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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 TRANSACTION**  
**CONTINUING CONNECTED TRANSACTION**

**REVISION OF FINANCIAL SERVICES AGREEMENT**

As disclosed in the announcement dated 28 March 2021, the Company has entered into the Financial Services Agreement with the Finance Company on 26 March 2021.

The existing 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 will not be sufficient for the Group's needs. The Company has entered into the Supplement Agreement with Finance Company 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 Supplemental Agreement will take effect upon approval at the general meeting of the Company, with a term from 1 January 2022 to 31 December 2023.

As of the date of this announcement, Finance Company is held as to 60% of equity interest by China Energy, and China Energy holds 69.52% of equity interest of the Company and is the controlling shareholder of the Company. As such, Finance Company is a connected person of the Company under the Hong Kong Listing Rules, and the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

In respect of the revised annual caps under the Financial Services Agreement, 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, the revision of the Financial Services Agreement are subject to reporting, announcement, the approval of independent shareholders and annual review requirements under Chapter 14A of the Hong Kong Listing Rules. This transaction also constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the revision of the Financial Services Agreement (including terms, annual cap and pricing).

An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and Independent Shareholders on the revision of the Financial Services Agreement (including terms, annual cap and pricing).

A general meeting of the Company will be convened and held to, inter alia, consider and, if thought fit, to approve the revision of the Financial Services Agreement. According to the Hong Kong Listing Rules, China Energy and its respective associates shall abstain from voting in respect of relevant resolutions.

A circular containing, among other things, further details of the revision of the Financial Services 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.

## **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 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.

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 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 Finance Company, respectively.)

As disclosed in the announcement dated 28 March 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 has become effective from the date of the approval at the 2020 annual general meeting and will expire on 31 December 2023.

In accordance with the Hong Kong Listing Rules, the Company has been monitoring all of its transactions carried out pursuant to the Financial Services Agreement. The existing 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 will not be sufficient for the Group's needs. The Directors therefore propose to revise them. In order to implement the latest regulatory requirements of the PRC, further prevent capital risks, improve

the efficiency of capital utilization, reduce financing costs, strengthen the review of the operating conditions and regulatory indicators of Finance Company, and bring investors higher return on investments, the Company has entered into the Supplement Agreement with Finance Company 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 Supplemental Agreement will take effect upon approval at the general meeting of the Company, with a term from 1 January 2022 to 31 December 2023. The terms of the Financial Services Agreement and the Supplemental Agreement have been reached after arm's length negotiation between the Company and Finance Company.

## **MAJOR TERMS OF THE REVISED FINANCIAL SERVICES AGREEMENT**

### **Date**

26 March 2021

### **Parties**

The Company and Finance Company

### **Transaction**

Pursuant to the Financial Services Agreement, the Finance Company will provide the following financial services to Members of the Group:

- (1) provision of financial service of guarantee (including guarantee business within the business scope of financial enterprises, such as performance guarantee and quotation sharing) 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) entrustment investments between Members of the Group;
- (8) internal settlement and settlement planning services between Members of the Group;
- (9) underwriting or distribution of financial instruments such as debt financing instruments, corporate bonds and enterprise bonds of Members of the Group;
- (10) provision of comprehensive credit limits to Members of the Group, including loans, bill acceptance and discount services;
- (11) provision of financial training and consultation services;
- (12) provision of other financial services (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.

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

### **Term and termination**

The Financial Services Agreement has become effective from the date of approval at the 2020 annual general meeting and will expire on 31 December 2023, after the legal representative or authorized representative of the parties affix their signatures and common seals or contract seals of their companies.

### **Price determination clause after revision**

- (1) In terms of deposits and loans or similar services provided by 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 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 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 Finance Company for deposits placed by Members of the Group, Finance Company will pay close attention to the benchmark interest rate stipulated by the PBOC on monthly basis and, by way of inquiry, 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 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 Finance Company will be under strict supervision and the Company will enforce relevant internal approval procedures. For further details, please refer to “The Group’s internal approval procedures for the price determination process”.

- (2) In terms of paid services provided by Finance Company to Members of the Group:
  - (a) Finance Company can provide paid consultation, agency, settlement, transfer, investment, letter of credit, online banking, entrusted loan, 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 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 Finance Company for provision of financial services to Members of the Group, Finance Company will, by way of inquiry, ascertain the service fees rate charged by major commercial banks on monthly basis and ensure the service fees charged by 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 Finance Company will be under strict supervision and the Company will enforce relevant internal approval procedures. For further details, please refer to “The Group’s internal approval procedures for the price determination process”.



## **The Group's internal approval procedures for the price determination process**

With a view to strengthening holistic control of deposits and loans and ensuring implementation of pricing policies in conformity with laws and regulations, measures pertaining to centralized fund management, centralized financing approval and centralized business decision-making are adopted by the Company during the ordinary course of business, which is principally reflected in the following aspects:

- (1) **Reinforcing centralized financing control.** Finance department of the Company is accountable for the centralized review of the annual financing needs of Members of the Group. Members of the Group shall, while submitting a loan application to Finance Company, provide relevant information such as the purpose, amount, term and interest rate of the loan. Upon review of the aforementioned matters, finance department of the Company shall report to the management of the Company to reach a decision.
- (2) **Real-time monitoring on market price level.** In light of the funding requirements, finance department of the Company will monitor the deposit rates of PBOC on a monthly basis, and conduct business inquiries periodically and publicly with major commercial banks in the PRC and Finance Company, primarily focusing on factors relating to interest rates for deposits, scale, term, service fee and preconditions. In view of ensuring prices are determined in conformity with the relevant rates, consolidated inquiry results shall be reported to the management of the Company.
- (3) **Establishing monthly review mechanism.** A fund balance meeting of the Company, chaired by the chief accountant of the Company with the attendance of audit, legal, finance and other related departments, will be convened on a monthly basis by the Company, to review the deposits placed with Finance Company by Members of the Group, to keep abreast of the loans granted by Finance Company in a timely manner and to reasonably formulate recommendations on deposit and financing arrangements of the Company for the next month, which shall also be reported to the management of the Company.
- (4) **Persisting in legal and compliance implementation.** Following the approval of the abovementioned deposit and financing arrangements, the implementation by the person in charge shall be strictly in compliance with relevant procedures and finance approval authority level-by-level of the Company. Upon completion, sustained supervision and post-evaluation shall be conducted by relevant review departments of the Company.

## **Capital risk control mechanism and measures established or improved in connection with the revision of the Financial Services Agreement**

- (1) China Energy undertakes in the Finance Company Capital Increase Agreement that in case of an emergency where Finance Company has difficulties making payments, China Energy shall, in accordance with the actual needs to address payment difficulties, satisfy the payment needs of Finance Company through various channels including, among others, the increase of capital and the provision of liquidity support to Finance Company in conformity with laws, regulations and internal regulations such as the articles of association of Finance Company.
- (2) Finance Company is a major domestic non-banking financial institution under the supervision of the CBIRC. Competent authority delegated by CBIRC conducts daily supervision on Finance Company and conducts on-site and off-site inspections. Finance Company ensures that it is in strict compliance with the risk control indicators and risk monitoring indicators issued by the CBIRC.
- (3) Finance Company shall establish a sound internal control system on the basis of business operation, a risk management system covering the entire process and contingency plans devised for diverse risks to ensure security of the deposits placed by the Members of the Group and effectively guard against the risks.
- (4) The personnel assigned by Finance Company to undertake the duty of financial services shall possess experiences in financial services and a sense of responsibility and diligently perform their duties. To ensure the security of the payment and settlement of Members of the Group, Finance Company shall establish a mature and efficient online banking system, and strictly execute the operation procedure and control the risk arising out of the information technology.
- (5) Finance Company shall establish a model of fund pooling and usage suitable for Members of the Group, in order to ascertain the transaction caps for connected parties, fulfill the relevant regulatory requirements and prevent the compliance risk of the Company.
- (6) Finance Company shall not accept Members of the Group to provide entrusted loans and entrusted wealth management to other related members through Finance Company, and shall not accept deposit of proceeds (if any) in Finance Company.



- (7) The Company will divide the deposit limit to Members of the Group. Finance Company shall monitor the deposit placed by Members of the Group with Finance Company to ensure the designated deposit limit will not be exceeded. In the event of the deposits placed by any Member of the Group with Finance Company exceeding the limit, Finance Company shall promptly notify the Company and cooperate with the Company to transfer the over-limit deposits to the designated bank account of the Company. Approval of finance department of the Company shall be obtained in the event of the deposit to be placed exceeding the designated deposit limit. Under this circumstance, the deposit limit of other Members of the Group shall be deducted accordingly so as to ensure the overall deposit limit is not exceeded.
- (8) Prior to the commencement of connected transactions with Finance Company, Members of the Group are entitled to review Finance Company's audited annual financial report for the latest financial year, risk indicators and other necessary information, as well as the latest and valid financial license and business license. The financial department of the Company shall seriously evaluate such information and confirm that the risks are controllable before commencing business with Finance Company. Members of the Group shall not engage in relevant business with Finance Company in the event that the foregoing licenses concerned are absent or expired.
- (9) The Company has the right to examine the operation status and financial position of Finance Company on a regular or non-regular basis, and pay close attention to whether Finance Company is in violation of any relevant regulations including the Administrative Measures on Financial Companies of Group Enterprises issued by CBIRC. Finance Company shall fully cooperate and provide accurate and comprehensive information. Finance Company will provide its financial reports, risk indicators and other necessary information and the latest valid financial license and business license to the Company's finance department by 15 February of the year after the end of each year and within 20 calendar days after the end of each half year, and will provide various regulatory indicators to the Company's finance department within 20 calendar days after the end of each quarter. In the event that major regulatory indicators of Finance Company are found to be inconsistent with relevant regulatory requirements or there are other material risks, Finance Company shall timely inform the Company and shall not continue to take deposit of the Members of the Group, and the Members of the Group shall discontinue depositing at Finance Company.
- (10) Members of the Group will be able to withdraw cash to satisfy the flexible requirements of treasury timely at any time without limitation, and may, from time to time, transfer its deposit placed with Finance Company in full or in part to test and ensure the security and liquidity of the relevant deposits.

- (11) Finance Company shall not exceed the transaction limit stipulated in the Finance Services Agreement to collect funds from Members of the Group, and based on the list of the Members of the Group and deposit limit designated by the Company for each Member of the Group (if any), shall assist in monitoring the maximum daily balance (including interests accrued thereon) of deposits placed by each of and all the Members of the Group with Finance Company to ensure the relevant balance does not exceed the applicable annual caps of connected transactions. If the service fees charged by Finance Company reached the annual cap for the year, Finance Company shall timely inform the Company and notify the Members of the Group, and shall not provide the relevant service to the Members of the Group for the rest of the year unless otherwise approved by the Board or the general meeting (if applicable) of the Company.
- (12) The Company shall dynamically evaluate and supervise the risk status of the funds deposited with Finance Company, and Finance Company shall cooperate; Finance Company guarantees that it shall inform the Company in the first instance, cooperate with the Company to actively dispose of the risks, and protect the safety of funds of Members of the Group in the event of the occurrence of the following circumstances: (1) Finance Company has non-group (contingent) liability business such as interbank lending and bill acceptance is overdue for more than 5 working days; (2) the occurrence of material credit risk events (including but not limited to overdue of open market bonds for more than seven working days, payment of guarantee of large value etc.) on China Energy Group or other related parties; (3) Finance Company continues to fail to meet the regulatory requirements in accordance with the regulatory indicators such as capital adequacy ratio and liquidity ratio stipulated in the Administrative Measures on Finance Companies of Corporate Groups (《企業集團財務公司管理辦法》), and the major shareholders are unable to fulfill their obligations for capital replenishment and risk relief; (4) other circumstances as stipulated in the risk disposal plan for the financial business with Finance Company such as connected deposits and loans that have been reviewed and approved by the Board of the Company.
- (13) When the situation mentioned in the preceding paragraph occurs, officers of the Company in charge of financial work shall urge the relevant departments of the Company and the Members of the Group to take risk response measures in due course, such as withdrawing full or partial deposits placed with Finance Company, suspending any deposits placement with Finance Company and requesting Finance Company to carry out rectification within a prescribed time limit, so as to ensure the safety of deposits of the members of Shenhua placed with Finance Company. Finance Company shall fully assist and cooperate. In the event of default where the deposits become unable to be withdrawn, the Company is entitled to set off the amount of unrecovered deposits with the loan provided by Finance Company to any Members of the Group, in which case Finance Company shall, after obtaining the written consent documents from the relevant depository units and lending units, cooperate with the relevant Members of the Group to carry out such offsetting by performing the corresponding procedures and signing relevant legal documents as required by the Company.

- (14) During the annual audit period of the Company, the external auditor will review and issue opinions on the connected transactions of both parties. The Company shall be subject to the information disclosure obligation under the requirements of the Listing Rules of the place where it is listed in a timely manner. Finance Company shall provide necessary cooperation, including but not limited to the provision of information on the amount and balance of relevant financial services.
- (15) The Company and the Finance Company agree to, under the requests and recommendations of securities regulatory authorities where the shares of the Company are listed, independent nonexecutive directors of the Company, and independent financial adviser (if any), adjust risk control measures mentioned above, including, but not limited to adding and modifying relevant risk control measure, which shall be agreed.

Finance Company guarantees to strengthen the management of its own connected transactions, not to assist third parties in any way to obtain funds from the Company through connected transactions, not to conceal illegal connected transactions or hide the true whereabouts of the Company's funds through connected transactions, or not to engage in illegal activities.

**Proposed revision to annual cap of daily balance (including interests accrued thereon) of deposits placed by Members of the Group with Finance Company**

***Historical transaction amounts***

<b>Year ended 31 December 2021 Aggregated transaction amount (RMB million)</b>	<b>Six months ended 30 June 2022 Aggregated transaction amount (RMB million)</b>
27,439	27,793

***Original annual cap***

<b>Year ended 31 December 2022 Annual cap (RMB million)</b>	<b>Year ended 31 December 2022 Annual cap (RMB million)</b>
27,900	27,900

### ***Proposed revised annual caps***

<b>Year ended 31 December 2022 Annual cap (RMB million)</b>	<b>Year ended 31 December 2023 Annual cap (RMB million)</b>
75,000	75,000

The following factors were taken into consideration in revising the annual caps for the two years ending 31 December 2022 and 31 December 2023 for the daily balance (including interests accrued thereon) of deposits placed by Members of the Group with Finance Company:

- (1) Industries such as coal, electricity and renewable resources will remain as the most important fundamental industries for China in the long run. Each business sector of the Company achieved sustainable and robust development, with steady growth in monetary capital year-by-year. In terms of revenue, the operating scale of the Company has increased rapidly. In 2020, 2021 and the six months ended 30 June 2022, the Company's revenue amounted to RMB233,263 million, RMB335,216 million and RMB165,579 million respectively. The revenue for 2021 has increased by approximately 43.7% as compared with 2020. In terms of monetary capital, as at 31 December 2020, 31 December 2021 and 30 June 2022, the Company's monetary capital was approximately RMB127.5 billion, RMB162.9 billion and RMB207.9 billion, respectively. As at the end of June 2022, the balance of monetary capital increased by approximately 27.7% as compared with the beginning of the year and increased by approximately 28.9% as compared with the same period last year. Taking into account the implementation of capital investment and the expectation of stable returns for investors, the annual cap utilization rate of deposits in 2020 and 2021 was close to 100%, at 99.34% and 98.35%, respectively, and with the continued increase of the operating scale of the Company and monetary capital held by the Company, the demand of the Members of the Group for business services such as deposits, settlement, credit and bills provided by Finance Company also increased significantly.
- (2) The Financial Services Agreement stipulates that the cap of daily balance (including interests accrued thereon) of deposits placed by the Members of the Group with Finance Company is RMB27.9 billion, representing approximately 17.13% of the balance of the Company's monetary capital at the end of 2021 which is below the average percentage of deposit cap placed in finance company of each enterprise group for 2022 against the balance of the monetary capital at the end of 2021 of other A+H dual listed energy companies, and also below 35%, the percentage of deposit cap agreed in the Financial Services Agreement against the Company's monthly average deposit balance at the time of the entering into such agreement. The advantages of the Company's integrated operation model

continued to be consolidated, and its coal, electricity and renewable resources achieved sustainable and robust development, with long-term positive operating conditions. As at 30 June 2022, the Company's consolidated monetary capital has exceeded RMB200 billion, and the scale of capital is still growing at a steady pace. In order to meet the needs of the Company's business development, improve the convenience and safety of the use of funds, further enhance the efficiency of capital utilization, and reduce financing costs, increasing the deposit cap of Members of the Group with Finance Company to RMB75 billion is reasonable, which accounts for 36% of the money capital of the Company as at end of June 2022 and is equivalent to the percentage of deposit cap against the monthly average deposit balance when the Financial Services Agreement was entered into.

- (3) Finance Company strongly supports the development of the Members of the Group, and has provided comprehensive credit facilities of RMB100 billion to the Members of the Group. Finance Company, formerly known as Shenhua Finance Company Limited, is also one of the subsidiaries of the Company. It has been operating in an integrated manner with the Company until it received the capital increase from China Energy and changed its name in 2020. Members of the Group have formed long-term and stable business cooperation with Finance Company in the fields of deposit and loan, settlement and bills. Finance Company is familiar with the Members of the Group, and understands their financial needs and market development. Members of the Group enjoy preferential treatment such as exemption of handling fees when dealing with Finance Company. Finance Company has comparable advantages in providing relevant financial services to the Members of the Group, which helps the Members of the Group achieve good cash flow management and improve capital efficiency, thus meeting the needs of business development of the Members of the Company.
- (4) Pursuant to the Financial Services Agreement and the Supplementary members of the Company Agreement the interest rate for deposits of the Members of the Group in Finance Company shall not be lower than the benchmark interest rate for the same period prescribed by the People's Bank of China 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 Company. The increase in deposits of the Members of the Group in Finance Company shall be beneficial to the members in obtaining interest income from the deposits which are not lower than major commercial banks. In addition, the Company, as a substantial shareholder of Finance Company, directly and indirectly holds 40% equity interests in Finance Company in aggregate, which is entitled to share the investment return brought by the increase in the business scale of Finance Company. Based on the operating conditions and net interest margin of Finance Company's loan business, the Company will receive additional investment income while obtaining the deposit interest, which is 1.5 times of the total income from deposits in major commercial banks.



- (5) Finance Company has good risk control and compliance management system, and ranks among the top finance companies in China. It has consistently provided convenient and efficient financial services such as deposits and loans to the Members of the Group. The Company and Finance Company have agreed on a series of strict risk control measures in the Financial Services Agreement and the Supplementary Agreement to ensure the safety of the funds deposited by the Members of the Group in Finance Company. At the same time, the Company, as a substantial shareholder of Finance Company, supervises the operation and management and the effective operation of the internal control system of Finance Company by dispatching directors thereto. In addition, China Energy has undertaken in the Shenhua Finance Capital Increase Agreement to provide financial support to Finance Company through various channels to ensure meeting the normal demand for funds of Members of the Group. During the historical periods, the Company's deposit business in Finance Company was normal, and no risk event has ever occurred.
- (6) The Company is of the view that when proposing caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities. Even if the Company sets the annual caps for continuing connected transactions, it does not mean that the members of the Company and Finance Company will transact such amounts, and the proposed annual caps are not indications for the actual transaction amounts. The members of the Company and Finance Company will conduct the continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price. The Company will disclose the actual transaction amounts in each year's annual report, and the independent non-executive directors and auditors will opine on the continuing connected transaction with Finance Company to receive supervision of the Independent Shareholders.

### **Implementation Agreements**

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

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



## **Background and Reasons for Entering into the Financial Services Agreement and the Supplementary Agreement and the Benefits to the Company**

In order to implement the regulatory requirements of the Notice on the Regulation of Business Transactions between Listed Companies and Finance Companies of Corporate Groups (Zheng Jian Fa [2022] No. 48) (《關於規範上市公司與企業集團財務公司業務往來的通知》(證監發[2022]48號) issued by CSRC and the Guidelines of the Shanghai Stock Exchange for Self-governance of Listed Companies No.5 – Transaction and Connected Transaction (《上海證券交易所上市公司自律監管指引第5號—交易與關聯交易》) issued by the Shanghai Stock Exchange, further prevent capital risks, improve the efficiency of capital utilization, reduce financing costs, strengthen the review of the operating conditions and regulatory indicators of Finance Company, and bring investors higher return on investments, the Company has entered into the Supplement Agreement with Finance Company 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 Members of the Group have established long-term and stable cooperation with Finance Company, as well as relatively stable business relations in terms of deposits, loans, bills, settlements and agents. The Company has entered into the Financial Services Agreement and the Supplementary Agreement with Finance Company. Provision of financial services by Finance Company to Members of the Group is conducive to maintaining the continuity of financial services received by Members of the Group, improving the efficiency of capital utilization, reducing financing costs, and strengthening risk control of the Company, which will not harm the interests of the Company or minority shareholders. Further details are as follows:

- (1) Improving treasury management efficiency, realising centralised treasury management: 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. Finance Company will enable the Company 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 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 Finance Company in full or in part. Members of the Group may, at its sole discretion, deposit its funds into Finance Company or other independent commercial banks without any restrictions.

- (2) Familiar with the Company's business, providing more flexible and convenient services: Since 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. 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, 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 Financial Services Agreement and the Supplementary Agreement to be entered into, the interest rate for deposits of the Company's members in Finance Company shall not be lower than the benchmark interest rate for the same period prescribed by the People's Bank of China 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 Company. The increase in deposits of the members of the Company in Finance Company shall be beneficial to the members 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 Finance Company, directly and indirectly holds 40% equity interests in Finance Company in aggregate, which is entitled to share the investment return brought by the increase in the business scale of Finance Company. Based on the operating conditions and net interest margin of Finance Company's loan business, the Company will receive additional investment income while obtaining the deposit interest, which is 1.5 times of the total income from deposits in major commercial banks.

## **HONG KONG LISTING RULES IMPLICATIONS**

As of the date of this announcement, Finance Company is held as to 60% of equity interest by China Energy, and China Energy holds 69.52% of equity interest of the Company and is the controlling shareholder of the Company. As such, Finance Company is a connected person of the Company under the Hong Kong Listing Rules, and the Financial Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

In respect of the revised annual caps under the Financial Services Agreement, 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, the revision of annual caps and certain clauses of Financial Services Agreement are subject to reporting, announcement, the approval of independent shareholders and annual review requirements under Chapter 14A of the Hong Kong Listing Rules. This transaction also constitutes a discloseable transaction under Chapter 14 of the Hong Kong Listing Rules.

## **GENERAL INFORMATION**

The Board has resolved and approved the revision of the Financial Services Agreement thereto on 23 September 2022. Of the Directors attending the board meeting, connected Directors Mr. Jia Jinzhong and Mr. Yang Rongming were considered to have material interests by virtue of being employed by China Energy and had thus abstained from voting on the relevant resolution(s). The Directors (including independent non-executive Directors) consider that the revision of the Financial Services Agreement (including terms, annual cap 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.

An Independent Board Committee has been formed to advise the Independent Shareholders on the revision of the Financial Services Agreement (including terms, annual cap and pricing).

An independent financial adviser will be appointed by the Company to advise the Independent Board Committee and Independent Shareholders on the revision of the Financial Services Agreement (including terms, annual cap and pricing).

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 revision of the Financial Services Agreement.

A general meeting of the Company will be convened and held to, inter alia, consider and, if thought fit, to approve the revision of the Financial Services Agreement. According to the Hong Kong Listing Rules, China Energy and its respective associates shall abstain from voting in respect of relevant resolutions.

A circular containing, among other things, further details of the revision of the Financial Services 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:

“A Share(s)”	the domestic share(s) issued by the Company to domestic investors denominated in RMB and which are listed on the Shanghai Stock Exchange;
“associate”	has the meaning ascribed thereto under the Hong Kong Listing Rules;
“Board”	the board of Directors;
“CBIRC”	China Banking and Insurance Regulatory Commission;
“CSRC”	China Securities 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, 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;
“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);
“Financial Services Agreement”	the financial services agreement dated 26 March 2021 entered into between the Company and Finance Company;
“Group”	the Company and its subsidiaries;
“H Share(s)”	the overseas-listed foreign invested share(s) in the Company’s share capital, with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“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 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;
“Member(s) 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;
“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”	the supplemental agreement to the Financial Services Agreement dated 23 September 2022 entered into between the Company and Finance Company.

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

Beijing, 23 September 2022

*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.*