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

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

**(Stock Code: 1088)**

**CONTINUING CONNECTED TRANSACTIONS**

**Continuing Connected Transactions**

**(1) Sale of Coal to Jiangsu Guoxin Group**

The Group has historically supplied coal to various power plants and power companies operated by members of the Jiangsu Guoxin Group. On 21 December 2007, the Board passed the resolution of establishment of Chenjiagang Power with Jiangsu Guoxin. Upon the incorporation of Chenjiagang Power, the Company will hold 55% of the equity interest in Chenjiagang Power, Chenjiagang Power will therefore become a subsidiary of the Company. As Jiangsu Guoxin will hold the remaining 45% of the equity interest in Chenjiagang Power, it will become a substantial shareholder of a subsidiary of the Company and a connected person of the Group. According to the Listing Rules, members of the Jiangsu Guoxin Group will therefore become connected persons of the Group. Transactions between the Group and the Jiangsu Guoxin Group will therefore constitute connected transactions.

**(2) Sale of Coal to Tianjin Jinneng Group**

The Group has historically supplied coal to various power plants and power companies operated by members of the Tianjin Jinneng Group. On 21 December 2007, the Board passed the resolution of establishment of Jinneng Power with Tianjin Jinneng. Upon the incorporation of Jinneng Power, the Company will hold 65% of the equity interests in Jinneng Power, Jinneng Power will therefore become a subsidiary of the Company. As Tianjin Jinneng will hold the remaining 35% of the equity interest in Jinneng Power, it will become a substantial shareholder of a subsidiary of the Company and a connected person

of the Group. According to the Listing Rules, members of the Tianjin Jinneng Group will therefore become connected persons of the Group. Transactions between the Group and the Tianjin Jinneng Group will therefore constitute connected transactions.

Pursuant to Rule 14A.41 of the Listing Rules, the Company is required to comply with the reporting and disclosure requirements only of Chapter 14A of the Listing Rules in respect of the framework agreements.

## **CONTINUING CONNECTED TRANSACTIONS**

### **(1) SALE OF COAL TO JIANGSU GUOXIN GROUP**

The Group operates a coal-based energy business in the PRC, including the supply of coal to customers such as power plants and power companies. The Group has historically supplied coal to various power plants and power companies operated by members of the Jiangsu Guoxin Group. In order to standardize and increase central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into a framework agreement dated 21 August 2007 with Jiangsu Guoxin in respect of the various individual coal supply arrangements with members of the Jiangsu Guoxin Group.

On 21 December 2007, the Board passed the resolution of establishment of Chenjiagang Power with Jiangsu Guoxin. Upon the incorporation of Chenjiagang Power, the Company will hold 55% of the equity interest in Chenjiagang Power, Chenjiagang Power will therefore become a subsidiary of the Company. As Jiangsu Guoxin will hold the remaining 45% of the equity interest in Chenjiagang Power, it will become a substantial shareholder of a subsidiary of the Company and a connected person of the Group. According to the Listing Rules, members of the Jiangsu Guoxin Group will therefore become connected persons of the Group. Transactions between the Group and the Jiangsu Guoxin Group will therefore constitute connected transactions.

For each of the three years ended 31 December, 2006, the aggregate transaction amounts for the sale of coal to the Jiangsu Guoxin Group was approximately RMB 732,580,000, RMB 1,089,440,000 and RMB 1,382,220,000 respectively. With the Group's expected continued business expansion and based on internal estimates of future demand for the coal supply to the Jiangsu Guoxin Group, the Company estimates that the aggregate transaction amounts for the sale of coal to the Jiangsu Guoxin Group for the three years ending 31 December 2010 will be approximately RMB 3,111,825,000, RMB 3,578,598,750 and RMB4,115,388,600, respectively, which are accordingly set as the annual caps for the transactions. The above caps were determined by the Company by reference to the historical annual sale of coal to the Jiangsu Guoxin Group and the increasing of the coal price in recent years. Certain of the applicable Percentage Ratios in relation to agreement will exceed 2.5% on an annual basis. The transaction will ordinarily be subject to the reporting, announcement and shareholder requirements of Chapter 14A of the Listing Rules. However, pursuant to Rule 14A.41 of the Listing Rules, the Company is required to comply with the reporting and disclosure requirements only of Chapter 14A of the Listing Rules in respect of the framework agreement.

Upon any variation of renewal of the agreement, the Company is required to comply with the reporting, disclosure and independent shareholder's approval requirements of Chapter 14A of the Listing Rules.

The framework agreement and the underlying coal supply contracts were entered into by the Group as part of its ordinary course of business. The Directors (including the independent non-executive directors) believe that (i) the terms of the framework agreement and the underlying coal supply contracts have been negotiated on an arm's length basis and are conducted on normal commercial terms and their terms are fair and reasonable so far as the shareholders are concerned and are in the interest of the Company and its shareholders as a whole; and (ii) the proposed caps are fair and reasonable.

There are no further transactions between the Group and the Jiangsu Guoxin Group which fall to be aggregated with the above pursuant to Rule 14A.25 of the Listing Rules.

## **(2) SALE OF COAL TO TIANJIN JINNENG GROUP**

The Group operates a coal-based energy business in the PRC, including the supply of coal to customers such as power plants and power companies. The Group has historically supplied coal to various power plants and power companies operated by members of the Tianjin Jinneng Group. In order to standardize and increase central monitoring of its contractual relationships, the Company has sought to enter into framework agreements with customers which are part of a single corporate group. The Company entered into a framework agreement with Tianjin Jinneng dated 20 September 2007 in respect of the various individual coal supply arrangements with members of the Tianjin Jinneng Group.

The framework agreement provides that the price of the coal supplied shall be determined based on market price for the relevant region as would be concluded in the ordinary course of commercial transactions based on normal commercial terms with an independent third party, or based on the price obtained by either party at the relevant time in the relevant region in the ordinary course of commercial transactions based on normal commercial terms with an independent third party.

On 21 December 2007, the Board passed the resolution of establishment of Jinneng Power with Tianjin Jinneng. Upon the incorporation of Jinneng Power, the Company will hold 65% of the equity interests in Jinneng Power, Jinneng Power will therefore become a subsidiary of the Company. As Tianjin Jinneng will hold the remaining 35% of the equity interest in Jinneng Power, it will become a substantial shareholder of a subsidiary of the Company and a connected person of the Group. According to the Listing Rules, members of the Tianjin Jinneng Group will therefore become connected persons of the Group. Transactions between the Group and the Tianjin Jinneng Group will therefore constitute connected transactions.

For each of the three years ended 31 December, 2006, the aggregate transaction amounts for the sale of coal to the Tianjin Jinneng Group was approximately RMB355,310,000, RMB 474,540,000 and RMB 574,610,000 respectively. With the Group's expected continued business expansion and based on internal estimates of future demand for the coal supply to

the Tianjin Jinneng Group, the Company estimates that the aggregate transaction amounts for the sale of coal to the Tianjin Jinneng Group for the three years ending 31 December 2010 will be approximately RMB 1,380,000,000, RMB 1,587,000,000 and RMB 1,825,050,000, respectively, which are accordingly set as the annual caps for the transactions. The above caps were determined by the Company by reference to the historical annual sale of coal to the Tianjin Jinneng Group and the increasing of the coal price in recent years. Certain of the applicable Percentage Ratios in relation to agreement will exceed 2.5% on an annual basis. The transaction will ordinarily be subject to the reporting, announcement and shareholder requirements of Chapter 14A of the Listing Rules. However, pursuant to Rule 14A.41 of the Listing Rules, the Company is required to comply with the reporting and disclosure requirements only of Chapter 14A of the Listing Rules in respect of the framework agreement. Upon any variation of renewal of the agreement, the Company is required to comply with the reporting, disclosure and independent shareholder's approval requirements of Chapter 14A of the Listing Rules.

The framework agreement and the underlying coal supply contracts were entered into by the Group as part of its ordinary course of business. The Directors (including the independent non-executive directors) believe that (i) the terms of the framework agreement and the underlying coal supply contracts have been negotiated on an arm's length basis and are conducted on normal commercial terms and their terms are fair and reasonable so far as the shareholders are concerned and are in the interest of the Company and its shareholders as a whole; and (ii) the proposed caps are fair and reasonable.

There are no further transactions between the Group and the Tianjin Jinneng Group which fall to be aggregated with the above pursuant to Rule 14A.25 of the Listing Rules.

## **GENERAL INFORMATION RELATING TO THE COMPANY, JIANGSU GUOXIN AND TIANJIN JINNENG**

The Company and its subsidiaries operate integrated coal-based energy business in the PRC, including coal production, transportation and sales as well as power generation. The Company and its subsidiaries also purchase coal from third parties for coal blending and resale.

Jiangsu Guoxin is solely state-owned company. Jiangsu Guoxin is principally involved in operation, management, transfer, investment, business designation and assets restructuring of stated-owned assets.

Tianjin Jinneng is principally involved in investment, construction, operation and management of energy industry including electricity power, thermal power, gas power and renewable power.

## DEFINITIONS

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

<b>"associate"</b>	has the meaning ascribed thereto under the Listing Rules;
<b>"Board"</b>	the board of Directors;
<b>"Chenjiagang Power"</b>	江苏国华陈家港发电有限责任公司(Jiangsu Guohua Chenjiagang Power Co., Ltd), a limited liability company established by the Company and Jiangsu Guoxin in the PRC;
<b>"Company"</b>	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 PRC with limited liability, the H shares of which are listed on the Stock Exchange;
<b>"Directors"</b>	the directors of the Company, including the executive, non-executive and independent non-executive directors of the Company;
<b>"Group"</b>	the Company and its subsidiaries;
<b>"Jiangsu Guoxin"</b>	江苏省国信资产管理集团有限责任公司 (Jiangsu Guoxin Asset Management Group Company Limited) , a company incorporated in the PRC with limited liability;
<b>"Jiangsu Guoxin Group"</b>	Jiangsu Guoxin, its subsidiaries and associates;
<b>"Jinneng Power"</b>	天津国华津能发电有限责任公司 (Tianjin Guohua Jinneng Power Co., Ltd ), a limited liability company established by the Company and Tianjin Jinneng in the PRC;
<b>"Listing Rules"</b>	the Rules Governing the Listing of Securities on the Stock Exchange;
<b>"Tianjin Jinneng"</b>	天津市津能投资公司(Tianjin Jinneng Investment Company), a solely state-owned corporation established in the PRC;
<b>"Tianjin Jinneng Group"</b>	Tianjin Jinneng, its subsidiaries and associates.

By order of the Board  
**Huang Qing**  
*Secretary to the Board*

Beijing, 23 December 2007

*As at the date hereof, the Board comprises Mr. Chen Biting and Dr. Ling Wen as executive directors, Mr. Yun Gongmin, Dr. Zhang Xiwu, Dr. Zhang Yuzhuo and Mr. Han Jianguo as non-executive directors, and Mr. Huang Yicheng, Mr. Anthony Francis Neoh and Mr. Chen Xiaoyue as independent non-executive directors.*