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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 TRANSPORTATION SERVICE FRAMEWORK AGREEMENT**

**ENTERING INTO TRANSPORTATION SERVICE FRAMEWORK AGREEMENT**

As disclosed in the announcement dated 22 March 2013 the Company has entered into the Current Transportation Service Framework Agreement with Taiyuan Railway Bureau on 22 March 2013 to obtain railway transportation and related services, the term of which will expire on 31 December 2016.

In order to secure future railway transportation and related services, the Company has entered into a new 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 railway transportation and related services to the Group subject to the terms and conditions therein, and the Group has agreed to provide rolling stock leasing service, railway track maintenance and other related services to the Taiyuan Railway Bureau Group subject to the terms and conditions therein. The Transportation Service Framework Agreement will be effective from 1 January 2017.

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. Therefore, the Transportation Service 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 Transportation Service 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 Transportation Service 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.

## **BACKGROUND**

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.

Taiyuan Railway Bureau and its subsidiaries are principally engaged in railway transportation businesses. 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.

As disclosed in the announcement dated 22 March 2013, the Company has entered into the Current Transportation Service Framework Agreement with Taiyuan Railway Bureau on 22 March 2013 to obtain railway transportation and related services, the term of which will expire on 31 December 2016.

In order to secure future railway transportation and related services, the Company has entered into a new Transportation Service Framework Agreement with Taiyuan Railway Bureau on 24 March 2016. In consideration that during recent years, following the deep cooperation between the Group and the Taiyuan Railway Bureau Group, the Group has started to provide rolling stock leasing service, railway track maintenance and other related services to the Taiyuan Railway Bureau Group in small scale. Although transaction scale is relatively small, the Company and Taiyuan Railway Bureau have agreed to include these in the Transportation Service Framework Agreement. Pursuant to the Transportation Service Framework Agreement, the Taiyuan Railway Bureau Group has agreed to provide railway transportation and related services to the Group subject to the terms and conditions therein, and the Group has agreed to provide rolling stock leasing service, railway track maintenance and other related services to the Taiyuan Railway Bureau Group subject to the terms and conditions therein. The Transportation Service Framework Agreement will be effective from 1 January 2017.

## **TRANSPORTATION SERVICE FRAMEWORK AGREEMENT**

### **Date**

24 March 2016

### **Parties**

The Company and Taiyuan Railway Bureau

### **Transportation service**

Pursuant to the Transportation Service Framework Agreement, the Taiyuan Railway Bureau Group has agreed to provide railway transportation and related services to the Group subject to the terms and conditions therein, and the Group has agreed to provide rolling stock leasing service, railway track maintenance and other related services to the Taiyuan Railway Bureau Group subject to the terms and conditions therein.

### **Term and termination**

The Transportation Service Framework Agreement is conditional on the Company's compliance of all announcement, shareholders' approval and other requirements under the Hong Kong Listing Rules in respect of the Transportation Service Framework Agreement and is effective from 1 January 2017 and will end on 31 December 2019.

## **Price determination**

The pricing of the services shall be agreed in the implementation agreements, but shall be determined in accordance with the general principles and order of this section:

- (a) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular service, such 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.
- (b) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price ultimately determined in accordance with the tender and bidding process.
- (c) Market price: the price of the same or similar 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.
- (d) 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 service, specific pricing policy is adopted as follows:

- (a) Transportation and related services provided by the Taiyuan Railway Bureau Group to the Group: price prescribed by NDRC or other related government authorities.
- (b) Rolling stock leasing and other related services provided by the Group to the Taiyuan Railway Bureau Group: price prescribed by NDRC or other related government authorities.
- (c) Railway track maintenance and other related services provided by the Group to the Taiyuan Railway Bureau Group: the price is negotiated and agreed by the parties on the basis of the unit price that the Taiyuan Railway Bureau Group agreed with third parties in the previous year or the same year.

## Proposed annual caps and past transactions

The Company proposes that the annual caps of the Transportation Service Framework Agreement for the years ending on 31 December 2017, 31 December 2018 and 31 December 2019, respectively, be set as follows. The Company also sets out below the historical transaction amounts under the same category for the years ended 31 December 2014 and 31 December 2015 and the period from 1 January 2016 to 31 January 2016.

The aggregate transaction amount under the Current Transportation Service Framework Agreement is within the existing annual cap.

Provision of transportation and related services provided by the Taiyuan Railway Bureau Group to the Group

### (1) Historical transaction amounts

<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2015</b>	<b>Period from 1 January 2016 to 31 January 2016</b>
<i>Aggregated transaction amount (RMB million)</i>	<i>Aggregated transaction amount (RMB million)</i>	<i>Aggregated transaction amount (RMB million)</i>
Approximately 5,994.00	Approximately 5,796.00	Approximately 481.00

### (2) Proposed annual caps

<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2015</b>	<b>Year ended 31 December 2016</b>	<b>Year ending 31 December 2017</b>	<b>Year ending 31 December 2018</b>	<b>Year ending 31 December 2019</b>
<i>Annual cap (RMB million)</i>	<i>Annual cap (RMB million)</i>	<i>Annual cap (RMB million)</i>	<i>Proposed annual cap (RMB million)</i>	<i>Proposed annual cap (RMB million)</i>	<i>Proposed annual cap (RMB million)</i>
12,400.00	12,400.00	12,400.00	11,600.00	14,000.00	17,000.00

Provision of rolling stock leasing service, railway track maintenance and other related services by the Group to the Taiyuan Railway Bureau Group

**(1) Historical transaction amounts**

<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2015</b>	<b>Period from 1 January 2016 to 31 January 2016</b>
<i>Aggregated transaction amount (RMB million)</i>	<i>Aggregated transaction amount (RMB million)</i>	<i>Aggregated transaction amount (RMB million)</i>
0.00	Approximately 19.00	0.00

**(2) Proposed annual caps**

<b>Year ended 31 December 2014</b>	<b>Year ended 31 December 2015</b>	<b>Year ended 31 December 2016</b>	<b>Year ending 31 December 2017</b>	<b>Year ending 31 December 2018</b>	<b>Year ending 31 December 2019</b>
<i>Annual cap (RMB million)</i>	<i>Annual cap (RMB million)</i>	<i>Annual cap (RMB million)</i>	<i>Proposed annual cap (RMB million)</i>	<i>Proposed annual cap (RMB million)</i>	<i>Proposed annual cap (RMB million)</i>
N/A	N/A	N/A	1,700.00	1,700.00	1,700.00

The terms of the Transportation Service Framework Agreement have been reached after arm's length negotiation between the Company and Taiyuan Railway Bureau.

The proposed annual caps of the Transportation Service Framework Agreement for providing transportation and related services by the Taiyuan Railway Bureau Group to the Group have been set taking into account the following factors:

- (a) coal price has continuously declined during recent years. The Bohai Bay Thermal Coal Price published in the week during which this announcement is issued has dropped by approximately 62.94% since the week of 22 March 2013 (i.e. the date that the Current Transportation Service Framework Agreement was entered into). Affected by the declining coal price and difficult operation and market environment, the coal sale volume of the Group has decreased. Accordingly, its demand for transportation and related services of the Taiyuan Railway Bureau Group has decreased. The historical transaction amounts under the same category for the years ended 31 December 2014 and 31 December 2015 and the period from 1 January 2016 to 31 January 2016 were at a relatively low level. Therefore, the annual caps for the years ending 31 December 2017, 31 December 2018 and 31 December 2019 proposed by the Company are approximately the same with the annual caps for the years ended 31 December 2014, 31 December 2015 and 31 December 2016; and

- (b) looking into the future, China's economy will continue to retain its upward trend in the long run, and coal will remain as one of the most important fundamental energy resources. The efforts made at the state level to improve orderly competition and reduce excessive coal production capacity will provide favourable conditions for coal industry to achieve sustainable and robust development and improve, and improve operation environment of coal enterprises. Therefore, Company estimates that following possible improvement of operation environment of coal enterprises, the demand of the Group for transportation and related services of the Taiyuan Railway Bureau Group will gradually increase during the next three years.

The proposed annual caps of the Transportation Service Framework Agreement for providing rolling stock leasing service, railway track maintenance and other related services by the Group to the Taiyuan Railway Bureau Group have been set taking into account the following factors:

- (a) during recent years, the Group has started to provide rolling stock leasing service, railway track maintenance and other related services to the Taiyuan Railway Bureau Group in small scale; and
- (b) the Company estimates that following the deeper cooperation between the Group and the Taiyuan Railway Bureau Group, the demand of the Taiyuan Railway Bureau Group for rolling stock leasing service, railway track maintenance and other related services of the Group will increase substantially

### **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 Transportation Service Framework Agreement with Taiyuan Railway Bureau and each subsidiary of Taiyuan Railway Bureau Group. Each implementation agreement will set out the specifications for the transaction. The implementation agreements provide for the provision of service as contemplated by the Transportation Service Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Transportation Service Framework Agreement and the annual caps.

All payment made pursuant to the Transportation Service Framework Agreement and its implementation agreements will be in cash.

## **REASONS FOR ENTERING INTO THE MUTUAL COAL SUPPLY AGREEMENT AND THEIR BENEFITS TO THE COMPANY**

The Transportation Service Framework Agreement was entered into with a view to secure coal transportation service for the Group, which will in turn enhance the Group's coal production business and competitiveness and thereby, generate better economic returns for the Group. Furthermore, during recent years, the Group has started to provide rolling stock leasing service, railway track maintenance and other related services to the Taiyuan Railway Bureau Group, and has received good economic returns.

## **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. Therefore, the Transportation Service 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 Transportation Service 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 Transportation Service Framework Agreement and the transactions contemplated thereunder are subject to reporting and announcement requirements, but are exempted from independent shareholders' approval requirement under Rule 14A.101 of the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, there is no other transaction (other than those carried out pursuant to the Current Transportation Service Framework Agreement) entered into between the Group and the Shenhua Group and its ultimate beneficial owners within a 12-month period or otherwise related, which would, together with transactions under the Transportation Service 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.

## GENERAL INFORMATION

The Directors, including the independent non-executive Directors, consider that the terms, proposed annual caps of and the transactions contemplated under the Transportation Service 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 Transportation Service Framework Agreement and the proposed annual caps thereto on 24 March 2016. 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 transaction contemplated under the Transportation Service Framework Agreement.

## DEFINITIONS

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

“Board”	the board of Directors;
“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;
“Current Transportation Service Agreement”	the Transportation Service Agreement dated 22 March 2013 entered into between the Company and Taiyuan Railway Bureau;
“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”	Taiyuan Railway Bureau (太原鐵路局), a railway bureau in the PRC;
“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, 24 March 2016

*As at the date of this announcement, the Board comprises 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.*