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# **中国神华能源股份有限公司**

## **CHINA SHENHUA ENERGY COMPANY LIMITED**

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 01088)**

### **CONTINUING CONNECTED TRANSACTIONS**

### **ENTERING INTO FACTORING SERVICES AGREEMENT**

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The Company entered into the Factoring Services Agreement with Guoneng Factoring on 28 April 2023, pursuant to which, Guoneng Factoring agreed to provide Members of the Group with factoring services (including recourse factoring, non-recourse factoring, reverse factoring, etc.) and factoring-related services such as supply chain finance platform, consulting, agency and asset management. The Factoring Services Agreement shall become effective from the date when it is approved by the Board, signed by the legal representatives or authorized representatives of both parties and affixed with the company seals or special contract seals, with a valid period from 1 January 2023 to 31 December 2025.

As at the date of this announcement, Guoneng Factoring is an indirect wholly-owned subsidiary of China Energy. China Energy holds 69.52% of the shares of the Company and is the controlling shareholder of the Company. Accordingly, Guoneng Factoring is a connected person of the Company as defined under the Hong Kong Listing Rules. The Factoring Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

For the annual caps of the Factoring Services Agreement, as one or more of the applicable percentage ratios (calculated under Rule 14.07 of the Hong Kong Listing Rules) exceed 0.1% but all of them are less than 5%, the Factoring Services Agreement and the transactions contemplated thereunder are subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but are exempt from the independent shareholders' approval requirements.

## **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 industry, technology and environmental protection and finance and are principally engaged in coal production, power generation business, transportation, 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 business scope of Guoneng Factoring mainly includes: factoring financing; sales ledger management; collection business related to the assigned accounts receivable; non-commercial bad debt guarantee; customer credit investigation and evaluation; consulting services related to commercial factoring; other businesses approved and recognized by the relevant state authorities. As at the date of this announcement, China Energy Capital Holdings Co., Ltd. holds 100% equity interest in Guoneng Factoring, and China Energy holds 100% equity interest in China Energy Capital Holdings Co., Ltd..

## **FACTORING SERVICES AGREEMENT**

### **Date**

28 April 2023

### **Parties**

The Company and Guoneng Factoring

### **Contents of transactions**

According to the Factoring Services Agreement, Guoneng Factoring will provide Members of the Group with the following services:

- (1) providing Members of the Group with factoring services (including recourse factoring, non-recourse factoring, reverse factoring, etc.); and
- (2) providing Members of the Group with other factoring-related services such as consulting, agency, asset management and supply chain finance platform services.

### **Term and termination**

The Factoring Services Agreement shall become effective from the date when it is approved by the Board, signed by the legal representatives or authorized representatives of both parties and affixed with the company seals or special contract seals, with a valid period from 1 January 2023 to 31 December 2025.

## **Price determination**

- (1) For the provision of factoring services by Guoneng Factoring to Members of the Group, the financing cost shall not be higher than that determined by an independent third-party factoring company for providing the same kind of services to the Member of the Group, and it should be determined on normal commercial terms. When the financing fee determined by the independent third-party factoring company for providing the same kind of services is difficult to obtain, it shall not be higher than the financing fee calculated based on the Loan Prime Rate (LPR) of the PBOC for the same period.
- (2) For the service fee charged from the provision of other relevant services by Guoneng Factoring to Members of the Group, the service fee shall not be higher than that charged by an independent third-party factoring company for providing the same kind of services to Members of the Group, and it should be determined on normal commercial terms. When the service fee charged by the independent third-party factoring company for providing the same kind of services is difficult to obtain, it shall be determined at the cost plus a reasonable profit margin (around 10%).

## **Proposed annual caps**

The Company proposes to set the annual caps of the maximum daily balance (including interest, factoring service fee and other related financing fees) for providing factoring services by Guoneng Factoring to Members of the Group at RMB2,000 million for the years ended 31 December 2023, 31 December 2024 and 31 December 2025, respectively.

The Company proposes to set the annual caps of the total service fees (including but not limited to consulting fee, agency fee, handling fee or other service fees) for providing other related services (including but not limited to providing consulting, agency, management and other services) by Guoneng Factoring to Members of the Group at RMB20 million for the years ended 31 December 2023, 31 December 2024 and 31 December 2025, respectively.

For the period ended on 31 March 2023, the actual transaction amount of the maximum daily balance (including interest, factoring service fee and other related financing fees) for providing factoring services by Guoneng Factoring to Members of the Group was approximately RMB252.19 million. Guoneng Factoring did not provide Members of the Group with other factoring-related services such as consulting, agency, asset management and supply chain finance platform services.

The proposed annual caps are set by taking into account the following factors: (i) the historical size of the accounts receivable and accounts payable of Members of the Group in the past two years; (ii) the capital turnover and business needs of Members of the Group; and (iii) factoring services provided by Guoneng Factoring may be rolled out many times in a single year.

## **IMPLEMENTATION AGREEMENT AND PAYMENT**

Members of the Group may, from time to time and as necessary, enter into separate implementation agreements with Guoneng Factoring for each specific transaction contemplated under the Factoring Services Agreement. Each implementation agreement shall set out the specifications for the particular transaction. The implementation agreements provide for the services as contemplated under the Factoring Services Agreement, as such, they do not constitute new categories of connected transactions. Any of these implementation agreements will not exceed the scope of the Factoring Services Agreement and annual caps thereunder.

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

## **RISK CONTROL MEASURES**

- (1) Guoneng Factoring shall dispatch personnel with financial service experience and sense of responsibility to carry out the service work with diligence to ensure the smooth development of the relevant business of Members of the Group. Before the provision of factoring services or other factoring-related services by Guoneng Factoring to Members of the Group, the Company will consult quotation from at least two independent third-party factoring companies in respect of the same kind of services for comparison.
- (2) Guoneng Factoring shall assist in monitoring the maximum daily balance of factoring services (including related financing fees) of Members of the Group and the total amount of agency fee, handling fee, consulting fee or other service fees charged for factoring-related services (including but not limited to providing consulting, agency, management and other services) per annum, and within 15 working days after the end of each month, notify the Company in writing of the maximum daily balance of factoring services (including related financing fees) for the year and the total amount of agency fee, handling fee, consulting fee or other service fees charged for factoring-related services (including but not limited to providing consulting, agency, management and other services) for the year to ensure that the relevant amount does not exceed the annual caps of related party/connected transaction. If the relevant cap for the year is reached, Members of the Group shall discontinue the provision of such services with Guoneng Factoring for the rest of the year unless otherwise approved by the Board of the Company and the general meeting of shareholders (if applicable).
- (3) During the annual audit period for the Company, the external auditors review and issue opinions on the related party/connected transactions of both parties, and the Company fulfills its information disclosure obligations in a timely manner in accordance with the requirements of the listing rules of the place where the shares of the Company are listed. Guoneng Factoring shall provide necessary cooperation, including but not limited to providing information such as the amount and balance of relevant services.
- (4) Both parties agree to, under the requests and recommendations of relevant securities regulatory authorities where the shares of the Company are listed, independent non-executive 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 measures, upon agreement by negotiation.

## **REASONS FOR ENTERING INTO THE FACTORING SERVICES AGREEMENT AND ITS BENEFITS TO THE COMPANY**

Currently, commercial factoring has become an important channel for the payment of accounts receivable, which can form complementary financial resources with other financing methods and which helps to alleviate the pressure of the Group's collection of accounts receivable, reduces the Group's overall financing costs, and effectively serves the healthy and sustainable development of the Group's production and operation. As the Group continues to have a certain amount of accounts receivable in various industry segments, there is a need for long-term factoring and related business. Guoneng Factoring understands the development needs of the Group's coal, power, ports and railway industries, enabling it to provide high-quality, multi-dimensional and innovative full-cycle factoring products and services while being capable of fully cooperating with the Company in making every effort in its engagement in relation to information disclosure.

## HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Guoneng Factoring is an indirect wholly-owned subsidiary of China Energy. China Energy holds 69.52% of the shares of the Company and is the controlling shareholder of the Company. Accordingly, Guoneng Factoring is a connected person of the Company as defined under the Hong Kong Listing Rules. The Factoring Services Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

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## GENERAL

The Board resolved and approved the Factoring Services Agreement and the proposed annual caps thereunder on 28 April 2023. Among the Directors attending the Board meeting, Abstained Directors, being connected Directors, have abstained from voting on the relevant resolutions as they are considered to have a material interest in the transaction due to their employment with China Energy. The Directors (including independent non-executive Directors) consider that the Factoring 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.

## DEFINITIONS

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

“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;
“China Energy”	China Energy Investment Corporation Limited (國家能源投資集團有限公司), the controlling shareholder of the Company as defined under the Hong Kong Listing Rules;
“Guoneng Factoring”	Guoneng (Beijing) Commercial Factoring Co., Ltd. (國能(北京)商業保理有限公司), a limited liability company incorporated in the PRC;
“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 Hong Kong Stock Exchange and A shares of which are listed on the Shanghai Stock Exchange;
“Director(s)”	the director(s) of the Company;

“Group” or “Members of the Group”	the Company and its subsidiaries;
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited;
“Factoring Services Agreement”	the Factoring Services Agreement dated 28 April 2023 entered into between the Company and Guoneng Factoring;
“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.

By order of the Board  
**China Shenhua Energy Company Limited**  
**Song Jिंगgang**  
*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.*