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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)

CONNECTED TRANSACTION

**PARTICIPATION IN THE ESTABLISHMENT OF
GUONENG LOW-CARBON FUND**

On 27 August 2021, the entering into of the Partnership Agreement among the Company, Longyuan Power, GD Power, China Energy Capital and Guoneng Fund Management Company was approved by the Board, pursuant to which, the Company agreed to contribute RMB2 billion to participate in the establishment of Guoneng Low-carbon Fund as a limited partner. As of the date of this announcement, the Company had not signed the Partnership Agreement, and it will make further announcement in relation to the progress of the establishment of Guoneng Low-carbon Fund in due course.

As at the date of this announcement, Longyuan Power, GD Power, China Energy Capital and Guoneng Fund Management Company are directly or indirectly owned subsidiary of China Energy. China Energy holds 69.52% equity interests of the Company, and is the controlling shareholder of the Company. As such, Longyuan Power, GD Power, China Energy Capital and Guoneng Fund Management Company are connected persons of the Company under the Hong Kong Listing Rules. Therefore, the transaction under the Partnership Agreement constitutes a connected transaction of the Company.

In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted or completed within a same 12-month period or were otherwise related with each other. Reference is made to the connected transaction announcement of the Company dated 22 January 2021 in relation to the participation in the establishment of the Guoneng Fund (the “**Previous Transaction**”). In the Previous Transaction and the Transaction, the counterparties of the Company are China Energy and its associates, and the nature of these transactions is the same. Accordingly, the Previous Transaction and the Transaction shall be aggregated. As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) for the Transaction after taking into account of the aggregated calculations is (are) more than 0.1% but less than 5%, the transaction shall be subject to the reporting and announcement requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

The Company is a world-leading coal-based integrated energy company. The main business of the Group 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 Energy and its subsidiaries have 8 industrial sectors, including coal, thermal power, new energy, hydropower, transportation, chemical industry, technology and environmental protection and finance and are principally engaged in coal liquefaction, coal-based chemical processing business, coal production and power generation business as well as investment and finance activities. China Energy is the controlling shareholder of the Company. As at the date of this Circular, China Energy holds 69.52% interest in the Company. The ultimate beneficial owner of China Energy is the State-owned Assets Supervision and Administration Commission of the State Council.

Longyuan Power is a leading wind power generation company in the PRC, primarily engaged in the design, development, construction, management and operation of wind farms. In addition to the wind power business, Longyuan Power also operates other power projects such as coal power, solar power, tidal, biomass and geothermal energy. Meanwhile, Longyuan Power also provides consultation, repair and maintenance, training and other professional services to wind farms, as well as manufactures and sells power equipment used in the power grids, wind farms and coal power plants. As of the date of this announcement, the ultimate beneficial owner of Longyuan Power is China Energy.

GD Power, a joint stock limited company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600795). Its principal businesses include production and sales of power and heat; sales of coal; operation of power grid; development and application of new energy projects, high-tech, and environmental protection industries; information consulting; power technology development consulting and other businesses. As of the date of this announcement, China Energy holds approximately 46% of the shares of GD Power and is its controlling shareholder. The ultimate beneficial owner of GD Power is China Energy.

China Energy Capital, a company incorporated in the PRC with limited liability. It is mainly engaged in the conducting financial services such as financial leasing, business factoring, industrial funds, asset management, financial consulting, and insurance protection. As of the date of this announcement, China Energy Capital is a wholly-owned subsidiary of China Energy, which is its ultimate beneficial owner.

Guoneng Fund Management Company, a company incorporated in the PRC with limited liability. It is mainly engaged in private equity investment fund management, venture capital fund management services (the operating activities are subject to the completion of the registration and filing for record in the Asset Management Association of China); investment management; asset management. As of the date of this announcement, Guoneng Fund Management Company is an indirect wholly-owned subsidiary of China Energy, which is its ultimate beneficial owner.

On 27 August 2021, the entering into of the Partnership Agreement among the Company, Longyuan Power, GD Power, China Energy Capital and Guoneng Fund Management Company was approved by the Board, pursuant to which, the Company agreed to contribute RMB2 billion to participate in the establishment of Guoneng Low-carbon Fund as a limited partner. As of the date of this announcement, the Company had not signed the Partnership Agreement, and it will make further announcement in relation to the progress of the establishment of Guoneng Low-carbon Fund in due course.

MAJOR TERMS OF THE PARTNERSHIP AGREEMENT

Parties:	The Company (as a limited partner) Longyuan Power (as a limited partner) GD Power (as a limited partner) China Energy Capital (as a limited partner) Guoneng Fund Management Company (as a general partner)
Fund Name:	Guoneng Green and Low-Carbon Development Investment Fund (Limited Partnership) (國能綠色低碳發展投資基金(有限合夥)) (tentative name, subject to business registration).

Fund Size: RMB6.01 billion. The subscribed capital contribution of each partner is as follows:

No.	Name of Partner	Nature of Partner	Subscribed Capital Contribution (RMB 100 million)	Subscription Ratio	Form of Capital Contribution
1	The Company	Limited Partner	20.00	33.33%	Cash
2	Longyuan Power	Limited Partner	10.00	16.66%	Cash
3	GD Power	Limited Partner	10.00	16.66%	Cash
4	China Energy Capital Guoneng Fund	Limited Partner	20.00	33.33%	Cash
5	Management Company	General Partner	0.01	0.02%	Cash
Total			60.01	100%	

The total amount of capital contribution to be made by each partner to the partnership was arrived at with reference to, among others, the capital needs of the partnership after arm's length negotiation by the partners. The Company intended to utilize its own funds to pay for its contribution.

The Company will not consolidate the financial statements of Guoneng Low-carbon Fund.

Organizational Form of the Fund: Limited partnership

Method of Capital Contribution to the Fund: Each partner shall make capital contribution in accordance with the capital contribution amount and capital contribution date as stipulated in the capital contribution payment notice issued by the manager, which is subject to the amount of outstanding capital contribution of such partner.

For the first instalment, the paid-in capital of the partnership shall be RMB5 million, of which the paid-in capital of each limited partner shall be RMB1 million, and the paid-in capital of all limited partners shall be RMB4 million in total, and the contribution date shall be subject to the capital contribution payment notice. The total paid-in capital of the general partner for the first instalment shall be RMB1 million, i.e. the general partner will complete the paid-in capital contribution at the first instalment.

Liability for Breach of Contract:

If a partner fails to perform its obligations of capital contribution within the time as stipulated in the capital contribution payment notice (the “**Defaulting Partner**”), the Defaulting Partner shall pay the liquidated damages to the partnership on a daily basis, at 0.06% of the amount it should have paid but unpaid, from the day following the latest date of capital contribution specified in such capital contribution payment notice, and the Defaulting Partner shall also indemnify the partnership and the other observant parties for all direct and indirect losses suffered as a result of its overdue capital contribution.

Duration:

The duration of the Fund shall be eight years, including three years of investment period. In the event that the investment progress of the Fund failed to meet expectations, the manager of the Fund has the right to unilaterally exercise the right to extend once, deciding to extend the investment period for one year, but the corresponding duration of the Fund will remain unchanged. The exit period commences on the next date of the end of the investment period and ends on the expiration of the Fund’s duration.

Management Model:

The Fund shall set up an investment decision committee consisting of five members, among which, the Company, Longyuan Power, GD Power, China Energy Capital and Guoneng Fund Management Company shall be entitled to appoint one member, respectively.

Each member of the investment decision committee shall have one vote, and the investment decision committee can make a resolution upon the approval of 4 members or above.

Management Fee and
Business Remuneration
Fee:

The management fee shall be charged annually. It shall be calculated on the basis of the sum of the balance of the paid-in capital contribution of all partners. The management fee shall be 1.5% per year of the above-mentioned calculation base; if there is any change in the sum of the balance of the paid-in capital contribution of all partners during the duration of the Fund, the management fee shall be calculated in phases and added up.

Investment Scope of the
Fund:

The investment scope of the Fund includes:

- (1) equity investment in and merger and acquisition of green low-carbon projects (where the proportion of such investment shall not be less than 80% of the investment scale of the Fund);
- (2) strategic investment in the principal business and the upstream and downstream enterprises along the industry chain of China Energy;
- (3) transformation and industrialization applications of key scientific research projects of China Energy;
- (4) participation in the mixed ownership reform and strategic placing equity investment in the internal and external enterprises of China Energy.

Project exit methods include:

- (1) to exit by transferring to partner or its related parties or other investors;
- (2) to exit through selling the relevant subject matter in the public market, horizontal integration of the investment target with the relevant industries of China Energy, merger and reorganization, IPO, asset securitization, etc.

Exit:	A limited partner may exit from the partnership with the written consent of all partners under the circumstance of no adverse impact on the execution of the partnership's affairs, provided that a notice is given to the other partners 30 days in advance, and the limited partner shall not exit from the partnership without the written consent of all partners. No general partner is allowed to exit from the partnership unless otherwise with the unanimous consent of the other partners.
Profit Distribution:	The profit distribution is based on investment project or project package for investment accounting. The threshold rate of return for all 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.
Loss Sharing:	After the Fund is liquidated and the distributions are completed in accordance with the Partnership Agreement, a partner is not required to share in the losses of the partnership if the cumulative amount distributed by the partnership to that partner is not less than its paid-in capital; otherwise, the difference between the cumulative amount distributed by the partnership to such partner and its paid-in capital shall be the actual amount of losses borne by that partner.

REASONS AND BENEFITS FOR ENTERING INTO THE PARTNERSHIP AGREEMENT AND ITS IMPACT ON THE COMPANY

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

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Longyuan Power, GD Power, China Energy Capital and Guoneng Fund Management Company are directly or indirectly owned subsidiary of China Energy. China Energy holds 69.52% equity interests of the Company, and is the controlling shareholder of the Company. As such, Longyuan Power, GD Power, China Energy Capital and Guoneng Fund Management Company are connected persons of the Company under the Hong Kong Listing Rules. Therefore, the transaction under the Partnership Agreement constitutes a connected transaction of the Company.

In accordance with Rule 14A.81 of the Listing Rules, a series of connected transactions will be aggregated and treated as if they were one transaction if they were all conducted or completed within a same 12-month period or were otherwise related with each other. Reference is made to the connected transaction announcement of the Company dated 22 January 2021 in relation to the participation in the establishment of the Guoneng Fund. In the Previous Transaction and the Transaction, the counterparties of the Company are China Energy and its associates, and the nature of these transactions is the same. Accordingly, the Previous Transaction and the Transaction shall be aggregated. As one or more of the applicable percentage ratio(s) (as defined under the Listing Rules) for the Transaction after taking into account of the aggregated calculations is (are) more than 0.1% but less than 5%, the transaction shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL INFORMATION

The Board has resolved and approved the Transaction on 27 August 2021. Among the Directors attending the board meeting, connected Directors Mr. Wang Xiangxi, Mr. Jia Jinzhong and Mr. Yang Rongming were deemed to have material interests in the 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, consider that the Transaction is 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.

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);
“China Energy Capital”	China Energy Capital Holdings Co., Ltd. (國家能源集團資本控股有限公司), a company incorporated in the PRC with limited liability, and is a subsidiary of China Energy

“Company” or “China Shenhua”	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;
“GD Power”	GD Power Development Co., Ltd., a joint stock limited company incorporated in the PRC, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600795), and is a subsidiary of China Energy;
“Group”	the Company and its subsidiaries;
“Guoneng Fund Management Company”	National Energy (Beijing) Private Equity Fund Management Co., Ltd. (國能(北京)私募基金管理有限公司), a company incorporated in the PRC with limited liability, and is a subsidiary of China Energy Capital;
“Guoneng Low-carbon Fund” or “Fund”	Guoneng Green and Low-Carbon Development Investment Fund (Limited Partnership) (國能綠色低碳發展投資基金(有限合夥)) (tentative name, subject to business registration), a limited partnership proposed to be jointly established by the Partnership Agreement to be entered into among the Company and Longyuan Power, GD Power, China Energy Capital and Guoneng Fund Management Company
“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;
“Longyuan Power”	China Longyuan Power Group Corporation Limited* (龍源電力集團股份有限公司), a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Hong Kong Stock Exchange

“Partnership Agreement”	the Partnership Agreement of Guoneng Green and Low-Carbon Development Investment Fund (Limited Partnership) to be entered into among the Company and Longyuan Power, GD Power, China Energy Capital and Guoneng Fund Management Company in respect of the establishment of the Guoneng Low-carbon Fund
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Transaction”	the transaction contemplated under the Partnership Agreement.

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

Beijing, 27 August 2021

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 and Mr. Yang Rongming as non-executive directors, Dr. Yuen Kwok Keung, Dr. Bai Chong-En and Dr. Chen Hanwen as independent non-executive directors, and Mr. Wang Xingzhong as employee director.