

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the content of this announcement, make no representation 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 content 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)

ANNOUNCEMENT
2018 ANNUAL BUSINESS PLAN FOR FINANCIAL DERIVATIVES

On 2 January 2018, the “Resolution Regarding the 2018 Annual Business Plan for Financial Derivatives of China Shenhua” was considered and passed at the 8th Meeting of the Fourth Session of the board of directors of China Shenhua Energy Company Limited (the “**Company**”). The details of the 2018 Annual Business Plan for Financial Derivatives (the “**Annual Business Plan for Financial Derivatives**”) are set out as follows:

I. BUSINESS OBJECTIVES

As there are and will be debts of the Company denominated in foreign currencies in a continuous manner, 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 fluctuations of Renminbi exchange rate. In view of this, the Company intends to conduct foreign exchange derivatives trading business according to the actual needs at appropriate market opportunities based on its risk control principles and strategies.

Meanwhile, for overseas projects constructed and operated by the Company, as loans for the projects are denominated in US dollar with floating interest rate, in order to effectively prevent the risks relating to interest rate caused by fluctuation of interest rate of US dollar, the Company intends to conduct US dollar interest rate 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 transactions, the Company has formulated the Annual Business Plan for Financial Derivatives, which was considered and approved at the 8th Meeting of the Fourth Session of the board of directors of the Company.

II. BUSINESS SCOPE

The Company proposed to merely utilize financial derivative products such as forward, swap and option or suitable portfolios of the aforementioned products as business types of the financial derivative products.

III. BUSINESS SCALE

The amount of financial derivative business is as follows: the amount would not exceed JPY36.6 billion to prevent the exchange risks of debts denominated in Japanese yen; the amount would not exceed US\$354 million to prevent the exchange risks of current debts denominated in US dollar; the amount would not exceed the equivalence of US\$1 billion to prevent the potential exchange risks of newly-added foreign debts; the amount would not exceed US\$587 million to prevent the risks relating to interest rate of debts denominated in US dollar.

The setting of the abovementioned amounts are calculated based on the risk exposure of the foreign debts. The then risk exposure of the foreign debts will be capped when actually implemented.

The Company does not have any plan to expand the trading scale of the aforementioned 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 foreign debt financing cost restricted by the Company in advance by making use of financial derivatives to some extent might be higher than the cost that would have been incurred if no hedging transactions were made, which would increase the financial cost. 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 trading 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, transaction losses might be 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 and the authorization manual of the Company, the Company strengthens its internal control system on exchange risks, formulates methods and procedures for the sound management system of financial derivative trading, 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 conducts its financial derivative business with prominent and large-scale 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 financial derivatives trading business.

The investors should note 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 current development trend of the market exchange rates and interest rates as well as the expectation of volatility of such rates, but the Company is not obliged to conduct the financial derivatives business in 2018.

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

Beijing, 2 January 2018

As at the date of this announcement, the Board comprises the following: Dr. Ling Wen, Dr. Han Jianguo and Dr. Li Dong as executive directors, Mr. Zhao Jibin as non-executive director, and Dr. Tam Wai Chu, Maria, Dr. Jiang Bo and Ms. Zhong Yingjie, Christina as independent non-executive directors.