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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)**

**CONTINUING CONNECTED TRANSACTIONS**  
**ENTERING INTO CONTINUING CONNECTED TRANSACTIONS**  
**FRAMEWORK AGREEMENT**

**ENTERING INTO CONTINUING CONNECTED TRANSACTIONS**  
**FRAMEWORK AGREEMENT**

The Company has entered into the Continuing Connected Transactions Framework Agreement with Taiyuan Railway Bureau which acts for and on behalf of China Railway on 26 December 2018. Pursuant to the Continuing Connected Transactions Framework Agreement, the China Railway Group has agreed to provide transportation service, supply coal and provide other products and services to the Group subject to the terms and conditions therein, and the Group has agreed to supply coal, provide transportation service and provide other products and services to the China Railway Group subject to the terms and conditions therein.

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

According to the Scheme of Institutional Reform and Function Transformation of the State Council and the Reply of the State Council on Relevant Issues concerning the Establishment of the China Railway Corporation approved on 14 March 2013, the Ministry of Railways was dismantled. The administrative function of the Ministry of Railways is transferred to the Ministry of Transportation and the newly established National Railway Administration, whereas the commercial function and all relevant assets, liabilities and human resources are transferred to China Railway established on 14 March 2013. Afterwards, regional railway bureaus including Taiyuan Railway Bureau have carried out corporate reform, namely restructuring into limited liability companies and China Railway acting as their controlling shareholder. The Company is informed that, as of the date of this announcement, China Railway has become the controlling shareholder of regional railway bureaus including Taiyuan Railway Bureau and other railway assets and is therefore a connected person of the Company under the Hong Kong Listing Rules.

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

In respect of the proposed annual caps under the Continuing Connected Transactions Framework Agreement, as one or more of the applicable percentage ratios exceeds 1% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the Continuing Connected Transactions Framework Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements, but are exempt from independent shareholders' approval requirement under Rule 14A.101 of the Hong Kong Listing Rules.

## **CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT**

### **Date**

26 December 2018

### **Parties**

The Company and Taiyuan Railway Bureau which acts for and on behalf of China Railway

### **Details of the transaction**

Pursuant to the Continuing Connected Transactions Framework Agreement, the China Railway Group has agreed to provide transportation service, supply coal and provide other products and services to the Group subject to the terms and conditions therein, and the Group has agreed to supply coal, provide transportation service and provide other products and services to the China Railway Group subject to the terms and conditions therein. Other products and services mutually provided by the China Railway Group and the Group include, but are not limited to, rolling stock usage, overhaul services, equipment supply, business consulting, technical services, and railway track maintenance services.

## **Term and termination**

Upon approval by the Board, the Continuing Connected Transactions Framework Agreement is effective from the execution date and will end on 31 December 2019.

## **Price determination**

The pricing of the transactions under the Continuing Connected Transactions Framework Agreement shall be agreed in the implementation agreements, but shall be determined in accordance with the general principles and order of this section:

- (a) The price of transportation service mutually provided by the China Railway Group and the Group shall be determined in the following priority:
  - (i) the prices as determined by the government;
  - (ii) if the prices are not specified by the government, the prices will be determined in accordance with the pricing standards and rules of national railways within the guidance prices set by the government;
  - (iii) if the prices are not specified by the government and the government has not set applicable guidance prices, the prices shall be determined in accordance with the applicable industry price settlement rules;
  - (iv) except for applying the prices specified by the government, the guidance prices set by the government and the industry settlement rules, if there are comparable market prices or pricing standards, priority shall be given to such market prices or pricing standards as reference to determine the prices upon negotiation;
  - (v) if none of the above-mentioned pricing standards is available, the prices shall be determined with reference to the prices of non-connected transactions between the connected parties and independent third parties;
  - (vi) if neither comparable market prices nor prices of non-connected transactions are available for reference, the prices shall be determined upon negotiation according to the aggregate of the total actual costs for providing the relevant services, reasonable profits and taxes and additional charges paid.

- (b) The price of coal mutually supplied by the China Railway Group and the Group is the product of the unit price RMB/tonne multiplied by the actual weight. The unit price of coal shall be determined by both parties after arm's length negotiations with reference to the market price and conditions and the following factors, provided that the transaction terms shall not be less favourable than those provided by independent third parties:
- (i) the national industrial policy as well as industry and market conditions in the PRC;
  - (ii) the specified guidelines issued by NDRC setting out the coal purchase prices (if any);
  - (iii) the current transacted coal prices of the local coal exchange or market in the PRC, i.e., the coal price with comparable quality that is offered to or offered by independent third parties under normal market conditions and normal commercial terms in the same or nearby regions. For local spot coal price, reference is made to (i) the spot price index of the local coal exchange or market in Bohai-rim region or nearby provinces as published on the website of 中國煤炭市場網(www.cctd.com.cn) organised by China Coal Transportation & Sale Society (《中國煤炭運銷協會》) in the PRC as determined by both parties at arm's length negotiation; (ii) the sale price of local large coal enterprises as published by each coal industry website (if any); and/or (iii) price quotation of one or more other enterprises with comparable quality, quantity and location (if any);
  - (iv) the quality of the coal;
  - (v) the quantity of coal; and
  - (vi) the estimated transportation fees.
- (c) The price of other products and services mutually provided by the China Railway Group and the Group shall be determined in accordance with the general principles and order of this section:
- (i) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;
  - (ii) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price shall be ultimately determined in accordance with the tender and bidding process;

- (iii) Market price: the price of the same or similar products or services provided by an independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable transactions with independent third party for the same period when determining whether the price for any transaction under the Agreement is market price; and
- (iv) Agreed price: to be determined by adding a reasonable profit over a reasonable cost. The management shall consider at least two comparable transactions with independent third party for the same period when determining the reasonable profit of any transaction under the Agreement.

In addition to the above, for certain type of products and service, specific pricing policy is adopted as follows:

- (i) Rolling stock usage: agreed price (reasonable cost + about 5% profit).
- (ii) Overhaul services and railway track maintenance services: the price is negotiated and agreed by the parties on the basis of the unit price that the China Railway Group agreed with third parties in the previous year or the same year.
- (iii) Equipment supply: tender and bidding price.
- (iv) Business consulting and technical services: market price.

### **Proposed annual caps and past transactions**

The Company proposes that the annual caps of the Continuing Connected Transactions Framework Agreement for the years ending on 31 December 2018 and 31 December 2019, respectively, be set as follows. The Company also sets out below the unaudited historical transaction amounts under the same category for the years ended 31 December 2016 and 31 December 2017 and the period from 1 January 2018 to 30 June 2018.

***Transportation service provided by the China Railway Group (excluding Taiyuan Railway Bureau Group) to the Group***

*(1) Historical transaction amounts*

<b>Year ended 31 December 2016 Aggregated transaction amount (RMB million)</b>	<b>Year ended 31 December 2017 Aggregated transaction amount (RMB million)</b>	<b>Period from 1 January 2018 to 30 June 2018 Aggregated transaction amount (RMB million)</b>
Approximately 1,600	Approximately 3,319	Approximately 2,000

*(2) Proposed annual caps*

<b>Year ending 31 December 2018 Proposed annual cap (RMB million)</b>	<b>Year ending 31 December 2019 Proposed annual cap (RMB million)</b>
5,911	8,329

The abovementioned proposed annual caps are determined after taking into consideration of the historical transaction amounts and the expectation of the Group to increase purchasing of transportation service of the China Railway Group due to the growth of coal production and sale business of the Group and flexibility.

***Transportation service provided by the Group to the China Railway Group (excluding Taiyuan Railway Bureau Group)***

*(1) Historical transaction amounts*

<b>Year ended 31 December 2016 Aggregated transaction amount (RMB million)</b>	<b>Year ended 31 December 2017 Aggregated transaction amount (RMB million)</b>	<b>Period from 1 January 2018 to 30 June 2018 Aggregated transaction amount (RMB million)</b>
Approximately 76	Approximately 156	Approximately 7

(2) *Proposed annual caps*

<b>Year ending 31 December 2018 Proposed annual cap (RMB million)</b>	<b>Year ending 31 December 2019 Proposed annual cap (RMB million)</b>
464	491

The abovementioned proposed annual caps are determined after taking into consideration of the historical transaction amounts and the expectation of the Group to increase supply of transportation service to the China Railway Group due to the growth of transportation business of the Group and flexibility.

***Coal supplied by the China Railway Group (excluding Taiyuan Railway Bureau Group) to the Group***

(1) *Historical transaction amounts*

<b>Year ended 31 December 2016 Aggregated transaction amount (RMB million)</b>	<b>Year ended 31 December 2017 Aggregated transaction amount (RMB million)</b>	<b>Period from 1 January 2018 to 30 June 2018 Aggregated transaction amount (RMB million)</b>
Approximately 311	Approximately 812	Approximately 667

(2) *Proposed annual caps*

<b>Year ending 31 December 2018 Proposed annual cap (RMB million)</b>	<b>Year ending 31 December 2019 Proposed annual cap (RMB million)</b>
1,729	1,378

The abovementioned proposed annual caps are determined after taking into consideration of the historical transaction amounts and the expectation of the Group to increase purchasing of coal of the China Railway Group due to the growth of coal production and sale business of the Group and flexibility.

***Coal supplied by the Group to the China Railway Group (excluding Taiyuan Railway Bureau Group)***

*(1) Historical transaction amounts*

<b>Year ended 31 December 2016 Aggregated transaction amount (RMB million)</b>	<b>Year ended 31 December 2017 Aggregated transaction amount (RMB million)</b>	<b>Period from 1 January 2018 to 30 June 2018 Aggregated transaction amount (RMB million)</b>
Approximately 704	Approximately 1,912	Approximately 1,526

*(2) Proposed annual caps*

<b>Year ending 31 December 2018 Proposed annual cap (RMB million)</b>	<b>Year ending 31 December 2019 Proposed annual cap (RMB million)</b>
4,420	6,365

The abovementioned proposed annual caps are determined after taking into consideration of the historical transaction amounts and the expectation of the Group to increase supply of coal to the China Railway Group due to the growth of coal production and sale business of the Group and flexibility.

***Other products and services provided by the China Railway Group (excluding Taiyuan Railway Bureau Group) to the Group***

*(1) Historical transaction amounts*

<b>Year ended 31 December 2016 Aggregated transaction amount (RMB million)</b>	<b>Year ended 31 December 2017 Aggregated transaction amount (RMB million)</b>	<b>Period from 1 January 2018 to 30 June 2018 Aggregated transaction amount (RMB million)</b>
Approximately 172	Approximately 223	Approximately 78

(2) *Proposed annual caps*

<b>Year ending 31 December 2018 Proposed annual cap (RMB million)</b>	<b>Year ending 31 December 2019 Proposed annual cap (RMB million)</b>
401	471

The abovementioned proposed annual caps are determined after taking into consideration of the historical transaction amounts and the expectation of the Group to increase purchasing of other products and services of the China Railway Group due to the growth of transportation business of the Group and flexibility.

***Other products and services provided by the Group to the China Railway Group  
(excluding Taiyuan Railway Bureau Group)***

(1) *Historical transaction amounts*

<b>Year ended 31 December 2016 Aggregated transaction amount (RMB million)</b>	<b>Year ended 31 December 2017 Aggregated transaction amount (RMB million)</b>	<b>Period from 1 January 2018 to 30 June 2018 Aggregated transaction amount (RMB million)</b>
Approximately 0	Approximately 71	Approximately 0

(2) *Proposed annual caps*

<b>Year ending 31 December 2018 Proposed annual cap (RMB million)</b>	<b>Year ending 31 December 2019 Proposed annual cap (RMB million)</b>
65	65

The abovementioned proposed annual caps are determined after taking into consideration of the historical transaction amounts and the expectation of the Group to increase supply of other products and services of the China Railway Group due to the growth of transportation business of the Group and flexibility.

The terms of the Continuing Connected Transactions Framework Agreement have been reached after arm's length negotiation between both parties. The transactions contemplated under the Continuing Connected Transactions Framework Agreement are conducted on a non-exclusive basis. Considering that the historical transactions between the Group and the China Railway Group have been conducted in a way consistent with the transactions between the Group and independent third parties, neither party can exert influence on the other party. Even if China Railway has become a connected person of the Company as a result of the application of the Hong Kong Listing Rules, the Company is of the view that the transactions between the Group and the China Railway Group will continue in a way consistent with the transactions between the Group and independent third parties, and there is no possibility that the interest of the shareholders of the Company will be affected by such continuing connected transactions. Directors and senior management of the Company will monitor closely and review regularly each continuing connected transaction of the Company. The Company has established a series of procedures and internal control measures in order to maintain, in relation to each continuing connected transaction, the independence of the Company; the fairness of the price of the transaction; the fairness of the terms of the transaction; and the right of the Company to conduct transactions with third parties other than the China Railway Group. The Company will ensure that the pricing mechanism and terms of the transactions are fair and reasonable and no less favourable than the terms provided by any independent third party, so as to ensure that they serve the interests of the Company and its shareholders as a whole. The Company will disclose the actual transaction amounts in each year's annual report and the independent non-executive directors and auditors of the Company will also issue opinions on the continuing connected transactions to accept the supervision of the shareholders.

### **Implementation agreements and payment**

The Company and each subsidiary of the Company may, from time to time and as necessary, enter into separate implementation agreements for each specific transaction contemplated under the Continuing Connected Transactions Framework Agreement with China Railway and each subsidiary of China Railway. Each implementation agreement will set out the specifications for the transaction. The implementation agreements provide for the provision of service as contemplated by the Continuing Connected Transactions Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Continuing Connected Transactions Framework Agreement and the annual caps.

All payment made pursuant to the Continuing Connected Transactions Framework Agreement and its implementation agreements will be in cash.

## **Reasons for entering into the Continuing Connected Transactions Framework Agreement and their benefits to the Company**

Due to the wide distribution of railway transportation network of China Railway and its subsidiaries, the inter-regional trunk lines and coal transportation channels are located throughout China. Obtaining railway transportation and related services of China Railway and its subsidiaries is conducive to enhancing the transportation efficiency of the Group, reducing operational risks and costs, thereby expanding the coal sales area of the Group. China Railway and its subsidiaries have cooperated with the Group for a long time in the areas such as mutually supply of coal, transportation and products and services. The transaction prices are fair and reasonable, which guarantee the integrated operation model of the Group.

## **Hong Kong Listing Rules Implications**

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

According to the Scheme of Institutional Reform and Function Transformation of the State Council and the Reply of the State Council on Relevant Issues concerning the Establishment of the China Railway Corporation on 14 March 2013, the Ministry of Railways was dismantled. The administrative function of the Ministry of Railways is transferred to the Ministry of Transportation and the newly established National Railway Administration, whereas the commercial function and all relevant assets, liabilities and human resources are transferred to China Railway established on 14 March 2013. Afterwards, regional railway bureaus including Taiyuan Railway Bureau have carried out corporate reform, namely restructuring into limited liability companies and China Railway acting as their controlling shareholder. The Company is informed that, as of the date of this announcement, China Railway has become the controlling shareholder of regional railway bureaus including Taiyuan Railway Bureau and other railway assets and is therefore a connected person of the Company under the Hong Kong Listing Rules.

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

In respect of the proposed annual caps under the Continuing Connected Transactions Framework Agreement, as one or more of the applicable percentage ratios exceeds 1% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the Continuing Connected Transactions Framework Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements, but are exempt from independent shareholders' approval requirement under Rule 14A.101 of the Hong Kong Listing Rules.

The Company has entered into Transportation Service Framework Agreement with Taiyuan Railway Bureau on 24 March 2016. Pursuant to the Transportation Service Framework Agreement, the Taiyuan Railway Bureau Group has agreed to provide transportation and other related services to the Group, and the Group has agreed to provide rolling stock leasing service, railway track maintenance and other related services to the Taiyuan Railway Bureau Group. The Transportation Service Framework Agreement will be effective from 1 January 2017 and will end on 31 December 2019. The annual caps of transportation and other related services provided by the Taiyuan Railway Bureau Group to the Group for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 are RMB11,600 million, RMB14,000 million and RMB17,000 million, respectively. The annual caps of rolling stock leasing service, railway track maintenance and other related services provided by the Group to the Taiyuan Railway Bureau Group for the years ended 31 December 2017, 31 December 2018 and 31 December 2019 are RMB1,700 million, RMB1,700 million and RMB1,700 million, respectively. Save as above, 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 China Railway and its ultimate beneficial owners within a 12-month period or otherwise related, which would, together with transactions under the Continuing Connected Transactions Framework Agreement, be regarded as a series of transactions and treated as if they are one transaction under Rules 14A.81 of the Hong Kong Listing Rules.

### **Basic information of parties**

The Company is a world-leading coal-based integrated energy company. The main business of the Company and its subsidiaries includes production and sales of coal and power, railway, port and ship transportation, and coal-to-olefins and other coal related chemical processing business.

China Railway focuses on railway passenger and freight transport services and carries out diversified business operation. Its responsibilities include unified control and command of railway transport, operation and management of passenger and freight transport by national railways, public welfare transport specified by national regulations, key transport related to the national economy and the peoples' livelihood, as well as special transport, dedicated transport, and transport tasks for rescue and disaster relief and other responsibilities.

Taiyuan Railway Bureau mainly engages in railway transportation business.

## General information

The Directors, including the independent non-executive Directors, consider that the terms, proposed annual caps of and the transactions contemplated under the Continuing Connected Transactions Framework Agreement are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and are in the interests of the Company and its shareholders as a whole.

The Board has resolved and approved the Continuing Connected Transactions Framework Agreement and the proposed annual caps thereto. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Board has any material interest in the transactions contemplated under the Continuing Connected Transactions Framework Agreement.

The PRC legal advisor of the Company, King & Wood Mallesons, is of the view that, considering that the Company has knowledge of the agency relationship between China Railway and Taiyuan Railway Bureau, the Continuing Connected Transactions Framework Agreement entered into by Taiyuan Railway Bureau for and on behalf of China Railway is legally binding directly on China Railway and the Company.

## DEFINITIONS

The following expressions have the following meaning unless the context requires otherwise:

“Board”	the board of Directors;
“China Railway”	China Railway Corporation (中國鐵路總公司), a wholly state-owned enterprise incorporated in the PRC;
“China Railway Group”	China Railway and its subsidiaries;
“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 of Hong Kong Limited;
“Continuing Connected Transactions Framework Agreement”	The Continuing Connected Transactions Framework Agreement dated 26 December 2018 entered into between the Company and China Railway;
“Daqin Railway”	Daqin Railway Co., Ltd. (大秦鐵路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability;

“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“NDRC”	the National Development and Reform Commission of the PRC;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) 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 the Company;
“Taiyuan Railway Bureau”	China Railway Taiyuan Group Co.,Ltd. (中國鐵路太原局集團有限公司), a company incorporated in the PRC with limited liability and a subsidiary of China Railway, and its predecessor is Taiyuan Railway Bureau (太原鐵路局);
“Taiyuan Railway Bureau Group”	Taiyuan Railway Bureau and its subsidiaries;
“Transportation Service Framework Agreement”	the Transportation Service Framework Agreement dated 24 March 2016 entered into between the Company and Taiyuan Railway Bureau.

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

Beijing, 28 December 2018

*As at the date of this announcement, the Board comprises the following: Dr. Ling Wen, Dr. Li Dong, Mr. Gao Song and Mr. Mi Shuhua as executive directors, Mr. Zhao Jibin as non-executive director, and Dr. Tam Wai Chu, Maria, Dr. Jiang Bo, Ms. Zhong Yingjie, Christina, Dr. Peng Suping and Dr. Huang Ming as independent non-executive directors.*