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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)

**VOLUNTARY ANNOUNCEMENT
POSSIBLE CONNECTED TRANSACTION
PARTICIPATION IN THE ESTABLISHMENT
OF THE GUONENG FUND**

On 29 December 2020, the Board approved the Company to contribute RMB4 billion with its own funds to participate in the establishment of the Guoneng Fund as a limited partner and to sign the Partnership Agreement with limited partners such as Guohua Investment and general partners such as Guohua Asset Management. As of the date of this announcement, the terms of the Partnership Agreement have not been finalised and the Partnership Agreement has not yet been signed.

As at the date of this announcement, Guohua Investment is a wholly-owned subsidiary of China Energy, and Guohua Asset Management is a wholly-owned subsidiary of Guohua Investment. China Energy holds 69.45% interest in the Company, and is the controlling shareholder of the Company. As such, Guohua Investment and Guohua Asset Management are the connected persons of the Company under the Hong Kong Listing Rules. Therefore, the Possible Transaction under the Partnership Agreement to be signed will constitute a connected transaction of the Company. As the applicable percentage ratios in respect of the Possible Transaction are expected to be more than 0.1% but less than 5%, the Company anticipates that the Possible Transaction will be subject to the announcement and reporting requirements under the Hong Kong Listing Rules but is exempt from the independent shareholders' approval requirement.

The Board wishes to emphasize that the terms of the Partnership Agreement have not been finalised and that Possible Transaction may or may not proceed. The Company has not entered into any legally binding agreement in relation to the Possible Transaction as at the date of this announcement. If the the Company enters into the Partnership Agreement, it will constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. The Company will make further announcements in relation to Possible Transaction as and when appropriate in accordance with the Hong Kong Listing Rules.

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The overall scale of Guoneng Fund is RMB10.02 billion, of which the Company plans to invest RMB4 billion with its own funds; Guohua Investment plans to invest RMB1 billion as a limited partner; Guohua Asset Management plans to invest RMB10 million as a general partner; and other tentative partners plan to invest RMB5.01 billion in total (the specific amount of contribution is subject to the final Partnership Agreement to be entered into).

MAIN CONTENTS OF PARTNERSHIP AGREEMENT

The terms of the Partnership Agreement have not been finalised and the Partnership Agreement has not yet been signed. The tentative main contents thereof are as follows:

1. Fund Name: Guoneng New Energy Industrial Investment Fund (Limited Partnership) (國能新能源產業投資基金(有限合夥)) (subject to business registration)
2. Fund Size: RMB10.02 billion
3. Organizational Form of the Fund: limited partnership
4. Method of Fund Contribution: subscription system
5. Duration: the duration of the fund is 5 years, including 3 years for investment and 2 years for exit.

6. Manager: Guohua Asset Management as a general partner and the fund manager.
7. Investment Decision-Making Mechanisms: An investment decision committee shall be established, of which one member shall be appointed by the Company and two members shall be appointed by Guohua Asset Management.
8. Investment Projects and Exit: (1) Acquisition and merger of wind power and photovoltaic projects in the market; (2) Investment in related new technology projects such as hydrogen energy and energy storage. Project exit methods include: the first is to exit by transferring to partner's related parties or other investors; the second is to exit through market-oriented methods such as listing.
9. Management Fee and Business Remuneration Fee: 2% per year of the balance of capital actually paid by all partners, of which Guohua Asset Management charges 1% of management fee.
10. Profit Distribution: The profit distribution is based on investment project or project package for investment accounting. The threshold rate of return for the Company, Guohua Investment and the general partners is 6% per year. The income of the investment project that exceeds the threshold income is the excess income, which shall be distributed according to the Partnership Agreement.
11. Loss Sharing: Under circumstances where the partnership incurs loss, all partners shall bear the losses according to their subscribed capital contribution; the part exceeding the subscribed capital contribution of the partnership shall be borne by the general partners.

PURPOSE OF THE POSSIBLE TRANSACTION AND ITS IMPACT ON THE COMPANY

Through participation in the Possible Transaction, the Company can effectively use existing funds and improve the capital efficiency. The Possible Transaction will not have material impact on the future financial position and operating results of the Company.

RISK WARNING

The main investments of Guoneng Fund will be in wind power, photovoltaic projects and other new energy projects. If the relevant industry fluctuates greatly, it may lead to a decrease in income and an increase in costs during the holding period of the fund; the return of fund income is also closely related to factors such as macro economy, investment project selection, investment valuation, post-investment management and exit channels. Therefore, there exist return risks and uncertainties in relation to the Possible Transaction.

As of the date of this announcement, the Partnership Agreement has not yet been signed. The Company will disclose the progress of the establishment of the Guoneng Fund in stages in accordance with regulatory requirements.

GENERAL INFORMATION

Guohua Investment is a limited company established in the PRC. Its principal business includes the investment development and operation of new energy projects, coal-to-oil fund management and equity investment, development and utilization of hydrogen energy and fund management of clean energy industry. Guohua Asset Management is a wholly-owned fund management company of China Energy, and is the fund management and operation platform of Guohua Investment.

As at the date of this announcement, Guohua Investment is a wholly-owned subsidiary of China Energy, and Guohua Asset Management is a wholly-owned subsidiary of Guohua Investment. China Energy holds 69.45% interest in the Company, and is the controlling shareholder of the Company. As such, Guohua Investment and Guohua Asset Management are connected persons of the Company under the Hong Kong Listing Rules. Therefore, the Possible Transaction under the Partnership Agreement to be signed will constitute a connected transaction of the Company. As the applicable percentage ratios in respect of the Possible Transaction are expected to be more than 0.1% but less than 5%, the Company anticipates that the Possible Transaction will be subject to the announcement and reporting requirements under the Hong Kong Listing Rules but is exempt from the independent shareholders' approval requirement.

The Board has resolved and approved the Possible Transaction on 29 December 2020. Of the Directors attending the board meeting, the connected Directors Mr. Wang Xiangxi and Mr. Jia Jinzhong were deemed to have material interests in the Possible Transaction by virtue of being employed by China Energy and had thus abstained from voting on the relevant resolution(s). The Directors, including the independent non-executive Directors, are of the view the Possible Transaction (if materialises) will be entered into on normal commercial terms in the ordinary course of business of the Company, the terms are fair and reasonable, and in the interests of the Company and its shareholders as a whole.

The Board wishes to emphasize that the terms of the Partnership Agreement have not been finalised and that Possible Transaction may or may not proceed. The Company has not entered into any legally binding agreement in relation to the Possible Transaction as at the date of this announcement. If the Company enters into the Partnership Agreement, it will constitute a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company. The Company will make further announcements in relation to Possible Transaction as and when appropriate in accordance with the Hong Kong Listing Rules.

DEFINITIONS

Unless the context otherwise requires, the following terms have the following meanings:

“Board”	the board of Directors of the Company;
“China Energy”	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), being the controlling shareholder of the Company(as defined in the Hong Kong Listing Rules);
“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, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Guohua Asset Management”	Guohua Investment Development Asset Management (Beijing) Co., Ltd. (國華投資開發資產管理(北京)有限公司), a limited liability company incorporated in the PRC;
“Guohua Investment”	Guohua Energy Investment Co., Ltd (國華能源投資有限公司), a limited liability company incorporated in the PRC;
“Guoneng Fund”	Guoneng New Energy Industrial Investment Fund (Limited Partnership) (國能新能源產業投資基金(有限合夥));
“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;
“Partnership Agreement”	the partnership agreement proposed to be entered into between the Company and limited partners such as Guohua Investment and general partners such as Guohua Asset Management to jointly establish the Guoneng Fund;
“Possible Transaction”	the transaction contemplated under the Partnership Agreement;

“PRC” the People’s Republic of China;

“RMB” Renminbi, the lawful currency of the PRC.

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

Beijing, 29 December 2020

As at the date of this announcement, the Board comprises the following: Mr. Wang Xiangxi, Mr. Yang Jiping and Mr. Xu Mingjun as executive directors, Mr. Jia Jinzhong as non-executive director, Dr. Yuen Kwok Keung, Dr. Bai Chong-En and Dr. Chen Hanwen as independent non-executive directors, and Mr. Wang Xingzhong as employee director.