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 company incorporated in the People's Republic of China with limited liability)
(Stock Code: 01088)

ANNOUNCEMENT
2016 ANNUAL BUSINESS PLAN FOR FINANCIAL DERIVATIVES

On 17 December 2015, the resolution regarding the "2016 Annual Business Plan for Financial Derivatives of China Shenhua" was considered and passed at the 13th Meeting of the Third Session of the board of directors of China Shenhua Energy Company Limited (the "Company"). The details of the 2016 Annual Business Plan for Financial Derivatives ("Annual Business Plan for Financial Derivatives ") are set out as follows:

I. Business Objectives

As the long and medium term foreign debts of the Company are denominated in Japanese Yen and US Dollars, under the macro environment that Renminbi is currently on its way of globalization and marketization, the Company seeks to effectively prevent the foreign debt exchange risks arising from the dual-direction fluctuations of Renminbi exchange rate. In view of this, the Company may conduct foreign exchange derivatives trading business according to the actual needs at appropriate market opportunities based on its risk control principles and strategies.

In order to complete the relevant planning and preparation in advance to promptly respond to the favorable market conditions and complete the transactions, the Company has formulated the Annual Business Plan for Financial Derivatives, which was considered and approved at the 13th Meeting of the Third Session of the board of directors of the Company.

II. Business Scope

The Company may conduct foreign exchange hedging and risk aversion business through certain simple and fundamental financial derivatives, which specifically includes:

1. Converting debts denominated in Japanese Yen and US Dollars into debts denominated in Renminbi or other currencies which strongly relate to the volatility of Renminbi through simple currency interest rate swap transaction. Bearing interest costs to a certain extent, the Company can fix the exchange rate levels of the coming instalments of capital repayment and interest payable thereon;

2. Fixing the maturity exchange rate of the capital repayment together with interest payable thereon under the forward contracts according to the market's published foreign exchange forward price through foreign exchange forward transactions, avoiding the immediate assumption of any additional interest costs incurred;

3. Assuming limited option fees through foreign exchange option transactions. While hedging for risk aversion, the Company can be further entitled to gain access to the market under favorable conditions.

The above business are subject to flexible combination and dynamic adjustment according to the Company's needs of hedging over various phases. Overall, in order to serve the function of balancing the volatility of the Company's book profit and loss, currency swap transaction is to be adopted as a priority so as to ensure that the hedging against risks is properly performed subject to the reasonable foreign debt maturity. Meanwhile, the Company might choose appropriate market timing to commence forward exchange and option transactions at a favorable forward price based on the analysis on short-term trends of exchange rate in the market.

III. Business Scale

As of the date of this announcement, the balances of foreign debts of the Company amount to approximately JPY45.4 billion and US$1 billion, which are exposed to exchange risks. The scale of the Company's Annual Business Plan of Financial Derivatives will be capped by the said balances of foreign debts. The Company enables that the specific trading amounts will match with the underlying assets and income of the debts and balances the amounts according to the actual market conditions, thus restricting its exchange risk exposure in parts or all of the cash flows of the capital repayment of the said foreign debts together with interests thereon.

The Company does not have any plan to expand the trading scale of the said business by means of any leveraged instruments.

IV. Risk Analysis

1. Market risks: Whenever the trend of market exchange rate or interest rate substantially deviates from expectation, the hedging transaction cost paid by the Company in advance for the purpose of restricting exchange risk to some extent might be higher than the exchange loss that would have been incurred if no hedging transactions were made. The financial cost would be increased accordingly. In addition, a relatively large fluctuation in exchange rates could lead to a substantial change in the fair value of the relevant financial derivatives. In the event that the existing debts are not completely hedged, the book gain or loss of the Company could be affected to a certain extent.

2. Credit risks: In the event that credit default is made by the designated counterparty to the financial derivative trades and the settlement is not made according to the agreed price or amount, the Company might fail to cover the exchange loss incurred in capital repayment of foreign currency debts together with interest thereon by means of hedging transactions.

3. Operating risks: In the course of financial derivative trading, if transaction loss is incurred due to any inaccuracy or untimely decision in respect of a deal arising from either subjective or objective factors such as manual operating fault or defect of the internal control system.

V. Risk Control Measures

1. The objectives and principles of uses of financial derivatives are well-defined and the Company will stick to the aim of capital preservation by way of hedging. Leveraging in full the advantages of financial derivatives in terms of hedging and transfer of foreign debt exposure, all speculative transactions involving high risks are prevented. Regarding the use of tools, the Company strictly adheres to the principles of exchange proportion, hedging by establishing counter positions, balanced gains and losses, simplicity and systematic transactions.

2. In compliance with the relevant laws and regulations and provisions of the Articles of Association, the Company strengthens its internal control system on exchange risks, formulates methods and procedures for the sound management system of financial derivative trades, well defines the power and duties involved in the approval and operation of business transactions, stringently separates the personnel of internal control, trading, accounting and audit so as to ensure the compliance and effectiveness of every financial derivative trade.

3. The Company only conduct its financial derivative business with prominent and large-scale commercial banks with the qualification of legitimate operations and high

credit ratings.

VI. Principles of Accounting and Auditing

The Company will strictly comply with the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance as well as the auditing requirements on financial instruments in the guidance thereof and conduct corresponding audits for the contemplated foreign exchange derivatives trading business.

The investors are reminded that after the Annual Business Plan for Financial Derivatives is approved by the board of directors of the Company, the Company may conduct the financial derivatives trading business under the expected current trend and volatility of market rates, but it does not mean that the Company will definitely conduct the financial derivatives business in 2016.

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

Beijing, 17 December 2015

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