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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 TRANSACTION  
ENTERING INTO THE TRANSFER AGREEMENT**

- On 18 December 2012, Guohua Chenjiagang Company and Guohua Xuzhou Company entered into the Transfer Agreement, pursuant to which Guohua Chenjiagang Company agreed to pay Guohua Xuzhou Company RMB462,000,000 as a compensation fee in consideration of the use of generating capacity of 440MW owned by the closing down of generating units #7 and #8 of Guohua Xuzhou Company for the construction of new projects under the plan of “replacing small units with larger ones” of Guohua Chenjiagang Company.
- The Company holds 55% interests in Guohua Chenjiagang Company while Guohua Xuzhou Company is a wholly owned subsidiary of Guohua Power (a wholly owned subsidiary of Shenhua Group Corporation). Shenhua Group Corporation and its associates (including Guohua Xuzhou Company) are connected persons to the Company. The Transaction thus constitutes a connected transaction of the Company under the Hong Kong Listing Rules.
- Since one or more of the applicable ratios of the Transaction exceeds 0.1% but all such percentage ratios are less than 5%, the Transaction is only subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Hong Kong Listing Rules and is exempt from the independent shareholders' approval requirement.

**RELATIONSHIP BETWEEN THE COMPANY, SHENHUA GROUP CORPORATION,  
GUOHUA XUZHOU COMPANY AND GUOHUA CHENJIAGANG COMPANY**

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

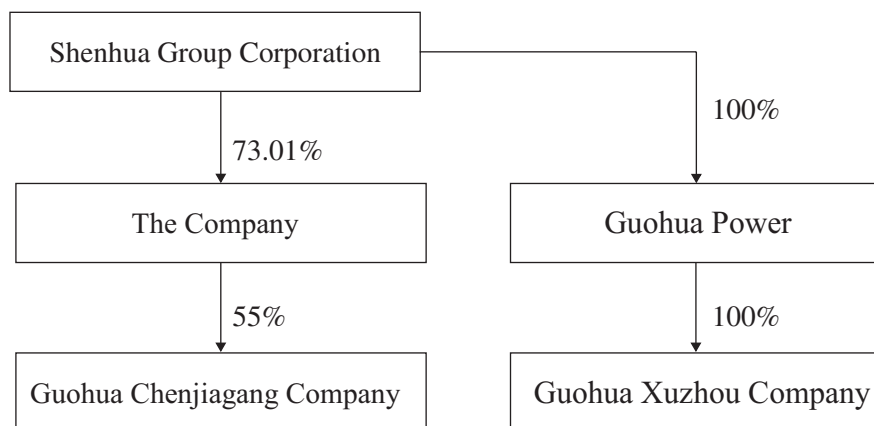
Shenhua Group Corporation and its subsidiaries are principally engaged in coal liquefaction, coal based chemical processing business, coal production and power generation, as well as investment and financing activities.

Guohua Xuzhou Company is a limited liability company incorporated in the PRC. It is a wholly owned subsidiary of Guohua Power (a wholly owned subsidiary of Shenhua Group Corporation) and is principally engaged in electricity production, and the construction, operation and management of power generation projects.

Guohua Chenjiagang Company is a limited liability company incorporated in the PRC. The Company holds 55% interests in it. It is principally engaged in electricity production, and the construction, operation and management of power generation projects.

As at the date hereof, Shenhua Group Corporation holds 73.01% of the equity interests in the Company, being the direct controlling shareholder of the Company.

The relationships among the Company, Shenhua Group Corporation, Guohua Xuzhou Company and Guohua Chenjiagang Company are as follows:



Therefore, according to the Hong Kong Listing Rules, Shenhua Group Corporation and its associates (including Guohua Xuzhou Company) are connected persons of the Company and the Transaction between Guohua Chenjiagang Company (a subsidiary of the Company) and Guohua Xuzhou Company constitutes a connected transaction of the Company.

## **BACKGROUND**

Pursuant to the requirements of the State and Jiangsu Province, Guohua Xuzhou Company proposed to shut down its generating units #7 and #8 (2×220MW) by 31 December 2012, and Guohua Chenjiagang Company proposed to use the generating capacity of 440MW owned by the closing down of generating units #7 and #8 of Guohua Xuzhou Company for the construction of new projects under the plan of “replacing small units with larger ones”. Guohua Chenjiagang Company shall pay a compensation fee of RMB462,000,000 to Guohua Xuzhou Company.

According to the Audit Report issued by BDO CHINA SHU LUN PAN Certified Public Accountants LLP, as of 31 December 2011, the total assets, total liabilities and net assets of Guohua Xuzhou Company amounted to RMB7,893,953,329.24, RMB6,421,822,114.49 and RMB1,472,131,214.75 respectively. In 2011, the operating revenue and profit after tax of Guohua Xuzhou Company amounted to RMB2,401,151,192.59 and RMB353,229.01 respectively.

## **TRANSFER AGREEMENT**

Key terms of the Transfer Agreement are set out below:

- Date: 18 December 2012
- Parties: Guohua Chenjiagang Company  
Guohua Xuzhou Company
- Subject matter: The Transaction relates to the compensation payable by Guohua Chenjiagang Company to Guohua Xuzhou Company in consideration of the use of generating capacity of 440MW owned by the closing down of generating units #7 and #8 of Guohua Xuzhou Company for the construction of new projects under the plan of “replacing small units with larger ones” of Guohua Chenjiagang Company.
- Compensation fee: Guohua Chenjiagang Company agreed to pay to Guohua Xuzhou Company a sum of RMB462,000,000 as compensation on the basis of RMB1050.00 per kW for compensating the closure of its generating units.
- Method of payment: Guohua Chenjiagang Company agreed to pay 50% of the aggregate consideration of the Transfer Agreement to Guohua Xuzhou Company within 30 working days upon signing of the Transfer Agreement and to pay the balance of consideration to Guohua Xuzhou Company within 120 working days upon the fulfillment of the condition precedent to the Transfer Agreement. In the event that the condition precedent to the Transfer Agreement is not fulfilled by 31 December 2012, Guohua Chenjiagang Company is obliged to pay 80% of the aggregate consideration under the Transfer Agreement by then and pay the balance of consideration within 120 working days upon the fulfillment of the condition precedent to the Transfer Agreement. Guohua Chenjiagang Company shall settle the consideration by its internal resources.
- Condition precedent: Obtaining the approval(s) regarding the project as contemplated by the Transfer Agreement from the relevant government authorities.

## **REASONS FOR ENTERING INTO THE TRANSFER AGREEMENT, PRICING FACTORS AND THE IMPACT ON THE COMPANY**

Based on the average transaction price of similar subjects in the markets in which the parties operate, the unit price for the Transaction shall be fixed at RMB1050.00 per kW.

The Transaction relates to the compensation payable by Guohua Chenjiagang Company to Guohua Xuzhou Company in consideration of the use of generating capacity of 440MW owned by the closing down of generating units #7 and #8 of Guohua Xuzhou Company for the construction of new projects under the plan of “replacing small units with larger ones”. The Transaction fully conforms to the State’s policies of energy saving and emission reduction and is favourable to facilitate the approval progress of the new construction projects.

Effective environmental protection and energy-saving generating units are used in the construction of new projects under the plan of “replacing small units with larger ones” of Guohua Chenjiagang Company which is situated in an economically developed region in the PRC. Amid the background of the implementation of the State’s policies of energy saving and emission reduction, the Transaction conforms to the development strategy and long-term benefits of the Group both from the perspectives of the operating efficiency of the Group and discharge of the social responsibility of constructing a green environmental friendly enterprise by the Group. Taking into consideration the profit, assets and liabilities of the Group as a whole, the Directors are of the view that the Transaction will not have any significant financial impact on the Group.

The board of directors of the Company has considered and approved the resolution in respect of the Transaction. The related Directors of the Company, being Dr. Zhang Xiwu, Dr. Zhang Yuzhuo, Dr. Ling Wen, Mr. Han Jianguo, Mr. Kong Dong and Mr. Chen Hongsheng, have abstained from voting on the resolution in respect of the Transaction.

The Directors (including independent non-executive Directors) of the Company are of the opinion that the Transfer Agreement is entered into: (i) on normal commercial terms (i.e. on an arm’s length basis or on terms no less favourable than those available from independent third parties); (ii) on terms that are fair and reasonable and in the interests of the Company and of its shareholders as a whole; and (iii) in the usual and ordinary course of business of the Company.

## **IMPLICATIONS UNDER HONG KONG LISTING RULES**

The Transaction constitutes a connected transaction of the Company under the Hong Kong Listing Rules. Since one or more of the applicable ratios of the Transaction exceeds 0.1% but all such percentage ratios are less than 5%, the Transaction is only subject to the reporting and announcement requirements as set out in Rules 14A.45 and 14A.47 of the Hong Kong Listing Rules and is exempt from the independent shareholders’ approval requirement.

## DEFINITIONS

“Company”	China Shenhua Energy Company Limited, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Hong Kong Stock Exchange;
“Group”	the Company and its subsidiaries as defined under the Hong Kong Listing Rules;
“Directors”	the director(s) of the Company (including the independent non-executive directors);
“Guohua Chenjiagang Company”	Jiangsu Guohua Chenjiagang Power Co., Ltd. (江蘇國華陳家港發電有限公司), a limited liability company incorporated in the PRC with registered capital of RMB20,000,000; the Company holds 55% interests in Guohua Chenjiagang Company; and Jiangsu Guoxin Investment Group Limited, being another shareholder of Guohua Chenjiagang Company, is a third party independent of the Company and its connected persons;
“Guohua Xuzhou Company”	Guohua Xuzhou Power Generation Co., Ltd. (國華徐州發電有限公司), a limited liability company incorporated in the PRC with registered capital of RMB1,307,490,000;
“Guohua Power”	Beijing Guohua Power Company Limited (北京國華電力有限責任公司), a limited liability company incorporated in the PRC with registered capital of RMB4,211,210,000;
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong;
“PRC”	the People’s Republic of China;
“MW”	million watts;
“RMB”	the lawful currency of the PRC;
“Shenhua Group Corporation”	Shenhua Group Corporation Limited, the controlling shareholder of the Company as defined under the Hong Kong Listing Rules;

“Transaction” Compensation of RMB462,000,000 to be payable by Guohua Chenjiagang Company to Guohua Xuzhou Company as the consideration pursuant to the Transfer Agreement in relation to the use of generating capacity of 440MW owned by the closing down of generating units #7 and #8 of Guohua Xuzhou Company for the construction of new projects under the plan of “replacing small units with larger ones”;

“Transfer Agreement” the Agreement Relating to the Transfer of Generating Capacity owned by the Closing Down of Small Generating Units (《關停小機組容量指標轉讓協議》) entered between Guohua Chenjiagang Company and Guohua Xuzhou Company on 18 December 2012.

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

Beijing, 18 December 2012

*As at the date of this announcement, the Board comprises the following: 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.*