

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement*



# **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)**

## **ENTERING INTO TRANSPORTATION SERVICE FRAMEWORK AGREEMENT**

### **Transportation Service Framework Agreement**

The Board announces that on 18 December 2009, the Company has entered into a Transportation Service Framework Agreement with Taiyuan Railway Bureau, pursuant to which the Taiyuan Railway Bureau Group has agreed to provide railway transportation and related services to the Group subject to the terms and conditions therein.

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

Taiyuan Railway Bureau is a substantial shareholder of Shuohuang Railway, a subsidiary of the Company and Taiyuan Railway Bureau is therefore a connected person of the Company under the Hong Kong Listing Rules.

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

## **BACKGROUND**

On 23 September 2009, China Railway Construction transferred its 41.2% equity interest in Shuohuang Railway (a subsidiary of the Company) to Taiyuan Railway Bureau. Taiyuan Railway Bureau therefore became a substantial shareholder of Shuohuang Railway and a connected person of the Company under the Hong Kong Listing Rules on 23 September 2009.

The Taiyuan Railway Bureau Group is principally engaged in railway transportation businesses and has provided railway transportation and related services to the Group since November 2004 on an arm's length basis.

The Directors became aware in early December 2009 that the applicable percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) calculated by reference to transaction volume of railway transportation and related services provided by the Taiyuan Railway Bureau Group to the Group for the period from 23 September 2009 to 25 November 2009 exceeded 0.1%

but were less than 2.5%. The Company must therefore comply with the applicable provisions of Chapter 14A of the Hong Kong Listing Rules on its transactions with the Taiyuan Railway Bureau Group, including but not limited to the requirements on having written agreement(s) and setting of annual caps pursuant to Rule 14A.35 of the Hong Kong Listing Rules.

The Board announces that on 18 December 2009, the Company has entered into a Transportation Service Framework Agreement with Taiyuan Railway Bureau, pursuant to which the Taiyuan Railway Bureau Group has agreed to provide railway transportation and related services to the Group subject to the terms and conditions therein.

## **THE TRANSPORTATION SERVICE FRAMEWORK AGREEMENT**

### **Date**

18 December 2009

### **Parties**

The Company and Taiyuan Railway Bureau

### **Continuing transaction**

Pursuant to the Transportation Service Framework Agreement, the Taiyuan Railway Bureau Group has agreed to provide railway transportation and related services to the Group subject to the terms and conditions therein.

### **Term and termination**

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

### **Price Determination**

Pursuant to the Transportation Service Framework Agreement, transportation fee payable by the Group shall be determined in accordance with the following pricing policy:

- (a) price prescribed by the state, if applicable;
- (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; and
- (c) where there is neither a state-prescribed price nor a state-guidance price, the market price.

### **Past transactions**

Taiyuan Railway Bureau became a connected person of the Company on 23 September 2009 and the Taiyuan Railway Bureau Group has provided transportation and related services to the Group in the past. The aggregate transaction amounts of such transportation and related services for the year

ended 31 December 2008, during the period from 1 January 2009 to 22 September 2009 and during the period from 23 September 2009 to 25 November 2009 are set out as follows:

<b>Transactions</b>	<b>Year ended 31 December 2008</b>	<b>Period from 1 January 2009 to 22 September 2009</b>	<b>Period from 23 September 2009 to 25 November 2009</b>
	<i>Aggregate transaction amount (RMB)</i>	<i>Aggregate transaction amount (RMB)</i>	<i>Aggregate transaction amount (RMB)</i>
Transaction fee paid by the Group to the Taiyuan Railway Bureau Group for transportation and related services provided by the Taiyuan Railway Bureau Group	2,760,290,000	3,177,030,000	684,004,300

Other than set out above and to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction entered into between the Group and the Taiyuan Railway Bureau Group and its ultimate beneficial owners within a 12 months period from the date of this announcement or otherwise related, which would be, together with transactions under the Transportation Service Framework Agreement, regarded as a series of transactions and treated as if they are one transaction under Rule 14A.25 of the Hong Kong Listing Rules.

### **Proposed annual caps**

Based on (i) assumed business volume of the Group, (ii) the Group's estimated coal production volume, and (iii) expected future electricity demand and the economic outlook of the PRC, the Company proposes that the annual caps of the Transportation Service Framework Agreement for the period from 23 September 2009 to 31 December 2009 and for the year ending 31 December 2010 be set as follows:-

<b>Transactions</b>	<b>Period from 23 September 2009 to 31 December 2009</b>	<b>Year ending 31 December 2010</b>
	<i>Proposed cap (RMB)</i>	<i>Proposed cap (RMB)</i>
Transaction fee paid and/or to be paid by the Group to the Taiyuan Railway Bureau Group for transportation and related services provided by the Taiyuan Railway Bureau Group	1,300,000,000	2,600,000,000

Other than the Taiyuan Railway Bureau Group, the Group has also engaged and/or will engage transportation services of other transportation service providers for coal transportation in

accordance with its business needs. As such, the above proposed annual caps of the Transportation Service Framework Agreement are lower than the past annual transaction amounts paid to the Taiyuan Railway Bureau Group for transportation services. Further, the above proposed annual caps are based on the Group's current estimates on coal production and transportation needs and may be subject to change in accordance with future business development of the Group. The Group will comply with disclosure and other requirements of the Hong Kong Listing Rules on any change to such annual caps.

### **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 Transportation Service Framework Agreement with members of the Taiyuan Railway Bureau Group. Each implementation agreement will set out the specifications for the transaction. The implementation agreements provide for the transportation and related services as contemplated by the Transportation Service Framework Agreement and as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Transportation Service Framework Agreement and the annual caps.

All payment made under the Transportation Service Framework Agreement and its implementation agreements will be made by the Group in cash on a monthly basis.

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

The Transportation Service Framework Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

As all the relevant percentage ratios (as defined under Rule 14A.10 of the Hong Kong Listing Rules) for the Transportation Service Framework Agreement are less than 2.5%, the Transportation Service Framework Agreement and the transactions contemplated thereunder are only subject to the reporting and announcement requirements as set out in Rules 14A.45 to 14A.47 of the Hong Kong Listing Rules, but is exempted from the independent shareholders' approval requirement under the Hong Kong Listing Rules.

### **BACKGROUND TO AND REASONS FOR ENTERING INTO THE TRANSPORTATION SERVICE FRAMEWORK AGREEMENT AND ITS BENEFITS TO THE COMPANY**

The Transportation Service Framework Agreement was entered into with a view to secure coal transportation service for the Group, which will in turn enhance the Group's coal production business and competitiveness and thereby, generate better economic returns for the Group.

### **GENERAL**

The Directors (including all independent non-executive Directors) consider that the terms of the Transportation Service Framework Agreement and the proposed annual caps are on normal commercial terms, fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

## INFORMATION RELATING TO THE PARTIES

### The Group

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

### The Taiyuan Railway Bureau Group

Taiyuan Railway Bureau and its subsidiaries are principally engaged in railway transportation businesses.

## DEFINITIONS

In this announcement, the following expressions have the following meaning unless the context requires otherwise:

“Board”	the board of Directors;
“China Railway Construction”	China Railway Construction Investment Co. Ltd (中國鐵路建設投資公司), a company incorporated in the PRC with limited liability;
“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;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“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;
“PRC”	the People’s Republic of China;
“Taiyuan Railway Bureau”	Taiyuan Railway Bureau (太原鐵路局), a company incorporated in the PRC with limited liability
“Taiyuan Railway Bureau Group”	Taiyuan Railway Bureau and its subsidiaries
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholders”	the shareholders of the Company;
“Shuohuang Railway”	Shuohuang Railway Development Co Ltd (朔黃鐵路發展有限責任公司), a company incorporated in the PRC with limited liability and a subsidiary of

“Stock Exchange”

“Transportation Service Framework Agreement”

the Company

The Stock Exchange of Hong Kong Limited;  
the Transportation Service Framework Agreement dated 18 December 2009 entered into between the Company and Taiyuan Railway Bureau

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

Beijing, 18 December 2009

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