity Transfer Agreement, the Company has conditionally agreed to acquire 100% equity interest in Baotou Company from Shenhua Group Co.

Consideration:

The consideration for the acquisition of Baotou Company Equity Interest is RMB9,272.7370 million, which was determined on arm's length terms between the parties.

The consideration will be paid by the Company in a lump sum of cash. The consideration will be satisfied by the Company with proceeds from the initial public offering of A shares, and internal financial resources of the Company in case of any deficiency.

Basis of determining consideration:

The consideration was determined by the parties following arm's length negotiations with reference to, inter alia, net asset value, financial information and performance of Baotou Company and the appraised value of Baotou Company which was valued at RMB9,272.7370 million as at the Valuation Date. Such valuation was prepared by the Valuer based on income approach. As at the Valuation Date, the carrying values of total assets, total liabilities and net assets of Baotou Company were RMB13,489.7667 million, RMB8,344.3224 million and RMB5,145.4443 million respectively. The total equity of shareholders was valued at RMB9,272.7370 million based on income approach, which was increased by RMB4,127.2927 million or 80.21%.

Major bases for the valuation prepared under income approach include: the financial statements and audit reports of Baotou Company for the previous years, its financial budget for 2013, its operational plan for the coming years, market forecast data of key products for this year and beyond, procurement contracts with relevant entities for raw material purchase, the Administrative Measures on the Provision and Use of Safe Production Costs for Enterprises (Cai Qi [2012] No.16) jointly issued by the Ministry of Finance and the State Administration of Work Safety, etc.

The valuation report is dated 3 December 2013.

Given the valuation of Baotou Company was prepared based on income approach, such valuation is regarded as profit forecast (the “Profit Forecast of Baotou Company”) under Rule 14.61 of the Hong Kong Listing Rules and the Company has fully complied with Rule 14A.56(8) and Rule 14.62 of the Hong Kong Listing Rules.

Deloitte Touche Tohmatsu, the auditors of the Company, have examined the calculations of the Profit Forecast of Baotou Company, which does not involve the adoption of accounting policies. The Joint Financial Advisers confirm that the Profit Forecast of Baotou Company has been made by the Directors after due and careful enquiry. To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Valuer is a third party independent of the Company and its connected persons.

The principal assumptions of the Profit Forecast of Baotou Company is set out in Appendix I. The report from Deloitte Touche Tohmatsu on the Profit Forecast of Baotou Company is set out in Appendix II. The report from the Joint Financial Advisers relating to the Profit Forecast of Baotou Company is set out in Appendix III.

Agreed terms on gain and loss during the transition period:

The Company shall be entitled to or be liable for the gain and loss in net assets attributable to Baotou Company Equity Interest during the transition period and will not make adjustments to the consideration for Baotou Company Equity Interest accordingly.

Conditions precedent:

The parties agree that the Baotou Company Equity Transfer Agreement shall become effective upon the fulfilment of all following conditions. The effective date of the Baotou Company Equity Transfer Agreement shall be the date when all consents or approvals mentioned below are obtained:

- (I) Baotou Company Equity Transfer Agreement shall be executed under the company seals by the legal representatives of the parties or by their authorized representatives;

- (II) The necessary procedures in relation to the Baotou Company Equity Transfer Agreement and the transfer of Baotou Company Equity Interest shall be completed and relevant consents and approvals shall be obtained, including, but not limited to:
1. Obtaining approval from Shenhua Group Co on the transfer of Baotou Company Equity Interest;
 2. Obtaining the filing of the evaluation results on Baotou Company Equity Interest from Shenhua Group Co;
 3. Obtaining approval from the Company on the acquisition of Baotou Company Equity Interest.

Undertakings by Shenhua Group Co:

- (I) Shenhua Group Co and Baotou Company are limited liability companies legally established and validly existing in the PRC and enjoy the status of independent legal persons under the laws of the PRC;
- (II) Shenhua Group Co legally owns Baotou Company Equity Interest. No third party interests such as charges or pledges are created directly or indirectly over Baotou Company Equity Interest. Baotou Company Equity Interest is not subject to any rights restrictions such as forfeiture or freezing, nor is it involved in any potential or existing ownership disputes. Shenhua Group Co is entitled to transfer Baotou Company Equity Interest to the Company in accordance with the Baotou Company Equity Transfer Agreement;
- (III) Shenhua Group Co undertakes to take necessary measures to facilitate the procedures effected by Baotou Company and the Company for obtaining the necessary permits, licenses and property ownership certificates for the normal construction, operation and production of Baotou Company.

Completion: Completion shall be conducted from the effective date of the Baotou Company Equity Transfer Agreement and the completion date shall be the last business day of the month in which the effective date of the Baotou Company Equity Transfer Agreement falls. On the completion date, the Company will remit the consideration for Baotou Company Equity Interest in full in cash to a bank account designated by Shenhua Group Co.

(2) Jiujiang Power Equity Transfer Agreement

The major terms of the Jiujiang Power Equity Transfer Agreement are as follows:

Date: 23 December 2013

Parties: Purchaser: The Company

Vendor: Guohua Power

Equity interest to be acquired: Subject to the terms and conditions of the Jiujiang Power Equity Transfer Agreement, the Company has conditionally agreed to acquire 100% equity interest in Jiujiang Power from Guohua Power.

Consideration: The consideration for the acquisition of Jiujiang Power Equity Interest is RMB50.0834 million, which was determined on arm's length terms between the parties.

The consideration will be paid by the Company in a lump sum of cash. The consideration will be satisfied by the Company with proceeds from the initial public offering of A shares, and internal financial resources of the Company in case of any deficiency.

Basis of determining consideration:

The consideration was determined by the parties following arm's length negotiations with reference to, inter alia, net asset value, financial information and performance of Jiujiang Power and the appraised value of Jiujiang Power which was valued at RMB50.0834 million as at the Valuation Date. Such valuation was prepared by the Valuer based on asset-based approach. As at the Valuation Date, the carrying value of total assets of Jiujiang Power was RMB80.5499 million which was RMB0.4745 million or 0.59% less than its appraised value of RMB81.0244 million; the carrying value of its total liabilities was RMB30.9410 million which was equal to its appraised value; the carrying value of its net asset was RMB49.6089 million, which was RMB0.4745 million or 0.96% less than its appraised value of RMB50.0834 million. The increase in valuation was mainly attributable to the excess of the cost of funds, reappraised on full-investment basis based on lending rate on the base date and reasonable construction period for the project, over the carrying value of interest expenses.

The valuation report is dated 3 December 2013.

Jiujiang Power is at the preliminary stage of the project, and has obtained letter of consent from National Energy Administration on the commencement of preliminary work of construction of Shenhua Jiujiang Power Plant in Jiangxi Province. As the estimated investment in the project could not be certain due to the unavailability of approval for the project by the Valuation Date, the valuation was prepared based on asset-based approach.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Valuer is a third party independent of the Company and its connected persons.

Agreed terms on gain and loss during the transition period:

Guohua Power shall be entitled to or be liable for the gain and loss in net assets attributable to Jiujiang Power Equity Interest during the transition period. The parties agree that the completion date shall be taken as the base date of the supplemental audit of Jiujiang Power for the transition period. The specific amount of the gain or loss during the transition period attributable to Guohua Power shall be determined based on the difference between the carrying value of the audited net assets as at the completion date (as the base date) and the carrying value of the audited net assets as at the Valuation Date (as the base date), and the compensation matter between the parties to the Jiujiang Power Equity Transfer Agreement shall be determined accordingly.

Conditions precedent:

The parties agree that the Jiujiang Power Equity Transfer Agreement shall become effective upon the fulfilment of all following conditions. The effective date of the Jiujiang Power Equity Transfer Agreement shall be the date when all consents or approvals mentioned below are obtained:

- (I) Jiujiang Power Equity Transfer Agreement shall be executed under the company seals by the legal representatives of the parties or by their authorized representatives;
- (II) The necessary procedures in relation to the Jiujiang Power Equity Transfer Agreement and the transfer of Jiujiang Power Equity Interest shall be completed and relevant consents and approvals shall be obtained, including, but not limited to:
 - 1. Obtaining approval from Shenhua Group Co on the transfer of Jiujiang Power Equity Interest;
 - 2. Obtaining the filing of the evaluation results on Jiujiang Power Equity Interest from Shenhua Group Co;
 - 3. Obtaining approval from the Company on the acquisition of Jiujiang Power Equity Interest.

**Undertakings by
Guohua Power:**

- (I) Guohua Power and Jiujiang Power are limited liability companies legally established and validly existing in the PRC and enjoy the status of independent legal persons under the laws of the PRC;
- (II) Guohua Power legally owns Jiujiang Power Equity Interest. No third party interests such as charges or pledges are created directly or indirectly over Jiujiang Power Equity Interest. Jiujiang Power Equity Interest is not subject to any rights restrictions such as forfeiture or freezing, nor is it involved in any potential or existing ownership disputes. Guohua Power is entitled to transfer Jiujiang Power Equity Interest to the Company in accordance with the Jiujiang Power Equity Transfer Agreement;
- (III) Guohua Power undertakes to take necessary measures to facilitate the procedures effected by Jiujiang Power and the Company for obtaining the necessary permits, licenses and property ownership certificates for the normal construction, operation and production of Jiujiang Power.

Completion:

Completion shall be conducted from the effective date of the Jiujiang Power Equity Transfer Agreement and the completion date shall be the last business day of the month in which the effective date of the Jiujiang Power Equity Transfer Agreement falls. On the completion date, the Company will remit the consideration for Jiujiang Power Equity Interest in full in cash to a bank account designated by Guohua Power.

INFORMATION RELATING TO THE TARGET COMPANIES

Baotou Company

Baotou Company was originally China Shenhua Coal to Liquid and Chemical Co., Ltd. Baotou Coal Chemical Branch Company, a branch company of CSCLC (a wholly-owned subsidiary of Shenhua Group Co). On 29 September 2013, by way of separate establishment, Baotou Company was incorporated as a limited liability company wholly-owned by Shenhua Group Co. The registered capital of Baotou Company is RMB5,132.1600 million. Baotou Company is principally engaged in coal based chemical processing business. As at the date hereof, Shenhua Group Co holds 100% equity interest in Baotou Company. Baotou Company has no subsidiaries.

The following financial information is extracted from the pro-forma financial statements of Baotou Company for the year ended 31 December 2012 and the nine months ended 30 September 2013 prepared under the basis specified in the pro-forma financial statements and in accordance with the accounting policies which conform with the China Accounting Standards for Business Enterprises. The pro-forma financial statements have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

	31 December 2011	31 December 2012	30 September 2013
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	(Audited)
Total assets	15,679,024.84	14,720,077.47	13,489,766.68
Total liabilities	9,984,986.79	8,176,880.71	8,344,322.40
Net assets	5,694,038.05	6,543,196.76	5,145,444.28
	Year ended 31 December 2011	Year ended 31 December 2012	Nine months period ended 30 September 2013
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	(Audited)
Revenue	5,637,120.31	5,907,417.37	4,402,910.08
Operating profit	965,112.15	850,369.13	840,277.36
Net profit before taxation	965,650.36	855,249.78	841,046.87
Net profit after taxation	965,650.36	844,422.94	714,889.84

As at the date hereof, Baotou Company owns (i) a parcel of land with a total site area of approximately 2,309,011.79 square meters; and (ii) the buildings and units with a total gross floor area of approximately 443,385.22 square meters. Baotou Company does not lease land or buildings as at the date hereof.

On 15 January 2013, MEP issued the “Decision on Administrative Penalty” against Baotou Branch Company, the predecessor of Baotou Company, as application for completion inspection by the environmental protection authorities of the environmental protection facilities constructed to support Baotou Branch Company’s coal-to-olefins project had not been made in time. Baotou Branch Company was fined RMB100,000, and the coal-to-olefins project was ordered to suspend production until it passed the completion inspection by MEP. Baotou Branch Company paid the relevant fine in time, and handed in the application for an completion inspection of the environmental protection facilities in time, acting proactively in assisting MEP in the completion inspection of the environmental protection facilities. On 4 February 2013 and 5 February 2013, the environmental protection facilities of the coal-to-olefins project passed the on-site inspection. On 18 March 2013, the coal-to-olefins project obtained approval from MEP to start permanent production. As it was in

the winter, suspension of production in cold weather would pose serious safety concerns; at the same time, the project had already attained the conditions for the completion inspection of the environmental protection facilities, application for the inspection had already been made, and such inspection was imminent. During the administrative review period, Baotou Branch Company kept up normal production, in order to facilitate the smooth conduction of the completion inspection of the environmental protection facilities. The production and operation of Baotou Branch Company's coal-to-olefins project had not been materially affected.

Baotou Company (formerly Baotou Branch Company) has obtained the relevant business qualifications and approvals that are required under the environmental protection laws and regulation of the PRC. As of now, Baotou Company's operation is normal, its production goes on as planned, there are no circumstances in or for which Baotou Company is penalized by the relevant authorities by reason of environmental protection or related matters, and there are no other circumstances in or by which its operation might be affected.

Baotou Company will become a wholly-owned subsidiary of the Company after the completion of the Acquisitions.

Jiujiang Power

Jiujiang Power is a limited liability company incorporated under the laws of the PRC on 29 April 2011. The registered capital of Jiujiang Power is RMB50 million. Jiujiang Power is principally engaged in coal storage and transmission and power project investment business. As at the date hereof, Guohua Power, a wholly-owned subsidiary of Shenhua Group Co, holds 100% equity interest in Jiujiang Power. Jiujiang Power has no subsidiaries.

The following financial information is extracted from the financial statements of Jiujiang Power for the nine months ended 30 September 2013 prepared under the China Accounting Standards for Business Enterprises. The financial statements have been audited by Deloitte Touche Tohmatsu Certified Public Accountants LLP.

	31 December 2011	31 December 2012	30 September 2013
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	(Unaudited)	(Audited)	(Audited)
Total assets	51,224.69	62,048.65	80,549.95
Total liabilities	1,224.69	12,048.65	30,941.04
Net assets	50,000.00	50,000.00	49,608.91

	Year ended 31 December 2011 (RMB'000) (Unaudited)	Year ended 31 December 2012 (RMB'000) (Audited)	Nine months period ended 30 September 2013 (RMB'000) (Audited)
Revenue	–	2.48	49.02
Operating loss	–	–	(391.09)
Loss before taxation	–	–	(391.09)
Net loss after taxation	–	–	(391.09)

Jiujiang Power will become a wholly-owned subsidiary of the Company after the completion of the Acquisitions. Jiujiang Power leases buildings and units with a total gross floor area of approximately 639 square meters, but does not own any land or buildings.

REASONS FOR THE ACQUISITIONS AND THEIR BENEFITS TO THE COMPANY

1. Boosting the Company's business scale, further perfecting its business structure, and addressing the need to implement an integrated business model and the development strategy of extending the production chain

Although with high barrier to entry, the coal chemical processing industry has a potential prospect as it fits the energy structure of China. Baotou Company has evolved into an established coal chemical processing segment under Shenhua Group Co operating coal-to-olefins projects which apply world-leading technologies. The acquisition of 100% equity interest in Baotou Company held by Shenhua Group Co signifies the establishment of the Company's coal chemical processing segment, realizing the lateral expansion and extension of the production chain from "coal to electricity" to "coal to coal chemicals". The need for raw material of Baotou Company can be satisfied by the Company's self-owned coal resources and auxiliary production facilities, while the products of Baotou Company can be sold through the Company's sales network and platforms. The joint operation between the coal chemical processing segment and other business segments, including the coal segment, will fully employ the synergy among the Company's various business segments, lowering the managing cost of each business segment, further consolidating and sharpening the competitive edge of integration, this can increase the Company's scale and ability to sustain profit. Therefore, the acquisition target has a high strategic value.

The acquisition of 100% of equity interest in Jiujiang Power held by Guohua Power, a wholly-owned subsidiary of Shenhua Group Co, will increase the installed capacity of the Company in central China, further boost the scale of the Company's power generating segment and perfect the overall layout of power assets, this is conducive to the economy of scale of the power generating segment and will thereby increase operating efficiency and reduce operating cost, and continually maximize the Shareholders' returns.

2. Reducing and avoiding the competition between the Company and Shenhua Group Co, the controlling shareholder of the Company, demonstrating the full support of Shenhua Group Co to the Company's development

Shenhua Group Co, the controlling shareholder, expressly adopted the policy of “capital injection once mature” when the Company's H shares were first listed, gradually achieving the listing of the relevant assets. The Company was also granted options and pre-emptive rights to acquire interest in the subsidiaries of Shenhua Group Co and related competitive businesses. Shenhua Group Co has always been proactively restructuring and integrating the internal business segments, so as to meet the requirements for capital injection to the Company.

The injection of the 100% equity interest in the technically mature Baotou Company with superior ability to generate profits by Shenhua Group Co will help the Company's extension in the coal chemical processing segment. At the same time, the injection of the 100% equity interest in Jiujiang Power will help to avoid competition and connected transactions with the Company after the completion of the Shenhua Jiujiang Coal Storage (Transition) Power Generation Integration Project (a project of Jiujiang Power currently under construction), manifesting Shenhua Group Co's full support to the enduring and stable development of the Company.

The Acquisitions can also reduce the amount of connected transactions between the Company and Shenhua Group Co.

THE IMPLICATION OF THE ACQUISITIONS REGARDING COMPLIANCE WITH THE HONG KONG LISTING RULES

(I) Continuing connected transactions relating to mutual supply of coal and mutual supplies of products and services

After the completion of the Acquisitions, Baotou Company and Jiujiang Power may engage in transactions with Shenhua Group Co and its subsidiaries relating to mutual supply of coal and mutual supplies of certain other products and services. These transactions will constitute continuing connected transactions of the Company, and will be included in the Mutual Coal Supply Agreement and the Mutual Supplies and Services Agreement entered into by the Company and Shenhua Group Co and duly approved by independent Shareholders, and will be regulated pursuant to the scope thereunder.

(II) Provision of entrusted loans to Baotou Company by Shenhua Group Co through Finance Company

Shenhua Group Co provided two entrusted loans with an aggregated amount of RMB6 billion to CSCLC through Finance Company at a rate not exceeding the benchmark rate set by the People's Bank of China for loans with the same tenor. Neither the Company nor any of its subsidiaries has provided guarantee for the above entrusted loans. Subsequent to the

establishment of Baotou Company by separation from CSCLC, the said two entrusted loans will be assumed by Baotou Company. CSCLC has obtained written approval from Shenhua Group Co on the said transfer of debts and liabilities.

As Baotou Company will become a wholly-owned subsidiary of the Company upon the completion of the Acquisitions, the above entrusted loans will be deemed as provision of financial assistance by a connected person for the benefit of the Company under Rule 14A.65(4) of the Hong Kong Listing Rules. Since no asset of the Company is pledged against the financial assistance, and the financial assistance is provided on normal commercial terms, the entrusted loans are therefore exempted from reporting, announcement and independent shareholders' approval requirements. However, pursuant to the Shanghai Listing Rules, the above financial assistance will constitute a connected transaction between the Company and Shenhua Group Co. Such connected transaction related to the above-mentioned entrusted loans will be included in the Financial Services Agreement and the Supplementary Agreement to the Current Financial Services Agreement entered into by the Company and Shenhua Group Co and duly approved by independent Shareholders, and will be regulated pursuant to the scope thereunder.

(III) Provision of revolving entrusted loans by Guohua Power to Jiujiang Power through commercial banks

As an internal arrangement in Shenhua Group Co, Guohua Power is currently providing revolving entrusted loans to Jiujiang Power through commercial banks. The aggregated entrusted loans provided by Guohua Power is up to RMB900 million. The term for each entrusted loan is 12 months from the date of release. The loans are used for financing the liquidity needs or for infrastructure expenditure of Jiujiang Power. The Company or its subsidiaries did not provide guarantee. As at the date hereof, the principal and interest of the loan totaled RMB37 million.

As Jiujiang Power will become a wholly-owned subsidiary of the Company upon the completion of the Acquisitions, the above entrusted loans will be deemed as provision of financial assistance by a connected person for the benefit of the Company under Rule 14A.65(4) of the Hong Kong Listing Rules. Since no asset of the Company is pledged against the financial assistance, and the financial assistance is provided on normal commercial terms, the entrusted loans are therefore exempted from reporting, announcement and independent shareholders' approval requirements. However, pursuant to the Shanghai Listing Rules, the above financial assistance will constitute a connected transaction between the Company and Shenhua Group Co, which is subject to approval from the independent directors of the Company. On 23 December 2013, the Board resolved and approved the subsequent use of the above financial assistance by Jiujiang Power according to the original agreement upon the completion of the Acquisitions.

(IV) Guarantee arrangements in relation to the loan from China Development Bank

China Development Bank is providing a direct loan of USD350 million to CSCLC. As at the date hereof, the balance of the loan was USD90 million. The loan is used for coal-to-olefin project in Baotou. The term of the loan is from 26 August 2008 to 25 August 2018, which was guaranteed by Shenhua Group Co (the “USD Loan”).

After the completion of the Acquisitions, Baotou Company will become a wholly-owned subsidiary of the Company. To rationalize the guarantee on the USD Loan, subject to the consent of China Development Bank, the Company (as the parent company of Baotou Company) will provide guarantee on the USD Loan of Baotou Company in lieu of Shenhua Group Co. Before the guarantee provided by the Company becomes effective, Shenhua Group Co will continue to provide guarantee on the USD Loan. Pursuant to Rule 14A.65(4) of the Hong Kong Listing Rules, the continued provision of guarantee by Shenhua Group Co before the Company’s guarantee becomes effective will be deemed as the provision of financial assistance by a connected person for the benefit of the Company. Since no asset of the Company is pledged against the financial assistance and the financial assistance is provided on normal commercial terms, the guarantee by Shenhua Group Co is therefore exempted from reporting, announcement and independent shareholders’ approval requirements. However, pursuant to the Shanghai Listing Rules, the above financial assistance will constitute a connected transaction between the Company and Shenhua Group Co, which is subject to approval from the independent directors of the Company. On 23 December 2013, the Board resolved and approved the continued provision of guarantee on the USD Loan by Shenhua Group Co before the Company’s guarantee becomes effective.

(V) Authorization from Shenhua Group Co and CSCLC for the use of certain patents by Baotou Company at nil consideration

To ensure that Baotou Company can continue to use the patented technologies for converting coal to olefins in the course of production and operation as a wholly-owned subsidiary of the Company after the Acquisitions, Shenhua Group Co and CSCLC entered into a patent licensing agreement with Baotou Company at the date hereof, pursuant to which Shenhua Group Co and CSCLC shall authorize Baotou Company to use those patents at nil consideration in compliance with relevant laws and regulations and the related agreement.

As Baotou Company will become a wholly-owned subsidiary of the Company upon the completion of Acquisitions, the entering into an agreement between Shenhua Group Co, CSCLC and Baotou Company for the authorization to use those patents at nil consideration by Baotou Company will constitute a continuing connected transaction of the Company. However, as Baotou Company is not required to make any payment, all the applicable percentage ratios are less than 0.1%, the Company is not subject to reporting, announcement and independent shareholders’ approval requirements. On 23 December 2013, the Board resolved and approved the entering into the patent licensing agreement between Baotou Company, Shenhua Group Co and CSCLC and the contemplated transactions thereunder.

HONG KONG LISTING RULES IMPLICATIONS

Shenhua Group Co holds 73.01% interest in the Company, and is the controlling shareholder of the Company. Shenhua Group Co also holds 100% interest in Guohua Power. As such, Shenhua Group Co and its associates (including Guohua Power) are connected persons of the Company under the Hong Kong Listing Rules, and the Acquisitions constitute connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the Acquisitions (on an aggregated basis) exceeds 0.1% but all such percentage ratios are less than 5%, the Acquisitions are subject to reporting and announcement requirements under Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules but are exempted from independent shareholders' approval requirements.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction that is entered into between the Company and Shenhua Group Co and its ultimate beneficial owners within a 12-month period or is otherwise related, which would, together with the Acquisitions be regarded as a series of transactions and treated as if they were one transaction under Rules 14A.25 of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Acquisitions are on normal commercial terms, fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

The Board has resolved and approved the Acquisitions on 23 December 2013. Of the Directors attending the board meeting, the Abstained Directors were considered to have material interests in the Acquisitions by virtue of being employed by Shenhua Group Co, and had thus abstained from voting on the board resolution(s) in respect of the Acquisitions.

EXPERTS AND CONSENTS

The followings are the qualifications of the experts who have given opinions or advice contained in this announcement:

Name	Qualification
Beijing China Enterprise Appraisal Co., Ltd.	An independent firm of valuer qualified in the PRC
Deloitte Touche Tohmatsu	Certified Public Accountants in Hong Kong
ICBC International Capital 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 Securities and Futures Ordinance (Cap 571)

UBS AG, Hong Kong Branch A corporation licensed to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance), type 7 (providing automated trading services) and type 9 (asset management) regulated activities as defined under the Securities and Futures Ordinance (Cap 571)

As at 19 December 2013, UBS AG held 23,649,890 H shares of the Company, which in aggregate amount to approximately 0.12% of the total issued shares of the Company. Save as disclosed above, as at 19 December 2013, Beijing China Enterprise Appraisal Co., Ltd., Deloitte Touche Tohmatsu, ICBC International Capital Limited and UBS AG, Hong Kong Branch have no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

To the best knowledge, information and belief of the Directors, each of Beijing China Enterprise Appraisal Co., Ltd., Deloitte Touche Tohmatsu, ICBC International Capital Limited and UBS AG, Hong Kong Branch is an independent third party who is not connected with the Company or its connected persons.

Each of Beijing China Enterprise Appraisal Co., Ltd., Deloitte Touche Tohmatsu, ICBC International Capital Limited and UBS AG, Hong Kong Branch has given and has not withdrawn its written consent to the publication of this announcement with inclusion of its report or opinion and all references to its name in the form and context in which it is included.

DEFINITIONS

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

- “Abstained Directors” Dr. Zhang Xiwu, Dr. Zhang Yuzhuo, Dr. Ling Wen, Mr. Han Jianguo, Mr. Kong Dong and Mr. Chen Hongsheng who had abstained from voting as Directors on the relevant board resolution(s) relating to the Equity Transfer Agreements;
- “Acquisitions” the transactions that the Company acquires Baotou Company Equity Interest from Shenhua Group Co and Jiujiang Power Equity Interest from Guohua Power;
- “Baotou Branch Company” China Shenhua Coal to Liquid and Chemical Co., Ltd. Baotou Coal Chemical Branch Company (中國神華煤制油化工有限公司包頭煤化工分公司), a former branch company of CSCLC, and the predecessor of Baotou Company;

“Baotou Company”	Shenhua Baotou Coal Chemical Co., Ltd. (神華包頭煤化工有限責任公司), a limited liability company incorporated in the PRC;
“Baotou Company Equity Interest”	the 100% equity interest in Baotou Company;
“Baotou Company Equity Transfer Agreement”	The agreement entered into between the Company and Shenhua Group Co on 23 December 2013, pursuant to which the Company has agreed to acquire from Shenhua Group Co the Baotou Company Equity Interest for a consideration of RMB9,272.7370 million;
“Board”	the board of Directors;
“Company”	China Shenhua Energy Company Limited (中國神華能源股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Stock Exchange of Hong Kong Limited;
“CSCLC”	China Shenhua Coal to Liquid and Chemical Co., Ltd. (中國神華煤製油化工有限公司), a limited liability company incorporated in the PRC;
“Director(s)”	the director(s) of the Company;
“Equity Transfer Agreements”	collectively the Baotou Company Equity Transfer Agreement and the Jiujiang Power Equity Transfer Agreement;
“Finance Company”	Shenhua Finance Co., Ltd. (神華財務有限公司), a limited liability company incorporated in the PRC;
“Group”	the Company and its subsidiaries from time to time;
“Guohua Power”	Beijing Guohua Power Co., Ltd. (北京國華電力有限責任公司), a limited liability company incorporated in the PRC;
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Jiujiang Power”	Shenhua Guohua Jiujiang Power Co., Ltd. (神華國華九江發電有限責任公司), a limited liability company incorporated in the PRC;
“Jiujiang Power Equity Interest”	the 100% equity interest in Jiujiang Power;

“Jiujiang Power Equity Transfer Agreement”	The agreement entered into between the Company and Guohua Power on 23 December 2013, pursuant to which the Company has agreed to acquire from Guohua Power the Jiujiang Power Equity Interest for a consideration of RMB50.0834 million;
“Joint Financial Advisers”	UBS AG, Hong Kong Branch and ICBC International Capital Limited;
“MEP”	the Ministry of Environmental Protection of the PRC;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shanghai Listing Rules”	Rules Governing the Listing of Stocks on Shanghai Stock Exchange;
“Shareholder(s)”	the shareholder(s) of the Company;
“Shenhua Group Co”	Shenhua Group Corporation Limited (神華集團有限責任公司), the controlling shareholder of the Company as defined under the Hong Kong Listing Rules;
“Valuation Date”	30 September 2013; and
“Valuer”	Beijing China Enterprise Appraisal Co., Ltd., an independent firm of valuer qualified in the PRC.

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

Beijing, 23 December 2013

As at the date of this announcement, the Board comprises Dr. Zhang Xiwu, Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo as executive Directors, Mr. Kong Dong and Mr. Chen Hongsheng as non-executive Directors, and Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. Guo Peizhang as independent non-executive Directors.

APPENDIX I – PRINCIPAL ASSUMPTIONS OF THE PROFIT FORECAST OF BAOTOU COMPANY

Principal assumptions of the Profit Forecast of Baotou Company

1. Assumption that after the Valuation Date, the subject entity will adopt accounting policies that are basically consistent in all important aspects with those adopted in preparing this report.
2. Assumption that after the Valuation Date, the subject entity will keep its business scope and model in line with the current direction under the existing management model and level.
3. Assumption that the cash inflow into the subject entity will be the annual average inflow and the cash outflow will be the annual average outflow after the Valuation Date.
4. There will be no significant change in the way of supply of the main raw materials and auxiliary materials that Baotou Company consumes in its production and operation and costs and expenses will be under control as planned.
5. Baotou Company's future investment plans will materialise as planned, and it will be able to strike a balance between its production and sales volume in the future.
6. Assumption that there will be no substantial contingent liabilities from matters such as external guarantees during the duration of Baotou Company. Baotou Company will keep its existing ways of generating income and credit policies unchanged and there will be no serious problem in collecting its receivables.
7. Assumption that save as disclosed in the valuation report, Baotou Company has fully complied with the prevailing national and local laws and regulations regarding land planning, use and occupation, environment and other related issues.
8. Projected sales volume of key products for the next five years: the production volume of key products is estimated based on the designated production capacity of Baotou Company taking into account of the overhauled plan and rolling development plan for the next year, while the sales volume is estimated based on the assumption that a balance between production and sales volume is struck throughout the year.
9. Projected selling prices of products and procurement prices of major raw materials: the selling prices of products and the procurement prices of major raw materials are determined based on the collective consideration of the historical prices of the enterprise for the prior year and the market analysis for the next year according to the average price for the 12 months before the Valuation Date of Baotou Company.

10. Estimated miscellaneous fees: the estimated miscellaneous fees are determined based on the unit consumption level of key products of Baotou Company taking into account of factors such as production scale, fixed asset investment and rising wages cost of Baotou Company for the next year.
11. Determination of discounted rate: the weighted average cost of capital (WACC) is adopted for the valuation. WACC is determined by weighted cost of equity and cost of interest-bearing debt, in which cost of equity is calculated using capital asset pricing model while cost of debt is determined based on the actual cost of interest-bearing debt of Baotou Company at the Valuation Date. For WACC from October 2013 to 2020, the income tax rate is 15% with corresponding WACC of 10.77%; while for 2021 to 2022, the income tax rate is 25% with corresponding WACC of 10.41%.

APPENDIX II – REPORT FROM DELOITTE TOUCHE TOHMATSU ON THE PROFIT FORECAST OF BAOTOU COMPANY



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太古廣場一座35樓

Deloitte Touche Tohmatsu
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Hong Kong

ACCOUNTANTS’ REPORT ON CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF EQUITY INTEREST IN SHENHUA BAOTOU COAL CHEMICAL CO., LTD.

TO THE DIRECTORS OF CHINA SHENHUA ENERGY COMPANY LIMITED

We have examined the calculations of the discounted future estimated cash flows on which the valuation, prepared by Beijing China Enterprise Appraisal Co., Ltd. dated 3 December 2013, of 100% equity interest in Shenhua Baotou Coal Chemical Co., Ltd. (“Baotou Company”) as at 30 September 2013, is based (the “Valuation”). The Valuation is prepared in connection with the acquisition of 100% equity interest in Baotou Company by China Shenhua Energy Company Limited (the “Company”). The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and reference to the Valuation will be included in an announcement dated 23 December 2013 issued by China Shenhua Energy Company Limited (the “Company”) in connection with acquisition of Baotou Company and Shenhua Guohua Jinjiang Power Co., Ltd. (the “Announcement”).

Directors’ responsibility for the discounted future estimated cash flows

The directors of the Company are responsible for reasonableness and validity of the assumptions as set out in the Announcement (the “Assumptions”), based on which the discounted future estimated cash flows and the Valuation are prepared.

Reporting accountants’ responsibility

It is our responsibility to form an opinion on the arithmetical accuracy of the calculations of the discounted future estimated cash flows on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with the Hong Kong Standard on Assurance Engagements 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the Hong Kong Institute of Certified Public Accountants. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to

obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the arithmetical calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work does not constitute any valuation of equity interest in Baotou Company.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company or Baotou Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects in accordance with the Assumptions.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
23 December 2013

APPENDIX III – REPORT FROM THE JOINT FINANCIAL ADVISERS ON THE PROFIT FORECAST OF BAOTOU COMPANY

23 December 2013

The Board of Directors
China Shenhua Energy Company Limited
No. 22 Xibinhe Road
An Ding Men
Dongcheng District
Beijing, China

Dear Sirs,

We refer to the valuation prepared by Beijing China Enterprise Appraisal Co., Ltd. (the “**Valuer**”) in relation to 100% equity interest in Shenhua Baotou Coal Chemical Co., Ltd. (the “**Valuation**”), which is set out in the valuation report, dated 3 December 2013, referred to in the announcement of China Shenhua Energy Company Limited (the “**Company**”) dated 23 December 2013 relating to the Acquisitions (the “**Announcement**”). Capitalized terms used in this letter have the same meanings as those defined in the Announcement, unless the context otherwise requires.

We, as financial advisers to the Company in relation to the Acquisitions, have reviewed the discounted cash flow forecast upon which the Valuation has been made (the “**Forecast**”), for which you as the Directors are solely responsible, and have discussed with the management of the Company and the Valuer the bases and assumptions upon which the Forecast has been prepared and attended the meeting dated 23 December 2013 attended by all the Directors where the Forecast and the underlying bases and assumptions were discussed. We have also considered the letter from the reporting accountant, Deloitte Touche Tohmatsu dated 23 December 2013 addressed to yourselves as set out in Appendix II to the Announcement regarding the calculations of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors. We have noted that no accounting policies of the Company have been adopted in its preparation as the Valuation relates only to cash flows.

On the basis of the foregoing and without giving any opinion on the reasonableness of the valuation methods, bases and assumptions selected by the Valuer and the Company for which the Valuer and the Company are solely responsible, we are of the opinion that the Forecast, for which you as the Directors are solely responsible, have been made by you after due and careful enquiry.

The work undertaken by us in giving the above opinion has been undertaken for the purpose of reporting solely to you under Rule 14.62(3) of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and for no other purpose. We accept no responsibility to any other person in respect of, arising out of or in connection with our work.

Yours faithfully

For and on behalf of
UBS AG, Hong Kong Branch
Raymond Lau
Director
Wallace Wang
Associate Director

For and on behalf of
ICBC International Capital Limited
Danny Lee
Managing Director
Shiding Ma
Executive Director