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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

AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT AND THE SUPPLEMENTAL AGREEMENT TO THE EXISTING NON-COMPETITION AGREEMENT

References are made to the announcement of the Company dated 1 March 2018 and the circular of the Company dated 12 March 2018 in relation to the amendments to the Existing Non-Competition Agreement.

The Board has resolved and approved the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement with China Energy on 28 April 2023. Such supplemental agreement shall become effective upon obtaining the approval of the Independent Shareholders at the annual general meeting and signing by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

China Energy holds 69.52% interest in the Company, and is the controlling Shareholder of the Company. As such, China Energy is a connected person of the Company under the Hong Kong Listing Rules, and the entering into the Supplemental Agreement II to the Existing Non-Competition Agreement between the Company and China Energy to amend the Existing Non-Competition Agreement and the Supplemental Agreement to the Existing Non-Competition Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules, and is subject to reporting, announcement and independent shareholders' approval requirements under the Hong Kong Listing Rules.

The Company will convene annual general meeting to request the Independent Shareholders to approve the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement. According to the Hong Kong Listing Rules, China Energy and its associates shall abstain from voting in respect of relevant resolutions.

The Independent Board Committee have considered the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement. An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and Independent Shareholders.

A circular containing, among other things, further details of the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement, a letter from the Independent Board Committee and an opinion of the independent financial adviser will be despatched to the Shareholders within 15 business days.

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 various industrial sectors, including coal, thermal power, new energy, hydropower, transportation, chemical, technology and environmental protection and finance, and are principally engaged in the coal production, power generation, transportation and coal based chemical processing as well as investment and finance activities. China Energy is the controlling Shareholder of the Company. As at the date hereof, 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.

References are made to the announcement of the Company dated 1 March 2018 and the circular of the Company dated 12 March 2018 in relation to the amendments to the Existing Non-Competition Agreement.

Article 4 of the Supplemental Agreement to the Existing Non-Competition Agreement stipulates that within 5 years after the Merger of Group Companies, the Company will seize the opportune moment to exercise the right of preferential transaction, option and the right of first refusal to acquire the assets involved in the Retained Businesses.

The Company has been actively coordinating with and urging China Energy and monitoring the compliance with relevant non-competition undertakings by China Energy, as well as continuously paying attention to and promoting the comprehensive review and inspection of the Retained Businesses as set out in the Supplemental Agreement to the Existing Non-Competition Agreement. Within the time limit of performance of the Supplemental Agreement to the Existing Non-Competition Agreement, certain preliminary work has been carried out by China Energy and the Company, while the injection of relevant assets has not commenced, the reasons for which are as follows:

1. Given the high coal price with relatively severe volatility in recent years, coal trading enterprises generally set the coal price at a high level. On a prudent basis, taking into account the volatility risk of future coal price and subject to the continuous supervision on the operation of relevant coal assets, the Company considered integration effect comprehensively, firmly protected its shareholders' interests, exercised stringent control over the acquisition price of asset and suspended preliminary work for certain assets with high premium risk.
2. Certain Retained Businesses have ownership issues such as incomplete or defective title or risk factors such as pending issues and legal disputes, which are not estimated to be effectively resolved in the near future due to certain objective factors such as jurisdiction policies and the complicated equity relationships. The Company has been continuously monitoring the progress of the abovementioned issues and will commence the preliminary work as and when appropriate upon the establishment of clear solutions.

3. Certain Retained Businesses have yet to meet the criteria for injection to the Company due to uncertainties on profitability prospect and the potential dilution effect on the earnings level of the Company's shareholders resulting from the assets injection for reasons such as the significant price volatility of bulk commodity or the uncertain timetable for substantive put-into-production.

The Company has been actively promoting the acquisition of coal resource to safeguard the continuance of coal resource of the Company and strengthen its integrated operation infrastructure and capability. Taking into account the low availability and high price of coal resource from external markets, the Company continuously takes the injection of relevant existing coal assets from China Energy Group as an important approach to resource acquisition. Therefore, the Company proposed to reserve the right of first refusal on the relevant assets in order to increase the resource inventory for its core coal business at reasonable prices as and when appropriate to enhance its sustainability.

In order to further promote the resolving of the non-competition issues of China Energy Group in the Company's business areas such as coal and power generation, the Company and China Energy Group proposed to enter into the Supplemental Agreement II to the Existing Non-competition Agreement to amend the Existing Non-competition Agreement and the Supplemental Agreement to the Existing Non-competition Agreement.

SUPPLEMENTAL AGREEMENT II TO THE EXISTING NON-COMPETITION AGREEMENT

The Board has resolved and approved the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement with China Energy on 28 April 2023. Such supplemental agreement shall become effective upon obtaining the approval of the Independent Shareholders at the annual general meeting and signing by the legal representatives or authorized representatives of both parties with their company seals affixed thereto.

The Supplemental Agreement II to the Existing Non-Competition Agreement supplements the Existing Non-Competition Agreement and the Supplemental Agreement to the Existing Non-Competition Agreement as follows:

1. the parties agree that save as otherwise agreed by the Supplemental Agreement II to the Existing Non-Competition Agreement, the parties shall continue with the performance of the Existing Non-Competition Agreement and Supplemental Agreement to the Existing Non-Competition Agreement.
2. Within 5 years after the expiration of the period as stipulated by Article 4 of the Supplemental Agreement to the Existing Non-Competition Agreement, the Company will seize the opportune moment to exercise the right of preferential transaction, option and the right of first refusal to acquire the assets involved in the Retained Businesses.

REASONS FOR THE AMENDMENTS TO THE EXISTING NON-COMPETITION AGREEMENT AND THE SUPPLEMENTAL AGREEMENT TO THE EXISTING NON-COMPETITION AGREEMENT AND THEIR BENEFITS TO THE COMPANY

Amendments to the Existing Non-Competition Agreement and the Supplemental Agreement to the Existing Non-Competition Agreement are decisions made on the basis of objective conditions of the assets of the relevant Retained Businesses of China Energy Group, which are conducive to resolving the potential competition issue, and do not prejudice the interests of the Company and other Shareholders, do not affect the independence of the Company, and do not have a material impact on the current and future financial position and operating results of the Company. Accordingly, the Company proposed to amend the Existing Non-Competition Agreement and the Supplemental Agreement to the Existing Non-Competition Agreement. Pursuant to the Supplemental Agreement II to the Existing Non-Competition Agreement, the period for the Company to seize the opportune moment to exercise the right of preferential transaction, option and the right of first refusal to acquire the assets involved in the Retained Businesses is extended to 27 August 2028.

HONG KONG LISTING RULES IMPLICATIONS

China Energy holds 69.52% interest in the Company, and is the controlling Shareholder of the Company. As such, China Energy is a connected person of the Company under the Hong Kong Listing Rules, and the entering into the Supplemental Agreement II to the Existing Non-Competition Agreement between the Company and China Energy to amend the Existing Non-Competition Agreement and the Supplemental Agreement to the Existing Non-Competition Agreement constitutes a connected transaction of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules, and is subject to reporting, announcement and independent Shareholders' approval requirements under the Hong Kong Listing Rules.

GENERAL INFORMATION

The Board has resolved and approved the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement with China Energy on 28 April 2023. Of the Directors attending the Board meeting, Abstained Directors were considered to have material interests in the transaction by virtue of being employed by China Energy and had thus abstained from voting on the relevant Board resolution(s) in respect of the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement. The Directors (including independent non-executive Directors) consider that the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement (including its terms) 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.

An Independent Board Committee has been formed to advise the Independent Shareholders on the terms of the Supplemental Agreement II to the Existing Non-Competition Agreement. An independent financial adviser will be appointed by the Company 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 Supplemental Agreement II to the Existing Non-Competition Agreement.

The Company will convene annual general meeting to request the Independent Shareholders to approve the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement. According to the Hong Kong Listing Rules, China Energy and its associates shall abstain from voting in respect of relevant resolutions.

A circular containing, among other things, further details of the entering into of the Supplemental Agreement II to the Existing Non-Competition Agreement, a letter from the Independent Board Committee and an opinion of the independent financial adviser will be dispatched to the Shareholders within 15 business days.

DEFINITIONS

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

“2014 Non-Competition Undertakings”	the Non-Competition Undertakings made by China Energy on 27 June 2014;
“Abstained Directors”	Mr. Jia Jinzhong and Mr. Yang Rongming, who had abstained from voting as Directors on the relevant board resolution(s) relating to the subject transactions;
“associate”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“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), the controlling Shareholder of the Company as defined under the Hong Kong Listing Rules;
“China Energy Group”	China Energy and its subsidiaries (excluding the Group);
“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;
“Existing Non-Competition Agreement”	the Non-Competition Agreement entered into on 24 May 2005 between China Energy and the Company;
“Group”	the Company and its subsidiaries;
“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;

“Hong Kong Stock Exchange”	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 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 annual general meeting under the Hong Kong Listing Rules;
“Legacy China Guodian”	Legacy China Guodian Group Co., Ltd. (中國國電集團有限公司);
“Legacy Guodian Group”	Legacy China Guodian and its subsidiaries;
“Merger of the Group Companies”	Shenhua Group Corporation Limited changed its company name to China Energy Investment Corporation Limited and merged with Legacy China Guodian by way of merger by absorption of Legacy China Guodian;
“PRC”	the People’s Republic of China;
“Retained Businesses”	businesses retained by China Energy Group as a result of reorganization for the listing purpose, which directly or indirectly compete with the core businesses of the Company, i.e. assets other than the conventional power generation business in assets No. 1-9, Nos. 13 and 14 which were confirmed in 2014 Non-Competition Undertakings; and unlisted businesses obtained by China Energy Group as a result of the merger with Legacy Guodian Group by China Energy Group which directly or indirectly compete with the core businesses of the Company, i.e. unlisted businesses held by Legacy Guodian Group which directly or indirectly compete with the core businesses of the Company (excluding the relevant assets that Legacy Guodian Group undertook to inject into its subsidiary, Inner Mongolia Pingzhuang Energy Co., Ltd., in 2007);
“Shareholder(s)”	the shareholder(s) of the Company;
“Supplemental Agreement to the Existing Non-Competition Agreement”	the Supplemental Agreement to the Existing Non-Competition Agreement entered into on 27 April 2018 by the Company and China Energy;

“Supplemental Agreement II
to the Existing
Non-Competition
Agreement”

the Supplemental Agreement to the Existing Non-Competition Agreement and the Supplemental Agreement to the Existing Non-Competition Agreement to be entered into between the Company and China Energy as resolved and approved by the Board on 28 April 2023.

By order of the board

China Shenhua Energy Company Limited

Song Jinggang

Chief Financial Officer and Secretary to the Board of Directors

Beijing, 28 April 2023

As at the date of this announcement, the Board comprises the following: Mr. Lv Zhiren 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 Ms. Liu Xiaolei as employee director.