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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 TERMINATION OF THE ORIGINAL FACTORING SERVICES AGREEMENT AND ENTERING INTO THE NEW FACTORING SERVICES AGREEMENT

Reference is made to the announcement of the Company dated 28 April 2023 in relation to the Original Factoring Services Agreement entered into between the Company and Guoneng Factoring, which sets out the provision of factoring services and other factoring-related services by Guoneng Factoring to Members of the Group, and the annual caps for the three years ending 31 December 2025, respectively. The Original Factoring Services Agreement was to remain valid until 31 December 2025.

The Company entered into the New Factoring Services Agreement with Guoneng Factoring on 22 March 2024. Under the New Factoring Services Agreement, the Company revised the annual caps for the maximum daily balance for providing factoring services by Guoneng Factoring to Members of the Group for the two years ending 31 December 2025, while the annual caps for other transactions remained unchanged. The New Factoring Services Agreement is drafted with reference to the relevant terms of the Original Factoring Services Agreement. The New Factoring Services Agreement shall be effective from 1 January 2024 and expire on 31 December 2025. Meanwhile, the Original Factoring Services Agreement shall be terminated from the date on which the New Factoring Services Agreement becomes effective, and all matters in relation to the provision of factoring services by Guoneng Factoring to Members of the Group shall be executed in accordance with the terms and conditions stipulated in the New Factoring Services Agreement.

For the annual caps under the New Factoring Services Agreement, as one or more of the applicable percentage ratios (calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules) exceed 0.1% but all of them are less than 5%, the New 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

Reference is made to the announcement of the Company dated 28 April 2023 in relation to the Original Factoring Services Agreement entered into between the Company and Guoneng Factoring, which sets out the provision of factoring services and other factoring-related services by Guoneng Factoring to Members of the Group, and the annual caps for the three years ending 31 December 2025, respectively. The Original Factoring Services Agreement was to remain valid until 31 December 2025.

The Company entered into the New Factoring Services Agreement with Guoneng Factoring on 22 March 2024. Under the New Factoring Services Agreement, the Company revised the annual caps for the maximum daily balance for providing factoring services by Guoneng Factoring to Members of the Group for the two years ending 31 December 2025, while the annual caps for other transactions remained unchanged. The New Factoring Services Agreement is drafted with reference to the relevant terms of the Original Factoring Services Agreement. The New Factoring Services Agreement shall be effective from 1 January 2024 and expire on 31 December 2025. Meanwhile, the Original Factoring Services Agreement shall be terminated from the date on which the New Factoring Services Agreement becomes effective, and all matters in relation to the provision of factoring services by Guoneng Factoring to Members of the Group shall be executed in accordance with the terms and conditions stipulated in the New Factoring Services Agreement.

NEW FACTORING SERVICES AGREEMENT

Date

22 March 2024

Parties

The Company and Guoneng Factoring

Contents of transactions

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

- (1) providing Members of the Group with factoring services; 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 New Factoring Services Agreement shall become effective from the date when it is approved by the Board, signed by the legal representatives or authorised representatives of both parties and chopped with official chops or special contract chops of both parties, with a validity period from 1 January 2024 to 31 December 2025.

From the date on which the New Factoring Services Agreement becomes effective, the Original Factoring Services Agreement shall be terminated, and all matters in relation to the provision of factoring services by Guoneng Factoring to Members of the Group shall be executed in accordance with the terms and conditions stipulated in the New Factoring Services Agreement.

Annual caps and historical transactions

Under the New Factoring Services Agreement, the Company revised the annual caps for the maximum daily balance for providing factoring services by Guoneng Factoring to Members of the Group for the two years ending 31 December 2025, while the annual caps for other transactions remained unchanged. The following table sets out the historical transaction amounts for the year ended 31 December 2023, the original annual caps under the Original Factoring Services Agreement for the three years ending 31 December 2025, and the new annual caps under the New Factoring Services Agreement for the two years ending 31 December 2025 in respect of provision of factoring services and other related services by Guoneng Factoring to Members of the Group:

(1) 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

For the year ended 31 December 2023		For the year ending 31 December 2024		For the year ending 31 December 2025	
Annual Cap (RMB million)	Historical Transaction Amount (RMB million)	Original Annual Cap (RMB million)	Revised Annual Cap (RMB million)	Original Annual Cap (RMB million)	Revised Annual Cap (RMB million)
2,000	1,982	2,000	5,000	2,000	5,000

(2) The total service fees (including but not limited to consulting fee, agency fee, handling fee or other service fees) charged per annum 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

For the year ended 31 December 2023		For the year ending 31 December 2024		For the year ending 31 December 2025	
Annual Cap (RMB million)	Historical Transaction Amount (RMB million)	Annual Cap (RMB million)	Annual Cap (RMB million)	Annual Cap (RMB million)	Annual Cap (RMB million)
20	0	20	20	20	20

For the avoidance of doubt, as at the date of this announcement, the original annual caps for the year ending 31 December 2024 under the Original Factoring Services Agreement have not been exceeded.

The revised annual caps for the maximum daily balance for providing factoring services by Guoneng Factoring to Members of the Group under the New Factoring Services Agreement are determined by taking into account the following factors:

- (i) Factoring service transactions in 2023 approaching the cap: Members of the Group have significant demand for the factoring services. In 2023, the maximum daily balance for providing factoring services by Guoneng Factoring to Members of the Group has reached RMB1,982 million, approaching the annual cap agreed upon in the Original Factoring Services Agreement. Based on the practical experience in 2023 and the actual demand for factoring services reported by the subsidiaries and branches of the Company in 2023, the maximum daily demand for factoring services provided by Guoneng Factoring from Members of the Group could reach RMB4 billion, accounting for approximately 57% of the Group's average power tariff receivables for the year 2023. With the continuous development of the Group's coal sales, electricity sales, and other businesses, it is anticipated that the demand for factoring services of the Group will remain at a high level in 2024 and 2025.
- (ii) Coping with possible centralised payment needs: The Group experiences phased, lump-sum, large-scale funding requirements in its daily operations. During special energy supply periods such as peak summer and winter seasons, the daily coal purchase volumes of the coal segment units of the Group, as well as the coal purchase volumes of the power segment units, are significantly higher than those in other periods. Certain Members of the Group, especially newly commissioned power plants, may face short-term capital turnover pressure. Since 2022, new power generation units such as Beihai Power, Yueyang Power and Qingyuan Power of the Company have been put into operation successively, with a cumulative increase in installed capacity of 7,000 MW. Through factoring services to finance funds, Members of the Group can ensure the normal flow of operating cash.
- (iii) Fully leveraging the advantages of factoring services: Compared to financing from other financial institutions, factoring financing offers greater flexibility and lower cost advantages. Referring to the implementation situation in 2023, Members of the Group can enter into short-term contracts for factoring financing, such as three or six months, and the annualised fee rates for most factoring services are lower than the Loan Prime Rate (LPR) published by the People's Bank of China. In view of this, it is expected that the amount of factoring financing by Members of the Group in the next two years will increase significantly compared to 2023.

- (iv) Sustaining a high level of power tariff receivables: In recent years, the Group has maintained a high level of electricity sales revenue. At the end of 2021, 2022 and 2023, the balances of power tariff receivables of the Group were approximately RMB4.48 billion, RMB6.48 billion, and RMB7.54 billion respectively, showing rapid growth, and the amount of power tariff receivables can reach even higher levels during the year (as at 30 June 2023, the power tariff receivables of the Group were approximately RMB9.30 billion). Based on the calculation of the proportion of the demand for factoring services provided by Guoneng Factoring to Members of the Group in 2023, which accounts for approximately 57% of the Group's average power tariff receivables in 2023, it is estimated that the maximum daily balance of factoring services provided by Guoneng Factoring to Members of the Group in 2024 and 2025 can reach approximately RMB4.3 billion each year.
- (v) Reserving a 15% buffer space: From a prudent perspective, considering the fluctuations in the Group's business volume and financing needs in the future, a buffer of approximately 15% has been reserved. It is estimated that the maximum daily balance for providing factoring services by Guoneng Factoring to Members of the Group in 2024 and 2025 will be close to RMB5 billion each year.

Price determination

- (1) For the provision of factoring services by Guoneng Factoring to Members of the Group, subject to compliance with the relevant rules and regulations of relevant regulatory authorities and relevant requirements, 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 Members 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%).

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 New Factoring Services Agreement, but they shall not conflict with the New Factoring Service Agreement. Each implementation agreement shall set out the specifications for the particular transaction. The implementation agreements provide for the services as contemplated under the New 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 New Factoring Services Agreement and annual caps thereunder.

All payments made pursuant to the New 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 operation of the relevant business of Members of the Group. Prior to Guoneng Factoring providing factoring services or other factoring-related services to Members of the Group, the Company shall 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) per annum 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 and the Shareholders' general meeting of the Company (if applicable).
- (3) During the annual audit period for the Company, the external auditors shall review and issue opinions on the related party/connected transactions of both parties, and the Company shall fulfil 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 NEW FACTORING SERVICES AGREEMENT AND ITS BENEFITS TO THE COMPANY

In the past two years, the Group has maintained a high level of key operational indicators such as coal sales and electricity sales. To meet the business development needs of the Group and enhance the support of financial resources for entity enterprises, the Company has entered into the New Factoring Services Agreement with Guoneng Factoring, terminating the Original Factoring Services Agreement, so as to revise the annual caps for the maximum daily balance for providing factoring services by Guoneng Factoring to Members of the Group thereunder for the two years ending 31 December 2025. The entering into of the New Factoring Services Agreement will assist Members of the Group, especially the newly commissioned power plants, in expanding financing channels, revitalising accounts receivable, reducing capital occupancy, improving capital efficiency, and reducing corporate financing costs and risks.

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 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 transactions contemplated by the Group and Guoneng Factoring under the New Factoring Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

For the annual caps under the New Factoring Services Agreement, as one or more of the applicable percentage ratios (calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules) exceed 0.1% but all of them are less than 5%, the New 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.

INFORMATION ON RELEVANT PARTIES TO THE TRANSACTIONS

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. 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 recognised 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.

GENERAL

The Board resolved and approved the New Factoring Services Agreement and the annual caps thereunder on 22 March 2024. Among the Directors attending the Board meeting, the Abstained Directors have abstained from voting on the relevant resolution as they are considered to have a material interest in the transactions contemplated under the New Factoring Services Agreement due to their employment with China Energy. The Directors (including independent non-executive Directors) consider that the transactions under the New Factoring Services Agreement will be conducted on normal commercial terms, and the terms, annual caps and pricing principles of such agreement are fair and reasonable, 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 relating to the New Factoring Services Agreement and the transactions contemplated thereunder
“Board”	the board of Directors
“China Energy”	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司), the controlling shareholder (as defined under the Hong Kong Listing Rules) of the Company
“Company”	China Shenhua Energy Company Limited (中國神華能源股份有限公司), a joint stock 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
“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

“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited
“New Factoring Services Agreement”	the factoring services agreement dated 22 March 2024 entered into between the Company and Guoneng Factoring
“Original 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”	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, 22 March 2024

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.