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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 FINANCIAL SERVICES AGREEMENT**

ENTERING INTO FINANCIAL SERVICES AGREEMENT

As disclosed in the announcement dated 20 December 2010 and the circular dated 29 December 2010, the Company has entered into the Current Financial Services Agreement with Shenhua Group Co. on 20 December 2010 under which the Company has agreed to provide, through Finance Company, financial services to the Shenhua Group and associates of Shenhua Group Co, and the Shenhua Group has agreed to provide, at the request of the Group and through Finance Company, entrustment loans to the Group. The term of the Current Financial Services Agreement will expire on 31 December 2013.

The Company has entered into a new Financial Services Agreement with Shenhua Group Co. on 22 March 2013. Pursuant to the Financial Services Agreement, the Company has agreed to provide, through Finance Company, financial services to the Shenhua Group and associates of Shenhua Group Co, and the Shenhua Group has agreed to provide, at the request of the Group and through Finance Company, entrustment loans to the Group. The Financial Services Agreement will be effective from 1 January 2014.

Shenhua Group Co holds 73.01% interest in the Company, and is the controlling shareholder of the Company. As such, Shenhua Group Co is a connected person of the Company under the Hong Kong Listing Rules, and the Financial Services 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 Financial Services Agreement, as one or more of the applicable percentage ratios exceeds 5% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the Financial Services Agreement and the transactions contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company will seek approval from the Independent Shareholders for the Financial Services Agreement and the proposed annual caps thereto at a general meeting to be convened. According to the Hong Kong Listing Rules, Shenhua Group Co and their respective associates shall abstain from voting in respect of the resolutions for the Financial Services Agreement and the proposed annual caps thereto.

The Company and the Independent Board Committee have reviewed the Financial Services Agreement and the proposed annual caps thereto. The Company has appointed China Everbright Capital Limited as the Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the Financial Services Agreement and the proposed annual caps thereto are fair, reasonable and are in the interests of the Company and its shareholders as a whole, and to advise the Independent Shareholders on how to vote. The Company expects that the circular giving further information on the Financial Services Agreement and the proposed annual caps thereto and containing the advice of the Independent Financial Adviser, and the recommendations from the Independent Board Committee are expected to be despatched to shareholders of the Company within 15 business days from the date of this announcement.

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, and railway, port and ship transportation of coal.

Shenhua Group Co and its subsidiaries are principally engaged in the coal liquefaction, coal based chemical processing business, coal production and power generation business as well as investment and finance activities. Shenhua Group Co is the controlling shareholder of the Company. As at the date hereof, Shenhua Group Co holds 73.01% interest in the Company.

Finance Company is principally engaged in the provision of financial consultation services, credit appraisal and other related consultancy and agency services to members of Shenhua Group and the Group; assistance to members in the collection and payment of transaction amount; authorised insurance agency services; provision of guarantee between members; providing entrusted loans and entrusted investments between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement planning to members; accepting deposits from members; provision of loans and finance leasing to members; provision of inter-bank lending; authorised issue of bonds; underwriting of corporate bonds of members; equity investments in financial institutions; investments in negotiable securities; provision of consumer credit facilities, buyers' credit and finance leasing. As at the date hereof, the Company directly and indirectly holds 99.29% interest in Finance Company.

As disclosed in the announcement dated 20 December 2010 and the circular dated 29 December 2010, the Company has entered into the Current Financial Services Agreement with Shenhua Group Co. on 20 December 2010 under which the Company has agreed to provide, through Finance Company, financial services to the Shenhua Group and associates of Shenhua Group Co, and the Shenhua Group has agreed to provide, at the request of the Group and through Finance Company, entrustment loans to the Group. The term of the Current Financial Services Agreement will expire on 31 December 2013.

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FINANCIAL SERVICES AGREEMENT

Date

22 March 2013

Parties

The Company and Shenhua Group Co

Financial Services

Pursuant to the Financial Services Agreement,

- (1) The Company has agreed to provide, through Finance Company, financial consultation, credit appraisal and other relevant advice and agency services to the Shenhua Group and associates of Shenhua Group Co;

- (2) The Company has agreed to provide, through Finance Company, assistance in receiving transaction proceeds to the Shenhua Group and associates of Shenhua Group Co;
- (3) The Company has agreed to provide, through Finance Company, entrustment investments between members of the Shenhua Group and associates of Shenhua Group Co;
- (4) The Company has agreed to provide, through Finance Company, bill acceptance and discount services to the Shenhua Group and associates of Shenhua Group Co;
- (5) The Company has agreed to provide, through Finance Company, internal settlement and settlement planning services between members of the Shenhua Group and associates of Shenhua Group Co;
- (6) The Company has agreed to accept, through Finance Company, deposits from the Shenhua Group and associates of Shenhua Group Co;
- (7) The Company has agreed to provide, through Finance Company, loans, consumer credit facilities, buyer's credit and finance leasing to the Shenhua Group and associates of Shenhua Group Co;
- (8) The Company has agreed to provide, through Finance Company entrustment loan services between members of the Shenhua Group and associates of Shenhua Group Co;
- (9) The Company has agreed to underwrite, through Finance Company, corporate bonds for the Shenhua Group and associates of Shenhua Group Co; and
- (10) The Shenhua Group has agreed that it may, at the request of the Group, provide entrustment loans through Finance Company to the Group on the conditions that any such entrustment loans must be granted on normal commercial terms and with no security being given on assets of the Group.

Term and termination

The Financial Services Agreement is conditional on the Company's compliance of all announcement, shareholders' approval and other requirements under the Shanghai Listing Rules and the Hong Kong Listing Rules in respect of the Financial Services Agreement and is effective from 1 January 2014 and will expire on 31 December 2016.

Price determination

- (1) Subject to compliance with the terms and conditions of the Financial Services Agreement, Finance Company shall be appointed as one of the financial institutions to provide financial services to the Shenhua Group and associates of Shenhua Group Co. Shenhua Group and associates of Shenhua Group Co may obtain financial services from other financial institutions in addition to or instead of Finance Company, as it thinks fit;

- (2) the interest rates for deposits and loans between the Group and the Shenhua Group under the Financial Service Agreement are negotiated on arm's length and by reference the interest rates charged by normal commercial banks in the PRC for comparable deposits and loans, but in any event, the interest rate for deposits shall not be higher than the highest rate prescribed by the PBOC for the same type of deposit and the interest rate for loans shall not be lower than the lowest rate prescribed by the PBOC for the same type of loan;
- (3) the service fees charged by Finance Company for the provision of the financial services are determined according to the fee rates fixed by the PBOC or the CBRC, and if such fixed fee rates are not available, the service fees are negotiated on arm's length taking into account the market conditions and by reference the fee rates charged by normal commercial banks in the PRC for comparable services.

Proposed annual caps and past transactions

For the purpose of regulating the financial service cooperative relationship between the Group and the Shenhua Group and satisfying the needs of continuous development of the Shenhua Group, the Company proposes that the annual caps of the Financial Services Agreement for the three years ended on 31 December 2014, 31 December 2015 and 31 December 2016, respectively, be set as follows. The Company also sets out below the historic aggregate transaction amounts under the same categories for the two years ended 31 December 2011 and 31 December 2012 and the period from 1 January 2013 to 31 January 2013.

The aggregate transaction amounts under the Current Financial Services Agreement are within the existing annual caps.

Annual total transaction amount of bill acceptance and discount services handled by Finance Company for the Shenhua Group and associates of Shenhua Group Co.

Year ended 31 December 2011	Year ended 31 December 2012	Period from 1 January 2013 to 31 January 2013	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016
<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>
Approximately 3,896.38	0	0	19,500.00	26,000.00	26,000.00

Maximum daily balance (including interests accrued thereon) of deposits placed by the Shenhua Group and associates of Shenhua Group Co with Finance Company

Year ended 31 December 2011	Year ended 31 December 2012	Period from 1 January 2013 to 31 January 2013	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016
<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>
Approximately 33,593.70	Approximately 31,965.70	Approximately 21,954.97	78,000.00	91,000.00	104,000.00

Maximum daily balance of loans, consumption credit, buyer's credit and financial leasing (including relevant accrued interests incurred) granted by Finance Company to the Shenhua Group and associates of Shenhua Group Co

Year ended 31 December 2011	Year ended 31 December 2012	Period from 1 January 2013 to 31 January 2013	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016
<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>
Approximately 7,030.52	Approximately 11,955.00	Approximately 9,411.60	45,500.00	58,500.00	71,500.00

Annual total fee charged by Finance Company for providing the Shenhua Group and associates of Shenhua Group Co. with consultation, agency, settlement, transfer, investment, lease finance, letter of credit, online banking, entrusted loan and other services.

Year ended 31 December 2011	Year ended 31 December 2012	Period from 1 January 2013 to 31 January 2013	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016
<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>
Approximately 45.97	Approximately 70.75	Approximately 0.01	350.00	430.00	520.00

The proposed annual caps of the Financial Services Agreement have been set taking into account the following factors: (a) the rapid development of the business of the Shenhua Group, the strengthened profitability of the Shenhua Group, the rapid increase of cash owned by the Shenhua Group and the increased needs of financial services by the Shenhua Group; and (b) the supply of financial services by the Group, through Finance Company, to the Shenhua Group which could fully make use of the internal financing platform and cash management platform within the group, to continue the risk control and to increase the revenue of the Group.

In respect of the Shenhua Group providing, through Finance Company, entrustment loans to the Group on normal commercial terms, it would amount to a provision of financial assistance by a connected person for the benefit of the Group and would therefore be exempt under Rule 14A.65(4) of the Hong Kong Listing Rules from all reporting, announcement and independent shareholders' approval requirements since no security over the assets of the Group will be granted in respect of the loans. Nevertheless, the Company is required to propose and set annual caps on maximum daily balance in respect of such entrustment loans pursuant to the Shanghai Listing Rules and the Company proposes that the caps for the three years ending on 31 December 2014, 31 December 2015 and 31 December 2016.

Maximum daily balance of entrustment loans (including relevant accrued interests incurred advanced by the Shenhua Group to the Group through Finance Company

Year ended 31 December 2011	Year ended 31 December 2012	Period from 1 January 2013 to 31 January 2013	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2016
<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Aggregate transaction amount (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>	<i>Proposed cap (RMB million)</i>
Approximately 1,511.00	Approximately 1,445.00	Approximately 1,103.74	39,000.00	58,500.00	78,000.00

Implementation agreements and payment

Members of the Group may, from time to time and as necessary, enter into separate implementation agreements for each specific transaction contemplated under the Financial Services Agreement with members of the Shenhua Group. Each implementation agreement will set out the specifications for the transaction. The implementation agreements provide for the supply of services as contemplated by the Financial Services Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Financial Services and the annual caps.

All payment made pursuant to the Financial Services Agreement and its implementation agreements will be in cash.

REASONS FOR ENTERING INTO THE FINANCIAL SERVICES AGREEMENT AND THEIR BENEFITS TO THE COMPANY

The supply of financial services by Finance Company, which is solely controlled by the Company, to the Shenhua Group and associates of Shenhua Group Co could fully make use of the function of the internal financing platform and cash management platform within the group, to continue the risk control and to increase the revenue of the Group. The Financial Services Agreement is therefore in line with the business operations and interests of the Group.

HONG KONG LISTING RULES IMPLICATIONS

Shenhua Group Co holds 73.01% interest in the Company, and is the controlling shareholder of the Company. As such, Shenhua Group Co is a connected person of the Company under the Hong Kong Listing Rules, and the Financial Services 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 Financial Services Agreement, as one or more of the applicable percentage ratios exceeds 5% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the Financial Services Agreement and the transactions contemplated thereunder are subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A 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 Financial Services 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 Financial Services Agreement, be regarded as a series of transactions and treated as if they are one transaction under Rules 14A.25 of the Hong Kong Listing Rules.

GENERAL INFORMATION

The Directors consider that the terms of the Financial Services Agreement and the proposed annual caps are on normal commercial terms, fair and reasonable, and in the interest of the Company and its Shareholders as a whole.

The Board has resolved and approved the Financial Services Agreement and the proposed annual caps thereto on 22 March 2013. Of the Directors attending the board meeting, the Abstained Directors were considered to have material interests by virtue of being employed by Shenhua Group Co, and had thus abstained from voting on the board resolution(s) in respect of the Financial Services Agreement and the proposed annual caps thereto.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Financial Services Agreement and the proposed annual caps thereto. The Independent Board Committee has also approved the appointment of China Everbright Capital Limited as the independent financial adviser to advise the Independent Board Committee and Independent Shareholders in accordance with the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no member of the Independent Board Committee has any material interest in the transaction contemplated under the Financial Services Agreement.

A general meeting of the Company will be convened and held to, inter alia, consider and, if thought fit, to approve the Financial Services Agreement and the proposed annual caps thereto. A circular containing, among other things, further details, the letter from the Independent Board Committee and the recommendation from the Independent Financial Adviser will be dispatched to the Shareholders as soon as practicable.

DEFINITIONS

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

“Abstained Directors”	Dr. Zhang Xiwu, Dr. Zhang Yuzhuo, Dr. Ling Wen, Mr. Han Jianguo, Mr. Kong Dong and Mr. Chen Hongsheng, who had abstained from voting as Directors on the relevant board resolution(s) relating to the subject transactions;
“Board”	the board of Directors;
“CBRC”	China Banking Regulatory Commission;

“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 Financial Services Agreement”	the Financial Services Agreement dated 20 December 2010 entered into between the Company and Shenhua Group Co;
“Director(s)”	the director(s) of the Company;
“Finance Company”	Shenhua Finance Co Ltd Limited (神華財務有限公司), a limited liability company incorporated in the PRC;
“Financial Services Agreement”	the Financial Services Agreement dated 22 March 2013 entered into between the Company and Shenhua Group Co;
“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;
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors;
“Independent Financial Adviser”	China Everbright Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulated activities as defined under the Securities and Futures Ordinance, the independent financial adviser to the Independent Board Committee and the Independent Shareholders;
“Independent Shareholders”	Shareholders who are not required to abstain from voting on the relevant resolution(s) relating to the subject transactions to be proposed at the general meeting under the Hong Kong Listing Rules;
“PBOC”	People’s Bank of China;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;

“Shanghai Listing Rules”	Listing Rules of Shares on the Shanghai Stock Exchange;
“Shareholder(s)”	the shareholder(s) of the Company;
“Shenhua Group”	collectively, Shenhua Group Co and its subsidiaries (excluding the Group);
“Shenhua Group Co”	Shenhua Group Corporation Limited (神華集團有限公司), the controlling shareholder of the Company as defined under the Hong Kong Listing Rules.

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

Beijing, 22 March 2013

As at the date of this announcement, the Board comprises Dr. Zhang Xiwu, Dr. Zhang Yuzhuo, Dr. Ling Wen and Mr. Han Jianguo as executive Directors, Mr. Kong Dong and Mr. Chen Hongsheng as non-executive Directors, and Ms. Fan Hsu Lai Tai, Mr. Gong Huazhang and Mr. GuoPeizhang as independent non-executive Directors.