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中国神华能源股份有限公司
CHINA SHENHUA ENERGY COMPANY LIMITED
(Stock Code: 01088)

**CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAP OF THE CONTINUING CONNECTED
TRANSACTIONS**

REVISION OF ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement made by the Company dated 28 October 2022. The Company has entered into the 2023-2025 Continuing Connected Transactions Framework Agreement with Taiyuan Railway Bureau which acts for and on behalf of China Railway, which is in relation to, among others, the Group and China Railway Group provides each other with transportation services, coal supply and other products and services. In accordance with the Hong Kong Listing Rules, the Company has been monitoring all of its existing transactions conducted under the 2023-2025 Continuing Connected Transactions Framework Agreement.

To support the Group in launching a new logistics business model and increasing transportation revenue, the Board has resolved at a meeting held on 25 July 2025 to increase the annual cap for the provision of transportation services by the Group to China Railway Group for the years ending 31 December 2025 under the 2023-2025 Continuing Connected Transactions Framework Agreement from RMB200 million to RMB6,000 million, and increase the annual cap for the provision of other products and services by the Group to China Railway Group from RMB200 million to RMB2,000 million. As a result, the annual cap of the total revenue in respect of the provision of various products and services by the Group to China Railway Group increase from RMB7,400 million to RMB15,000 million accordingly.

HONG KONG LISTING RULES IMPLICATIONS

Taiyuan Railway Bureau is the parent company of Daqin Railway, which is a substantial shareholder (10% or more) of Shuohuang Railway, a significant subsidiary of the Company, and Taiyuan Railway Bureau is therefore a connected person of the Company under the Hong Kong Listing Rules. China Railway, the controlling shareholder of Taiyuan Railway Bureau, constitutes a connected person of the Company under the Hong Kong Listing Rules. Therefore, the 2023-2025 Continuing Connected Transactions Framework 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 Cap, as one or more of the applicable percentage ratios exceeds 1% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the revision of annual cap is subject to reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempt from independent shareholders' approval requirement under Rule 14A.101 of the Hong Kong Listing Rules.

BACKGROUND

Reference is made to the announcement made by the Company dated 28 October 2022 in relation to the 2023-2025 Continuing Connected Transactions Framework Agreement entered into between the Company and Taiyuan Railway Bureau which acts for and on behalf of China Railway.

As disclosed in the Company's announcement dated 28 October 2022, pursuant to the 2023-2025 Continuing Connected Transactions Framework Agreement, China Railway Group has agreed to provide transportation services, coal supply and other products and services to the Group subject to the terms and conditions therein, and the Group has agreed to supply coal, provide transportation service and provide other products and services to China Railway Group subject to the terms and conditions therein. Other products and services mutually provided by China Railway Group and the Group include, but are not limited to, rolling stock usage, overhaul services, equipment supply, business consulting, technical services, and railway track maintenance services. The 2023-2025 Continuing Connected Transactions Framework Agreement was effective from 1 January 2023 and will remain in effect until 31 December 2025.

EXISTING ANNUAL CAP

The Company estimated at that time that for the three years ending 31 December 2025, the existing annual cap for the provision of various products and services to each other between the Group and China Railway Group under the 2023-2025 Continuing Connected Transactions Framework Agreement would be as follows:

	Annual cap for the year ended/ending 31 December		
	2023 (RMB100 million)	2024 (RMB100 million)	2025 (RMB100 million)
Revenue			
Transportation service provided by the Group to China Railway Group	2	2	2
Coal supplied by the Group to China Railway Group	70	70	70
Others products and services provided by the Group to China Railway Group	2	2	2
	<hr/>	<hr/>	<hr/>
Total	74	74	74
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Expenses			
Transportation service provided by China Railway Group to the Group	170	170	170
Coal supplied by China Railway Group to the Group	20	20	20
Others products and services provided by China Railway Group to the Group	10	10	10
	<hr/>	<hr/>	<hr/>
Total	200	200	200
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

PRICING POLICY

The pricing of the transactions under the 2023-2025 Continuing Connected Transactions Framework Agreement shall be agreed in the implementation agreements subject to the following pricing principles:

- (a) The price of transportation service mutually provided by China Railway Group and the Group shall be determined in the following priority:
 - (i) the prices as determined by the government;
 - (ii) if the prices are not specified by the government, the prices will be determined in accordance with the pricing standards and rules of national railways within the guidance prices set by the government;
 - (iii) if the prices are not specified by the government and the government has not set applicable guidance prices, the prices shall be determined in accordance with the applicable industry price settlement rules;
 - (iv) except for applying the prices specified by the government, the guidance prices set by the government and the industry settlement rules, if there are comparable market prices or pricing standards, priority shall be given to such market prices or pricing standards as reference to determine the prices upon negotiation;
 - (v) if none of the above-mentioned pricing standards is available, the prices shall be determined with reference to the prices of non-connected transactions between the connected parties and independent third parties;
 - (vi) if neither comparable market prices nor prices of non-connected transactions are available for reference, the prices shall be determined upon negotiation according to the aggregate of the total actual costs for providing the relevant services, reasonable profits and taxes and additional charges paid.
- (b) The price of coal mutually supplied by China Railway Group and the Group is the product of the unit price RMB/tonne multiplied by the actual weight. The unit price of coal shall be determined by both parties after arm's length negotiations with reference to the market price and conditions and the following factors, provided that the transaction terms shall not be less favourable than those provided by third parties:
 - (i) the national industrial policy as well as industry and market conditions in the PRC;
 - (ii) the specified guidelines issued by NDRC setting out the coal purchase prices (if any);
 - (iii) the current transacted coal prices of the local coal exchange or market in the PRC, i.e., the coal price with comparable quality that is offered to or offered by third parties under normal market conditions and normal commercial terms in the same or nearby regions. For local spot coal price, reference is made to (1) the spot price index of the local coal exchange or market in Bohai-rim region or nearby provinces in the PRC as published on the website of 中國煤炭市場網 (www.cctd.com.cn) organised by China Coal Transportation & Sale Society (中國煤炭運銷協會); (2) the sale price of local large coal enterprises as published by each coal industry website (if any); and/or (3) price quotation of one or more other enterprises with comparable quality, quantity and location (if any);

- (iv) the quality of the coal (including the estimated calorific value of coal as required by different coal-fired power generating units);
 - (v) the quantity of coal; and
 - (vi) the transportation fees.
- (c) The price of other products and services mutually provided by China Railway Group and the Group shall be determined in accordance with the general principles and order of this section:
- (i) Government-prescribed price and government-guided price: if at any time, the government-prescribed price is applicable to any particular product or service, such product or service shall be supplied at the applicable government-prescribed price. Where a government-guided fee standard is available, the price will be agreed within the range of the government-guided price;
 - (ii) Tender and bidding price: where tender and bidding process is necessary under applicable laws, regulations and rules, the price shall be ultimately determined in accordance with the tender and bidding process;
 - (iii) Market price: the price of the same or similar products or services provided by an independent third party during the ordinary course of business on normal commercial terms. The management shall consider at least two comparable transactions with independent third party for the same period when determining whether the price of products or services for any transaction under the Agreement is market price; and
 - (iv) Agreed price: to be determined by adding a reasonable profit over a reasonable cost. The management shall consider at least two comparable transactions with independent third party for the same period when determining the reasonable profit of any products or services under the Agreement.

In addition to the above, for certain type of products and services, specific pricing policy is adopted as follows:

- (i) Rolling stock usage: agreed price.
- (ii) Overhaul services and railway track maintenance services: agreed price or tender and bidding price.
- (iii) Equipment supply: tender and bidding price.
- (iv) Business consulting and technical services: agreed price or tender and bidding price.

In the event that any changes in laws, regulations, policies or other circumstances may occur, giving rise to the application of abovementioned pricing principles by China Railway Group and the Group hereby become impracticable or impossible, China Railway Group and the Group may adjust the corresponding service pricing policy in accordance with the foregoing changes.

REVISION OF ANNUAL CAP OF THE CONTINUING CONNECTED TRANSACTIONS

Historical Transaction Amounts

The historical transaction amounts for the provision of various products and services to each other between the Group and China Railway Group under the 2023-2025 Continuing Connected Transactions Framework Agreement for the two years ended 31 December 2024 and the three months ended 31 March 2025 were as follows:

	Transaction amounts for the years ended 31 December		Transaction amounts for the three months ended
	2023	2024	31 March 2025
	(RMB100 million)	(RMB100 million)	(RMB100 million)
Revenue			
Transportation service provided by the Group to China Railway Group	0.00	0.01	0.91
Coal supplied by the Group to China Railway Group	23.10	23.66	5.11
Others products and services provided by the Group to China Railway Group	0.07	0.17	0.25
	<hr/>	<hr/>	<hr/>
Total	23.17	23.84	6.27
	<hr/>	<hr/>	<hr/>
Expenses			
Transportation service provided by China Railway Group to the Group	100.88	102.44	23.91
Coal supplied by China Railway Group to the Group	0.00	0.00	0.00
Others products and services provided by China Railway Group to the Group	4.06	3.89	0.36
	<hr/>	<hr/>	<hr/>
Total	104.94	106.33	24.27
	<hr/>	<hr/>	<hr/>

As at the date of this announcement, the actual transaction amounts under the 2023-2025 Continuing Connected Transactions Framework Agreement do not exceed the existing annual cap.

Revised Annual Cap

The Group and China Railway Group intended to launch a new logistics general contracting project. To support the Group in launching a new logistics business model and increasing transportation revenue, the Board has resolved to revise the annual cap for the provision of various products and services by the Group to China Railway Group for the years ending 31 December 2025 under the 2023-2025 Continuing Connected Transactions Framework Agreement as follows:

	Revised annual cap for the year ending 31 December 2025 (RMB100 million)
Revenue	
Transportation service provided by the Group to China Railway Group ²	60
Coal supplied by the Group to China Railway Group ¹	70
Other products and services provided by the Group to China Railway Group ²	20
Total²	150

Notes:

1. The annual cap of the coal supplied by the Group to China Railway Group for the year ending 31 December 2025 remains unchanged.
2. Save for the revised annual cap mentioned above, the terms of the 2023-2025 Continuing Connected Transactions Framework Agreement and the annual caps for other continuing connected transactions thereunder remain unchanged.

Basis for Determining the Revised Annual Cap

The revision of annual cap of the continuing connected transactions relates to the increase of both annual caps of the transportation services and other products and services provided by the Group to China Railway Group, and the annual cap of the total revenue in respect of the provision of various products and services by the Group to China Railway Group increase accordingly as a result. The factors considered by the Company in determining the above revised annual caps include, but are not limited to, the following.

In estimating the revised annual cap for the provision of transportation services by the Group to China Railway Group, the Company has taken into account the following factors:

- (1) The Group and China Railway Group intended to launch a new logistics general contracting project. It is estimated that the new transportation volume with China Railway Group under the logistics general contracting project will reach approximately 100 million tons in 2025. The project is based on the integration of coordination and transport arrangements in all aspects of the railway. The Group's transport business volume is expected to increase significantly;

- (2) Transportation service fees are determined in accordance with relevant fee standards, such as the List of Operational Service Charges in Inner Mongolia Autonomous Region (《內蒙古自治區經營服務性收費公示清單》)(Nei Fa Gai Fei Zi [2015] No.936) and the Notice on Issues Related to Passenger and Freight Transportation Fees on the Datong-Zhungeer Railway by the National Development and Reform Commission (《國家計委關於大准鐵路客貨運價有關問題的通知》)(Ji Jia Ge [2001] No.1418), which fall within the scope of pricing of the government. Based on the transportation distance and platform conditions, the applicable range of transportation fee is expected to be RMB30/tonne to RMB80/tonne and the logistics general contracting project will generate transportation revenue of approximately RMB5 billion from China Railway Group;
- (3) The Group's revenue from the provision of transportation services to China Railway Group increased from zero in 2023 to RMB1 million in 2024 and reached RMB91 million in the first quarter of 2025. The above data reflected the rapid expansion of the transportation business. The Company continuously monitors the relevant transaction amounts based on actual implementation. Based on such growth trend and the actual progress of the logistics general contracting project, it is expected that annual revenue may be significantly higher than the existing annual cap; and
- (4) The adjustment reserves a buffer of approximately 10% to cope with changes in factors such as transportation volume or structure of transportation fees.

In estimating the revised annual cap for the provision of other products and services by the Group to China Railway Group, the Company has taken into account the following factors:

- (1) With the deepening cooperation between the Group and China Railway Group, in particular the launch of the logistics general contracting project in 2025, the demand for related ancillary services, including platform services and collection and delivery vehicles, increased significantly. Pursuant to the new arrangements of the logistics general contracting project with China Railway Group, it is estimated that platform services, collection and delivery vehicles and other services will generate transport volume of approximately 100 million tonnes. Based on the average unit price of approximately RMB17/tonne for such services, it is estimated to generate revenue from platform usage fees and other ancillary services of approximately RMB1.7 billion. The standard of such fees is enforced in accordance with the Rules on Railway Freight Transportation Fees (《鐵路貨物運價規則》) (Tie Yun [2005] No.46) and the Notice on Adjustment of Certain Miscellaneous Fees for Railway Freight Transportation (《關於調整部分鐵路貨運雜費有關事項的通知》) (Tie Zong Huo [2019] No. 46), which are within the scope of government guidance price or industry settlement price;
- (2) Given that the growth of revenue from products and services was in line with transportation services, and the implementation data of the previous period indicated that the actual amount of products and services provided increased rapidly year-on-year, i.e. the revenue has increased from RMB7 million in 2023 to RMB17 million in 2024, representing a year-on-year increase of approximately 143%; and reached RMB25 million in the first quarter of 2025, representing a further significant increase over the same period in 2024; and
- (3) A buffer of approximately 10% was reserved to reasonably cope with changes in factors such as future business expansion.

Reasons for the Revision of Annual Cap of the Continuing Connected Transactions

The Group and China Railway Group have a long history of win-win cooperation in sectors such as coal, transportation and mutual supply of products and services, which safeguard the Group's operation model for an integrated industry chain. In order to effectively respond to the new situation of changes in the supply and demand of the energy market and tap into its own railway operations advantages and capacity potential, and proactively expand the incremental capacity of the external market, the Group and China Railway Group intend to engage in a new logistics general contracting business, thus further deepening the long-term and stable cooperative relationship.

To support the development of the Group's new logistics business model and increase transportation revenue, while continuously and strictly enforcing fair pricing of connected transactions to protect the interests of the Company and the small and medium Shareholders, the Company revised the annual cap.

INTERNAL CONTROL MEASURES

The Company has established comprehensive procedures and internal control systems to ensure that the pricing mechanism and the transaction terms of the continuing connected transactions under the 2023-2025 Continuing Connected Transactions Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Such mechanism and measures mainly include the following:

Firstly, the Company has formulated internal control systems such as the Connected Transaction Management Measures. The Connected Transaction Management Measures consist of thirty six articles divided into nine chapters, which define the manner of constitution of the connected transactions group, the scope of responsibilities of the Company's management and respective departments and the duties of subsidiaries in managing connected transactions. Such measures also prescribe the information collection, identification and reporting system, and confirm that the key of management thereof is to ensure the connected transactions do not exceed the annual caps. Meanwhile, in respect of non-continuing connected transactions, such measures require prior approval and make disclosure where necessary.

Secondly, under the leadership of the Board, the Company has set up a connected transaction group headed by the chief financial officer, which is responsible for managing the daily affairs within the Group, supervising, inspecting and regularly monitoring the implementation of transactions (including but not limited to the implementation of agreed pricing policies and transaction amounts etc.), regularly organising the training of connected transactions across the Group and periodically conducting supervision and inspection of the connected transactions, so as to ensure centralised and unified management of continuing connected transactions.

In addition, the Company has established systematic continuing connected transaction management procedures. The Company requires its subsidiaries to submit implementation reports of connected transactions on a monthly basis. The Company consolidates, reviews, sums up and analyses the data, and monitors the transaction amounts are within the annual caps, and recommends improvement measures for any issues identified. Subsidiaries have also established the connected transaction group to be in charge of the management of continuing connected transactions, so as to ensure transactions are conducted in strict accordance with the relevant agreements.

In respect of supervision and compliance, the Company's internal control and risk management departments conduct regular internal assessments on the internal control measures. The legal departments review the connected transaction agreements. The contract implementation departments monitor the transaction amounts. The Board reviews the implementation of the continuing connected transactions on annual basis, and reviews the periodic reports on a half-yearly basis. The independent non-executive Directors express their opinions on the continuing connected transactions as to whether the transactions are entered into within the ordinary course of business, whether being conducted on normal commercial terms or better and whether the terms thereof are fair and reasonable on annual basis. The Supervisory Committee and the Audit and Risk Management Committee review relevant reports and express their opinions on annual basis. The external auditor conducts audit on annual basis, and issues confirmation letter to the Board and Hong Kong Stock Exchange in accordance with the Hong Kong Listing Rules.

In order to further enhance control measures, the Company has increased the frequency of price monitors and review of transaction projection to avoid exceeding the annual caps. The connected transaction group regularly provides transaction data to the management in order to enhance supervision. The Company also provides special training to enhance the understanding of the Hong Kong Listing Rules of the Directors, senior management and relevant employees, and consults with legal advisers and other professional advisers where necessary.

Through the implementation of the above systems and procedures, the Company is of the view that sufficient internal control measures have been established to ensure that the pricing of each transaction under the 2023-2025 Continuing Connected Transactions Framework Agreement is strictly in compliance with the agreed pricing principle under the agreement, and the transactions are on normal commercial terms or better, fair and reasonable in general, and are in the interests of the Company and its Shareholders as a whole.

HONG KONG LISTING RULES IMPLICATIONS

Taiyuan Railway Bureau is the parent company of Daqin Railway, which is a substantial shareholder (10% or more) of Shuohuang Railway, a significant subsidiary of the Company and Taiyuan Railway Bureau is therefore a connected person of the Company under the Hong Kong Listing Rules. China Railway, the controlling shareholder of Taiyuan Railway Bureau, constitutes a connected person of the Company under the Hong Kong Listing Rules. Therefore, the 2023-2025 Continuing Connected Transactions Framework 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 Cap, as one or more of the applicable percentage ratios exceeds 1% as calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, the revision of annual cap is subject to reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules, but are exempt from independent shareholders' approval requirement under Rule 14A.101 of the Hong Kong Listing Rules.

APPROVAL OF THE BOARD

On 25 July 2025, the Board resolved and approved the Resolution on Adjustment to Transaction Caps Under the Continuing Connected Transactions Framework Agreement Entered Into With China State Railway Group Co., Ltd., pursuant to which it is agreed to adjust the relevant annual cap of the provision of various products and services by the Group to China Railway Group for the year ended 31 December 2025.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Director has any material interest in the 2023-2025 Continuing Connected Transactions Framework Agreement and the Revision of Annual Cap. Hence, no Director shall abstain from voting for the aforementioned Board resolution.

The Board, including the independent non-executive Directors, considers that the revision of relevant annual cap for the provision of various products and services by the Company to China Railway Group under the 2023-2025 Continuing Connected Transactions Framework Agreement is in the ordinary and usual course of business of the Group, on normal commercial terms or better, are fair and reasonable, and are in the interests of the Company and its shareholders as a whole.

GENERAL INFORMATION

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 Railway focuses on railway passenger and freight transport services and carries out diversified business operation. Its responsibilities include unified control and command of railway transport, unified allocation of transport capacity of the network, public welfare transport specified by national regulations and railway revenue clearing and income management. China Railway is a wholly state-owned company managed by the central government, and its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council.

Taiyuan Railway Bureau mainly engages in railway transportation business, purchase and sales of transportation and production materials, exploitation of mineral resources and other businesses. China Railway is the controlling shareholder of Taiyuan Railway Bureau.

DEFINITIONS

“Board”	the board of Directors of the Company;
“China Railway”	China State Railway Group Co., Ltd. (中國國家鐵路集團有限公司), a limited liability company incorporated in the PRC, and its predecessor is China Railway Corporation (中國鐵路總公司);
“China Railway Group”	China Railway and its subsidiaries;
“Company”	China Shenhua Energy Company Limited (中國神華能源股份有限公司), a joint stock limited company incorporated under the laws of the PRC, 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;
“2023-2025 Continuing Connected Transactions Framework Agreement”	the Continuing Connected Transactions Framework Agreement dated 28 October 2022 entered into between the Company and Taiyuan Railway Bureau which acts for and on behalf of China Railway;
“Daqin Railway”	Daqin Railway Co., Ltd. (大秦鐵路股份有限公司), a joint stock limited company incorporated in the PRC with limited liability;
“Director(s)”	the director(s) of the Company;
“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;
“NDRC”	National Development and Reform Commission of the People’s Republic of China;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“Revised Annual Cap”	the relevant annual cap for the provision of various products and services by the Group to China Railway Group under the 2023-2025 Continuing Connected Transactions Framework Agreement for the year ending 31 December 2025, as revised by resolution of the Board;
“Shareholder(s)”	the shareholder(s) of the Company;

- “Shuohuang Railway” China Energy Shuohuang Railway Development Co., Ltd. (國能朔黃鐵路發展有限責任公司), a company incorporated in the PRC with limited liability, in which the Company holds approximately 52.72% equity interest;
- “Taiyuan Railway Bureau” China Railway Taiyuan Group Co., Ltd. (中國鐵路太原局集團有限公司), a company incorporated in the PRC with limited liability and a subsidiary of China Railway, and its predecessor is Taiyuan Railway Bureau (太原鐵路局).

By order of the Board
China Shenhua Energy Company Limited
Song Jinggang
Chief Financial Officer and Secretary to the Board of Directors

Beijing, 25 July 2025

As at the date of this announcement, the Board comprises the following: Mr. Zhang Changyan as executive director, Mr. Kang Fengwei and Mr. Li Xinhua as non-executive directors, Dr. Yuen Kwok Keung, Dr. Chen Hanwen and Mr. Wang Hong as independent non-executive directors, and Ms. Jiao Lei as employee director.