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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)**

### **DISCLOSEABLE TRANSACTIONS**

### **CONTINUING CONNECTED TRANSACTIONS**

### **ENTERING INTO THE NEW FINANCIAL SERVICES AGREEMENT**

#### **ENTERING INTO THE NEW FINANCIAL SERVICES AGREEMENT**

As disclosed in the announcement dated 28 March 2021, and the circular dated 14 May 2021, the Company has entered into the Financial Services Agreement with the Finance Company on 26 March 2021, pursuant to which the Finance Company agreed to provide financial services to Members of the Group. The Financial Services Agreement will expire on 31 December 2023. As disclosed in the announcement dated 23 September 2022, and the circular dated 30 September 2022, the Company and the Finance Company have entered into the Supplemental Agreement to the Financial Services Agreement on 23 September 2022 to amend annual caps in respect of daily balance (including interests accrued thereon) of deposits placed by Members of the Group with Finance Company for the years ending 31 December 2022 and 31 December 2023, and price determination and capital risk control measures clauses.

The Board has resolved and approved the entering into of the New Financial Services Agreement with the Finance Company on 28 April 2023. Pursuant to which, the Finance Company agreed to provide financial services to Members of the Group. The Financial Services Agreement shall come into force upon approval by the annual general meeting and shall be effective from 1 January 2024 and will expire on 31 December 2026.

The Finance Company is held as to 60% of equity interest by China Energy, and China Energy holds 69.52% interest in the Company, and is the controlling shareholder of the Company. As such, the Finance Company is a connected person of the Company under the Hong Kong Listing Rules, and the New 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 of the daily deposit balance (including the accrued interest incurred) of the Members of the Group in the Finance Company, as one or more of the applicable percentage ratios exceed 5% but all such percentage ratios are less than 25% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, and is thereby subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, and also constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

With regard to the proposed annual caps on the total amount of fees for financial services provided by the Finance Company to Members of the Group, since all such percentage ratios are less than 0.1% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, and is thereby exempt from reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Company will seek, among other things, approval from the Independent Shareholders for the entering into the New Financial Services Agreement and the proposed annual caps thereto at the annual general meeting to be convened. According to the Hong Kong Listing Rules, China Energy and its associates shall abstain from voting in respect of the resolutions for the New Financial Services Agreement and the proposed annual caps thereto.

The Independent Board Committee has reviewed the New Financial Services Agreement and the proposed annual caps thereto. The Company will appoint an independent financial adviser to make recommendations Independent Financial Adviser to make recommendations to the Independent Board Committee and the Independent Shareholders as to whether the terms, proposed annual caps of and the transactions contemplated under the New Financial Services 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, and to advise the Independent Shareholders on how to vote.

A circular containing, among other things, further details regarding the continuing connected transactions under the New Financial Services Agreement, a letter from the Independent Board Committee and an opinion of the independent financial adviser, will be despatched 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 several industrial sectors, including coal, thermal power, new energy, hydropower, transportation, chemical industry, technology and environmental protection and finance and are principally engaged in coal production, power generation, transportation and coal-based chemical processing business as well as investment and finance activities. China Energy is the controlling shareholder of the Company. As at the date of this announcement, 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.

The Finance Company is principally engaged in domestic and foreign currency services; the provision of financial consultation services, credit appraisal and other related consultation and agency services to members; assistance to members in the collection and payment of transaction amount; authorised insurance agency services; provision of guarantee between members; provision of 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 issuance of finance company bonds; underwriting of corporate bonds of members; equity investments in financial institutions; investments in negotiable securities; provision of consumption credit, buyers' credit and finance leasing for products of members. As at the date of this announcement, China Energy holds 60% of the equity interests of the Finance Company, and the Company and its controlled subsidiaries hold 40% of equity interest in the Finance Company in total (among which, the Company directly holds 32.57% of the equity interest of the Finance Company; China Energy Shuohuang Railway Development Co., Ltd. (國能朔黃鐵路發展有限責任公司), Shenhua Zhunge'er Energy Co., Ltd. (神華準格爾能源有限 責任公司), China Energy Baoshen Railway Co., Ltd. (國能包神鐵路有限責任公司) (formerly known as Shenhua Baoshen Railway Co., Ltd. (神華包神鐵路有限責任公司)), which are the controlled subsidiaries of the Company, hold 2.86%, 2.86% and 1.71% of equity interest in the Finance Company, respectively.)

As disclosed in the announcement dated 28 March 2021, and the circular dated 14 May 2021, the Company has entered into the Financial Services Agreement with the Finance Company on 26 March 2021, pursuant to which the Finance Company agreed to provide financial services to Members of the Group. The Financial Services Agreement will expire on 31 December 2023. As disclosed in the announcement dated 23 September 2022, and the circular dated 30 September 2022, the Company and the Finance Company have entered into the Supplemental Agreement to the Financial Services Agreement on 23 September 2022 to amend annual caps in respect of daily balance (including interests accrued thereon) of deposits placed by Members of the Group with Finance Company for the years ending 31 December 2022 and 31 December 2023, and price determination and capital risk control measures clauses.

The Board has resolved and approved the entering into of the New Financial Services Agreement with the Finance Company on 28 April 2023. Pursuant to which, the Finance Company agreed to provide financial services to Members of the Group. The Financial Services Agreement shall come into force upon approval by the annual general meeting and shall be effective from 1 January 2024 and will expire on 31 December 2026.

## **NEW FINANCIAL SERVICES AGREEMENT**

### **Parties**

The Company and the Finance Company

## **Details of the transaction**

Pursuant to the New Financial Services Agreement, the Finance Company will provide the following regulatory authorities approved domestic and foreign currency financial services to Members of the Group:

- (1) provision of non-financing guarantee business services to Members of the Group;
- (2) bill acceptance and discount services to Members of the Group;
- (3) taking deposits from Members of the Group;
- (4) granting loans, consumption credit and buyer's credit to Members of the Group;
- (5) financial consultation, credit appraisal and other relevant advice and agency services to Members of the Group;
- (6) provision of assistance to Members of the Group to receive and pay transaction proceeds;
- (7) internal settlement and settlement planning services between Members of the Group;
- (8) provision of comprehensive credit limits to Members of the Group, including loans, bill acceptance and discount services;
- (9) provision of financial training and consultation services;
- (10) provision of other financial services with regulatory approval (letter of credit, online banking and entrusted loans) to Members of the Group and charge agency fee, handling fee, consulting fee or other service fee;
- (11) provision of foreign exchange deposits, foreign exchange loans, and approved international business to Members of the Group in accordance with approvals by the regulatory authorities.

Both parties agree that, on the premise that the Finance Company would obtain the approval of relevant regulatory authorities in the future, the Finance Company may provide related services such as foreign exchange settlement services to Members of the Group.

## **Term and termination**

The New Financial Services Agreement shall come into force upon approval by the annual general meeting and shall be effective from 1 January 2024 and will expire on 31 December 2026.

## Price determination

- (1) In terms of deposits and loans or similar services provided by the Finance Company to Members of the Group, subject to compliance with the relevant rules and regulations of PBOC, CBIRC and other relevant regulatory authorities and relevant requirements:
  - (a) The interest rates for deposits placed by Members of the Group with the Finance Company shall be no less than the benchmark deposit rate for the corresponding period stipulated by the PBOC and no less than the interest rate paid by major commercial banks in the PRC for comparable deposits services provided to Members of the Group and shall be negotiated in normal commercial terms;
  - (b) The interest rates for loans granted by the Finance Company to Members of the Group shall be no more than the benchmark loan interest rate for the corresponding period stipulated by the PBOC and no more than the interest rate charged by major commercial banks in the PRC for comparable loans services provided to Members of the Group and shall be negotiated in normal commercial terms.

With respect to the deposit interest rate offered by the Finance Company for deposits placed by Members of the Group, the Finance Company will pay close attention to the benchmark interest rate stipulated by the PBOC on a regular basis and ascertain the deposit interest rates of major commercial banks in the PRC (i.e. Industrial and Commercial Bank of China, Agricultural Bank of China, Bank of China, China Construction Bank, and Bank of Communications), to ensure the interest rates for deposits placed by Members of the Group with the Finance Company shall be no less than the interest rate paid by major commercial banks in the PRC for comparable deposits services provided to Members of the Group. Furthermore, price determination of deposits interest rate offered by the Finance Company will be under strict supervision and the Company will enforce relevant internal approval procedures.

- (2) In terms of paid services provided by the Finance Company to Members of the Group:
  - (a) The Finance Company can provide paid consultation, agency, settlement, transfer, letter of credit, online banking, entrusted loan, non-financing guarantee, bill acceptance and other related services to Members of the Group.
  - (b) Subject to compliance with the relevant rules and regulations of PBOC, CBIRC and other relevant regulatory authorities, the service fees charged by the Finance Company for the provision of the above financial services to Members of the Group shall be no more than the service fees charged by major commercial banks in the PRC for comparable financial services provided to Members of the Group and shall be negotiated in normal commercial terms.

With respect to the service fees charged by the Finance Company for provision of financial services to Members of the Group, the Finance Company will ascertain the service fees rate charged by major commercial banks on a regular basis and ensure the service fees charged by the Finance Company for provision of financial services to Members of the Group shall be no more than the service fees charged by major commercial banks in the PRC for comparable financial services provided to Members of the Group. In addition, price determination of service fees charged by the Finance Company will be under strict supervision and the Company will enforce relevant internal approval procedures.

### **Proposed annual caps and past transactions**

The Company proposes that the maximum daily balance (including interests accrued thereon) of deposits placed by Members of the Group with the Finance Company, and the agency fee, handling fee, consultation fee and other services fee charged by the Finance Company for providing Members of the Group with financial services including but not limited to consultation, agency, settlement, transfer, letter of credit, online banking, entrusted loan, non-financing letters of guarantee, bill acceptance and other services for the years ending 31 December 2024, 31 December 2025 and 31 December 2026, respectively, be set as follows. The Company also sets out below the historical transaction amounts under the same categories for the years ended 31 December 2021 and 31 December 2022.

#### ***Maximum daily balance (including interests accrued thereon) of deposits placed by Members of the Group with the Finance Company***

##### ***(1) Historic annual caps and actual transaction amount***

<b>Year ended 31 December 2021</b>		<b>Year ended 31 December 2022</b>		<b>Year ended 31 December 2023</b>
<b>Annual Cap</b> <i>(RMB million)</i>	<b>Transaction Amount (Audited)</b> <i>(RMB million)</i>	<b>Annual Cap</b> <i>(RMB million)</i>	<b>Transaction Amount (Audited)</b> <i>(RMB million)</i>	<b>Annual Cap</b> <i>(RMB million)</i>
27,900	27,439	75,000	72,316	75,000

##### ***(2) Proposed annual caps***

<b>Year ended 31 December 2024</b> <i>(RMB million)</i>	<b>Year ended 31 December 2025</b> <i>(RMB million)</i>	<b>Year ended 31 December 2026</b> <i>(RMB million)</i>
75,000	75,000	75,000

***The agency fee, handling fee, consultation fee and other services fee charged by the Finance Company for providing Members of the Group with financial services including but not limited to consultation, agency, settlement, transfer, letters of credit, online banking, entrusted loan, non-financing letters of guarantee guarantee, bill acceptance and other services***

***(1) Historic annual caps and actual transaction amount***

<b>Year ended 31 December 2021</b>		<b>Year ended 31 December 2022</b>		<b>Year ended 31 December 2023</b>
<b>Annual Cap (RMB million)</b>	<b>Transaction Amount (Audited) (RMB million)</b>	<b>Annual Cap (RMB million)</b>	<b>Transaction Amount (Audited) (RMB million)</b>	<b>Annual Cap (RMB million)</b>
200	32	300	16	400

***(2) Proposed annual caps***

<b>Year ended 31 December 2024 (RMB million)</b>	<b>Year ended 31 December 2025 (RMB million)</b>	<b>Year ended 31 December 2026 (RMB million)</b>
300	300	300

In respect of comprehensive credit provided by the Finance Company to Members of the Group, 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.90 of the Hong Kong Listing Rules from all reporting, announcement and independent shareholders' approval requirements since no security over the assets of the Group has been or will be granted in respect of such financial assistance from the Group. Nevertheless, the Company is required, by its business needs, to propose and set maximum daily balance of comprehensive credit provided by the Finance Company to Members of the Group, the annual caps for the total amount payable for services rendered by the Finance Company to the Members of the Group for the years ending 31 December 2024, 31 December 2025 and 31 December 2026 respectively, be set as follows. The Company also sets out below the historical transaction amounts under the same categories for the years ended 31 December 2021 and 31 December 2022.

***Daily balance of comprehensive credit provided by Finance Company to Members of the Group (including loans, credit loan, bill acceptance and discount, non-financing letters of guarantee, letter of indemnity, overdraft, letter of credit) (including relevant interest accrued thereon)***

***(1) Historic annual caps and actual transaction amount***

<b>Year ended 31 December 2021</b>		<b>Year ended 31 December 2022</b>		<b>Year ended 31 December 2023</b>
<b>Annual Cap (RMB million)</b>	<b>Transaction Amount (Audited) (RMB million)</b>	<b>Annual Cap (RMB million)</b>	<b>Transaction Amount (Audited) (RMB million)</b>	<b>Annual Cap (RMB million)</b>
100,000	24,527	100,000	29,544	100,000

***(2) Proposed annual caps***

<b>Year ended 31 December 2024 (RMB million)</b>	<b>Year ended 31 December 2025 (RMB million)</b>	<b>Year ended 31 December 2026 (RMB million)</b>
100,000	100,000	100,000

The terms of the New Financial Services Agreement have been reached after arm's length negotiation between the Company and the Finance Company.

The proposed annual caps of the New Financial Services Agreement have been set taking into account the following factors:

- (a) As for the Company's business operations and the situation concerning its monetary funds, as compared with when the company's reviewed and approved the revision of the annual caps of the daily deposit balance (including the accrued interest incurred) of the Members of the Group on October 28, 2022 at the first annual general meeting of the Company in 2022, no major changes has occurred. As of December 31, 2020, December 31, 2021, and December 31, 2022, The Group's monetary funds were approximately RMB127.5 billion, RMB162.9 billion, and RMB170.5 billion, respectively, and the scale of monetary funds has grown steadily by the year. With the growth of the Group's operating scale and the continuous increase of the currency held, the demand of the Members of the Group for the deposit services provided by the Finance Company has also grown steadily. With reference to the deposits of similar large-scale energy listed companies in connected financial companies, the amount of connected transactions of the Company in 2022, the utilisation rate of its annual caps, and future business development, it is recommended that the annual caps of the daily deposit balance (including the accrued interest incurred) of the Members of the Group to be set at a daily maximum of RMB75 billion from 2024 to 2026, which remains unchanged as compared with that of the 2022 and 2023 annual deposit ceilings set under the Supplemental Agreement to the Financial Services Agreement. The ratio of the annual caps of the daily deposit balance (including the accrued interest incurred) of the Members of the Group to the balance of monetary funds at the end of 2022 is 44%, which is significantly lower than the average level of similar energy listed companies.

- (b) The Finance Company has a long-standing history in terms of relationship with the Group, and has played an important supporting role in the development of the Group. The Finance Company was formerly known as Shenhua Finance Co., Ltd., and before the capital increase and name change in 2020, it has been operating in an integrated manner with the Group, and has formed a long-term and stable business partnership in terms of deposits and loans, settlements, and bills. The Finance Company can proactively get in close contact with the Members of the Group, understand their financial needs and operating conditions, and provide unique, timely and comprehensive financial services to meet the changing needs of the Members of the Group for financial services, which will help the Company achieve good cash flow management. Improving capital efficiency meets the needs of the Group's business development and operation management.
- (c) Members of the Group make deposits in the Finance Company, which is conducive to effectively improving the investment income of the Company. The Company and the Finance Company will regularly monitor the changes in the benchmark interest rates of the PBOC, learn about the deposit rates of major commercial banks, and ensure that the deposit interest rates in finance companies are not lower than the benchmark deposit rates announced by the PBOC for the same period and not lower than the deposit rates of the same type of deposit service provided by major commercial banks to Members of the Group, which is beneficial for the Group to obtain a deposit interest income not lower than that of a major commercial bank. In addition, the Company, as an important shareholder of the Finance Company, directly and indirectly holds 40% of the shares of the Finance Company, and can share the return on investment brought about by the increase in the business scale and operating profit of the Finance Company.
- (d) Members of the Group will obtain funds from the Finance Company through the comprehensive credit service, which will help support the business development of the Company. It is recommended that the Finance Company grant the Members of the Group an annual cap of comprehensive credit limit of RMB100 billion, which remains the same as compared with 2021-2023 annual comprehensive credit ceiling amount as set under the Financial Services Agreement. At present, industries such as coal, electric power, transportation, and chemical industry will remain important basic industries in the PRC for a relatively long period of time.

While the Group's various businesses will continue on a track of healthy development, demand for deposits and loans, settlements, bills, etc. provided by the Finance Company also increased significantly. The Finance Company is actively promoting innovation in the financial services provided, whilst continually reducing capital costs, and providing comprehensive credit facilities of RMB100 billion to Members of the Group, including loans, bill acceptance and discounts, non-financing letters of guarantee, overdrafts, and letter of credit issuance, with no collateral or guarantee being required from the Members of the Group.

- (e) Members of the Group can obtain flexible and convenient financial services from the Finance Company. The Finance Company provides financial services to the Company, giving full play to the functions of the financial platform, carrying out entrusted loans, syndicated loans, issuing non-financing letters of guarantee, issuing letters of credit, international exchange, financial consulting and other services, which will promote the high-quality development of the Group, creating economic benefits, ensuring energy supply, implementing the dual carbon strategy, whilst preventing and defusing major risks, thereby assuming a vital role of enhanced financial support for the enterprises. Therefore, from 2024 to 2026, it is recommended that the total amount of agency fees, handling fees, consulting fees or other service fees charged by the Finance Company to provide financial services to Members of the Group be set at RMB300 million, which is consistent with the 2023 service fees of the Financial Services Agreement.
- (f) The Finance Company has strict risk control measures and accepts the supervision of internal and external parties. As a large domestic licensed non-bank financial institution, the Finance Company operates under strict observance with the risk monitoring indicators and risk monitoring indicators required by national laws and regulations. At the same time, the Company and the Finance Company agreed on a series of strict risk assessment and control measures in the New Financial Services Agreement to ensure the safety of Members of the Group's deposits in the Finance Company. As the controlling shareholder of the Finance Company, China Energy has promised in the Finance Company Capital Increase Agreement to provide financial support to the Finance Company through various channels to ensure that the Company's normal fund needs are met. The proposed annual caps for continuing connected transactions should be flexible to allow for maximum consideration of various possibilities. Even where the company sets an annual cap for continuing connected transactions, it does not mean that the Members of the Group and the Finance Company will conduct continuing connected transactions on such basis, and the proposed annual cap is not laid out as strict guidance when the actual transaction amount is concerned. The continued connected transactions between Members of the Group and the Finance Company will be carried out strictly in accordance with the actual required transaction volume and transaction price. The Company will disclose the expected situation of continuing connected transactions with the Finance Company and the range of deposit and loan interest rates at the beginning of each year, and disclose actual transaction amount for the year in the annual report. The Board reviews the annual report which includes the implementation of connected transactions every year. The Company's independent non-executive Directors and auditors will continue to review the connected transactions so as to allow for supervision of independent shareholders. The Company will also regularly disclose relevant information such as the operation management, risk indicators and internal control of the Finance Company and evaluate and explain the financial business of the Finance Company such as the overall arrangement of its fund receipts and expenditures and deposits and loans, and whether the deposits in the Finance Company affect the Company's normal production and operations during the Reporting Period through the Continuous Risk Assessment Report on China Energy Group Finance Co., Ltd..

## **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 New Financial Services Agreement with the Finance Company. Each implementation agreement will set out the specifications for the transaction. The implementation agreements provide for the financial services as contemplated by the New 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 New Financial Services and the annual caps.

All payment made pursuant to the New Financial Services Agreement and its implementation agreements will be by electronic transfer or other payment methods agreed by both parties.

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

The Members of the Group have established long-term and stable cooperation with the Finance Company, as well as relatively stable business relations in terms of deposits, loans, bills, settlements and agents. The Company has entered into the New Financial Services Agreement. Provision of financial services by the Finance Company to Members of the Group is conducive to maintaining the continuity of financial services received by Members of the Group, optimizing the Group's financial management, improving the efficiency of capital utilization, reducing financing costs, and improve the company's return on investment in the Finance Company. Further details are as follows:

- (1) Improving treasury management efficiency, realising centralised treasury management: the Finance Company provides deposits and other financial services to Members of the Group to facilitate settlement within members of the Group and between Members of the Group and members of China Energy Group and shorten the time required for transfer and turnover of funds. Compared with opening bank accounts by Members of China Energy Group and Members of the Group separately in independent commercial banks, direct clearing and settlement between both sides would be more efficient. The Finance Company will enable the Group to lower the cost by improving the efficiency of the internal settlement and help to realise optimisation of cost and operational efficiency. In addition, deposits placed by Members of the Group with the Finance Company would be conducive to realising centralised treasury management as Members of the Group will be able to withdraw cash to satisfy their flexible requirements of treasury timely at any time without limitation. Meanwhile, Members of the Group will also be entitled to withdraw its deposit placed with the Finance Company in full or in part. Members of the Group may, at its sole discretion, deposit its funds into the Finance Company or other independent commercial banks without any restrictions.

- (2) Familiar with the Group's business, providing more flexible and convenient services: Since the Finance Company mainly provides financial services to China Energy and its subsidiaries, it has accumulated in-depth knowledge over the years in respect of the industry in which Members of the Group operate. The Finance Company is familiar with the capital structure, business operation, capital requirements and cash flow pattern of Members of the Group, enabling it to better forecast the capital requirements of Members of the Group. Therefore, the Finance Company can provide flexible, convenient and low-cost service to Members of the Group at any time, while it will be difficult for independent commercial banks to provide equivalent services.
- (3) Offering fair commercial terms and investment incomes: Pursuant to the New Financial Services Agreement to be entered into, the interest rate for deposits of the Members of the Group in the Finance Company shall not be lower than the benchmark interest rate for the same period prescribed by the PBOC and shall not be lower than the interest rate determined by major commercial banks for the same type of deposit services provided to the Members of the Group. The increase in deposits of the Members of the Group in the Finance Company shall be beneficial to the Members of the Group in obtaining more interest income from the deposits which are not lower than major commercial banks. In addition, the Company, as a substantial shareholder of the Finance Company, directly and indirectly holds 40% equity interests in the Finance Company in aggregate, which is entitled to share the investment return brought by the increase in the business scale of the Finance Company.

## **HONG KONG LISTING RULES IMPLICATIONS**

The Finance Company is held as to 60% of equity interest by China Energy, and China Energy holds 69.52% interest in the Company, and is the controlling shareholder of the Company. As such, the Finance Company is a connected person of the Company under the Hong Kong Listing Rules, and the New 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 of the daily deposit balance (including the accrued interest incurred) of the Members of the Group in the Finance Company, as one or more of the applicable percentage ratios exceed 5% but all such percentage ratios are less than 25% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, and is thereby subject to reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules, and also constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

With regard to the proposed annual caps on the total amount of fees for financial services provided by the Finance Company to Members of the Group, since all such percentage ratios are less than 0.1% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, and is thereby exempt from 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 Financial Services Agreement and the Supplemental Agreement to the Financial Services Agreement) entered into between the Group and the China Energy and its ultimate beneficial owners within a 12-month period or otherwise related, which would, together with transactions under the New Financial Services 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 independent non-executive Directors) consider that the New Financial Services Agreement (including terms, annual caps and pricing) 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 New Financial Services Agreement and the proposed annual caps thereto on 28 April 2023. Of the Directors attending the board meeting, the Abstained Directors were considered to have material interest by virtue of being employed by China Energy, and thus abstained from voting on the board resolution(s) in respect of the New Financial Services Agreement and the proposed annual caps thereto.

The Independent Board Committee has been formed to advise the Independent Shareholders on the New Financial Services Agreement and the proposed annual caps thereto. The Independent Board Committee will approve the appointment of an 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 New Financial Services Agreement.

Annual general meeting of the Company will be convened and held to, inter alia, consider and, if thought fit, to approve the New Financial Services Agreement and the proposed annual caps thereto. 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 regarding the continuing connected transactions under the New Financial Services 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 day.

## DEFINITIONS

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

“associate”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“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;
“Board”	the board of Directors;
“CBIRC”	China Banking and Insurance Regulatory Commission;
“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”	collectively, 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 with limited liability, the H shares of which are listed on The Stock Exchange of Hong Kong Limited and the A shares of which are listed on the Shanghai Stock Exchange;
“Director(s)”	the director(s) of the Company;
“Finance Company”	China Energy Finance Co., Ltd. (國家能源集團財務有限公司), a limited company incorporated in the PRC, formerly known as Shenhua Finance Co., Ltd. (神華財務有限公司);
“Finance Company Capital Increase Agreement”	the “Shenhua Finance Co., Ltd. Capital Increase Agreement” 《神華財務有限公司之增資協議》 dated 27 March 2020 entered into between the Company, China Energy, Guoneng Shuohuang Railway Development Co., Ltd., Shenhua Zhunge’er Energy Co., Ltd., Shenhua Baoshen Railway Co., Ltd., and legacy Shenhua Finance Co., Ltd.;
“Financial Services Agreement”	the Financial Services Agreement entered into between the Company and the Finance Company on 26 March 2021;
“Group”	collectively, 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 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;
“Member(s) of China Energy Group”	including China Energy, its subsidiaries in which China Energy holds over 51% equity interests (the “China Energy Subsidiaries”), companies in which China Energy and the China Energy Subsidiaries individually or jointly hold(s) over 30% equity interests, public institution(s) or social organisation(s) with legal person(s) status under China Energy and its subsidiaries, but excluding the Group;
“Members of the Group”	including the Company, its subsidiaries in which the Company holds over 51% equity interests (the “Company Subsidiaries”), companies in which the Company and the Company Subsidiaries individually or jointly hold(s) over 30% equity interests, public institution(s) or social organisation(s) with legal person(s) status under the Company and its subsidiaries;
“New Financial Services Agreement”	the New Financial Services Agreement to be entered into with the Finance Company as resolved and approved by the Board on 28 April 2023;
“PBOC”	the People’s Bank of China;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Shareholder(s)”	the shareholder(s) of the Company;
“Supplemental Agreement to the Financial Services Agreement”	the supplemental agreement to the Financial Services Agreement entered into between the Company and the Finance Company on 23 September 2022.

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.*