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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 MUTUAL SUPPLIES AND SERVICES AGREEMENT**

ENTERING INTO MUTUAL SUPPLIES AND SERVICES AGREEMENT

As disclosed in the announcements dated 12 March 2010 and 27 April 2012 and the circular dated 1 April 2010, the Company has entered into the Current Mutual Supplies and Services Agreement with Shenhua Group Co. on 12 March 2010 to provide for the mutual supply of products and services between the Group and the Shenhua Group, the term of which will expire on 31 December 2013.

The Company has entered into a new Mutual Supplies and Services Agreement with Shenhua Group Co. on 22 March 2013. Pursuant to the Mutual Supplies and Services Agreement, the Group has agreed to supply products and provide services to the Shenhua Group and the Shenhua Group has agreed to supply products and provide services to the Group. The Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and Services Agreement and the proposed annual caps thereto.

The Company and the Independent Board Committee have reviewed the Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and 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.

As disclosed in the announcements dated 12 March 2010 and 27 April 2012 and the circular dated 1 April 2010, the Company has entered into the Current Mutual Supplies and Services Agreement with Shenhua Group Co. on 12 March 2010 to provide for the mutual supply of products and services between the Group and the Shenhua Group, the term of which will expire on 31 December 2013.

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MUTUAL SUPPLIES AND SERVICES AGREEMENT

Date

22 March 2013

Parties

The Company and Shenhua Group Co

Mutual Supplies and Services

Pursuant to the Mutual Supplies and Services Agreement:

- (a) the Group and the Shenhua Group will share information networks at no costs to either party;
- (b) the Group has agreed to supply products and provide services to the Shenhua Group, including:
 - (i) production: alternative power generation and other related or similar services;
 - (ii) production supplies: water, production equipment and spare parts, office products and other related or similar product supplies or services;
 - (iii) ancillary production services: self-owned vehicle management, self-owned rolling stock management, rail transportation, and other related or similar product supplies or services; and
 - (iv) administrative services: various daily administrative services and other ancillary production services to the headquarter of the Shenhua Group (exclusive of financial management and services).
- (c) the Shenhua Group has agreed to supply products and provide services to the Group, including:
 - (i) production supplies: explosives, fuses, oil products, and other related or similar production supplies and services;
 - (ii) ancillary production services: security, logistics and support services, tendering services and other related or similar services; and
 - (iii) ancillary administrative services: social security and pension management services and staff data recording services.

Term and termination

The Mutual Supplies and 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 Mutual Supplies and Services Agreement and is effective from 1 January 2014 and will expire on 31 December 2016.

Price determination

Pursuant to the Mutual Supplies and Services Agreement, except for ancillary administrative services provided by the Shenhua Group to the Group, production supplies and ancillary services are provided substantially in accordance with the following pricing policy:

- (a) state-prescribed price, if applicable;
- (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price;
- (c) where there is neither a state-prescribed price nor a state-guidance price, the prices are negotiated on arm's length, taking into account the then market price (including bidding price);
- (d) where the market price could not be identified but one party also provides the subject product or service to an independent third party, then the price for such transaction between such party and the independent third party; or
- (e) where none of the above is applicable, the price shall be the reasonable costs incurred plus a profit margin of 5%.

Up to the date hereof, historically, approximately 60% of the transaction amount of the production supplies and ancillary services by the Group to the Shenhua Group and approximately 90% of the transaction amount of the production supplies and ancillary services by the Shenhua Group to the Group are priced by the pricing method (c) and (d) above.

Proposed annual caps and past transactions

Based on assumed future business volume and growth of the Group, the economic outlook of the PRC and estimates of demand and operating conditions in respect of the Current Mutual Supplies and Services Agreement, the Company proposes that the annual caps of the Mutual Supplies and 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 Mutual Supplies and Services Agreement are within the existing annual caps.

Production supplies and ancillary services by the Group to the Shenhua Group

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 1,178.49	Approximately 3,089.52	Approximately 204.39	16,300.00	19,200.00	22,300.00

Production supplies and ancillary services by the Shenhua Group to the Group

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 4,106.02	Approximately 2,205.17	Approximately 222.24	12,400.00	12,400.00	12,400.00

The proposed annual caps of the Mutual Supplies and Services Agreement for production supplies and ancillary services by the Group to the Shenhua Group have been set taking into account the following factors: (a) the business development and increased production capacity of the Shenhua Group, resulting in increased transaction amounts of production supplies, ancillary production services supplies and supply of railway transportation and engineering services; and (b) it is also expected that the prices of raw materials and personnel costs will increase steadily, which will in turn increase fees payable under the Mutual Supplies and Services Agreement.

The proposed annual caps of the Mutual Supplies and Services Agreement for production supplies and ancillary services by the Shenhua Group to the Group have been set taking into account the following factors: (a) the expansion of the Group's business which increases the need for the purchase of fuel, coal chemical products, technical services and related services from the Shenhua Group, and (b) it is also expected that the prices of raw materials and personnel costs will increase steadily, which will in turn increase fees payable under the Mutual Supplies and Services Agreement.

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 Mutual Supplies and 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 production supplies and ancillary services as contemplated by the Mutual Supplies and Services Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreement will be within the bounds of the Mutual Supplies and Services Agreement and the annual caps.

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

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

As disclosed in the Prospectus, the Shenhua Group retained certain assets and businesses which are supplemental and necessary to the business of the Group and has continued to provide certain goods and ancillary services to the Group's core businesses on an arm's-length basis after the listing of the Company. In addition, the Group provides certain goods and services to the Shenhua Group on an arm's-length basis to support the businesses retained by the Shenhua Group. The continuing connected transactions ensure that the Group and Shenhua Group receive a steady supply of high quality products and services which ultimately benefit the operations of the Company.

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 Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and 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 Mutual Supplies and Services Agreement and the proposed annual caps thereto.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Mutual Coal Supply 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 Mutual Supplies and Services Agreement.

A general meeting of the Company will be convened and held to, inter alia, consider and, if thought fit, to approve the Mutual Supplies and 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;
“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 Mutual Supplies and Services Agreement”	the Mutual Supplies and Services Agreement dated 12 March 2010 entered into between the Company and Shenhua Group Co;

“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;
“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;
“Mutual Supplies and Services Agreement”	the Mutual Supplies and Services Agreement dated 22 March 2013 entered Agreement” into between the Company and Shenhua Group Co;
“PRC”	the People’s Republic of China;
“Prospectus”	prospectus of the Company dated 2 June 2005 published by the Company, in accordance with the Hong Kong Listing Rules, at the time of its listing;
“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 (神華集團有限責任公司), 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.