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兗礦能源集團股份有限公司
YANKUANG ENERGY GROUP COMPANY LIMITED*

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

(Stock Code: 01171)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
THE ACQUISITION OF 51% EQUITY INTEREST IN TARGET COMPANIES; AND
(2) CONTINUING CONNECTED TRANSACTIONS**

THE FIRST EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that, on 28 April 2023 (after trading hours), the Company entered into the First Equity Transfer Agreement with the First Vendors and Luxi Mining, pursuant to which the Company has conditionally agreed to acquire, and the First Vendors have conditionally agreed to sell, in aggregate 51% equity interests (held by Vendor A, Vendor B, Vendor C, Vendor D and Vendor E as to 13.01%, 15.93%, 10.00%, 2.70% and 9.36% respectively) in Luxi Mining at a total consideration of approximately RMB18.936 billion (including accumulated undistributed profits of the First Equity Interests as at the Valuation Benchmark Date). After deducting the profit distribution in respect of the First Equity Interests received by the First Vendors of approximately RMB617.080 million from the consideration, the actual consideration payable by the Company shall be approximately RMB18.319 billion. Upon closing of the First Equity Transfer Agreement, Luxi Mining will become a non-wholly owned subsidiary of the Company.

THE SECOND EQUITY TRANSFER AGREEMENT

On the same date (after trading hours), the Company entered into the Second Equity Transfer Agreement with the Second Vendors and Xinjiang Energy, pursuant to which the Company has conditionally agreed to acquire, and the Second Vendors have conditionally agreed to sell, in aggregate 51% equity interests (held by Shandong Energy and Vendor A as to 43.16% and 7.84% respectively) in Xinjiang Energy at a total consideration of approximately RMB8.112 billion. Upon closing of the Second Equity Transfer Agreement, Xinjiang Energy will become a non-wholly owned subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As one or more applicable percentage ratios of the Acquisitions, on an aggregate basis, are more than 5% but all applicable percentage ratios are less than 25%, the Acquisitions constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Shandong Energy is a controlling shareholder of the Company holding directly and indirectly approximately 54.81% of the issued share capital of the Company and Shandong Energy directly wholly owns each of the other Vendors, indirectly wholly owns Luxi Mining and directly and indirectly wholly owns Xinjiang Energy. In accordance with the Listing Rules, each of the Vendors and the Target Companies is a connected person of the Company. Hence, the Acquisitions also constitute a connected transaction of the Company and are subject to the reporting, announcement, circular and the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 9 December 2020 and 29 April 2022 and the circulars of the Company dated 13 January 2021 and 10 June 2022 in relation to, among others, the Existing Continuing Connected Transactions Agreements entered into between the Company and Shandong Energy.

As (i) the Target Companies will become subsidiaries of the Company and associates of Shandong Energy (which is a connected person of the Company) by virtue of Shandong Energy's indirect 49% shareholding in the Target Companies upon completion of the Acquisitions, the Board envisages that the scope of transactions and annual caps under the Existing Continuing Connected Transactions Agreements will need to be adjusted; and (ii) the Existing Continuing Connected Transactions Agreements will expire on 31 December 2023 and the parties thereto expect that the continuing connected transactions contemplated thereunder will continue on an ongoing basis, on 28 April 2023, the Company entered into the Proposed Continuing Connected Transactions Agreements with Shandong Energy to renew and supersede the Existing Continuing Connected Transactions Agreements. The Proposed Continuing Connected Transactions Agreements are subject to the Independent Shareholders' approval at the AGM.

GENERAL

As Mr. Li Wei, Mr. Liu Jian and Mr. Zhu Qingrui are regarded as having material interests in the Acquisitions and the Proposed Continuing Connected Transactions, they have abstained from voting on the relevant resolutions of the Board for approving (i) the Transaction Documents and Acquisitions; and (ii) the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions and the respective proposed annual caps. Save as disclosed above, none of the other Directors has a material interest in the Acquisitions and the Proposed Continuing Connected Transactions.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Continuing Connected Transactions Agreements, Proposed Continuing Connected Transactions and the respective proposed annual caps.

The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Provision of Products, Materials and Asset Leasing Agreement, the transactions contemplated thereunder and the proposed annual caps.

The AGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, among other things, (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions and their respective proposed annual caps. Shandong Energy and its associates will abstain from voting on the resolutions in relation to the Acquisitions and the Proposed Continuing Connected Transactions. To the best of the Directors' knowledge, information and belief, save as disclosed above, no other Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the AGM.

A circular containing, among other things, (i) particulars of the Acquisitions; (ii) particulars of the Proposed Continuing Connected Transactions; (iii) the Asset Valuation Report on each of the Target Companies; (iv) a letter from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 31 May 2023, as additional time is required to prepare certain information to be contained in the circular by the Company.

I. INTRODUCTION

The Board is pleased to announce that, on 28 April 2023 (after trading hours), the Company entered into the First Equity Transfer Agreement with the First Vendors and Luxi Mining, pursuant to which the Company has conditionally agreed to acquire, and the First Vendors have conditionally agreed to sell, in aggregate 51% equity interests (held by Vendor A, Vendor B, Vendor C, Vendor D and Vendor E as to 13.01%, 15.93%, 10.00%, 2.70% and 9.36% respectively) in Luxi Mining at a total consideration of approximately RMB18.936 billion. After deducting the profit distribution in respect of the First Equity Interests received by the First Vendors of approximately RMB617.080 million from the consideration, the actual amount of consideration payable by the Company shall be approximately RMB18.319 billion.

On the same day (after trading hours), the Company entered into the Second Equity Transfer Agreement with the Second Vendors and Xinjiang Energy, pursuant to which the Company has conditionally agreed to acquire, and the Second Vendors have conditionally agreed to sell, in aggregate 51% equity interests (held by Shandong Energy and Vendor A as to 43.16% and 7.84% respectively) in Xinjiang Energy at a total consideration of approximately RMB8.112 billion.

The principal terms of each of the Transaction Documents are summarised as follows:

II. THE FIRST EQUITY TRANSFER AGREEMENT

Date

28 April 2023 (after trading hours)

Parties

Purchaser:	the Company
Vendors:	(1) Vendor A;
	(2) Vendor B;
	(3) Vendor C;
	(4) Vendor D; and
	(5) Vendor E
Target Company:	Luxi Mining

Subject matter and consideration

The Company has conditionally agreed to acquire, and the First Vendors have conditionally agreed to sell, in aggregate 51% equity interests in Luxi Mining at a total consideration of approximately RMB18.936 billion (including accumulated undistributed profits of the First Equity Interests as at the Valuation Benchmark Date).

The consideration of approximately RMB18.936 billion under the First Equity Transfer Agreement was determined after arm's length negotiations between the parties with reference to the appraised value of the entire equity interests of Luxi Mining as at the Valuation Benchmark Date of approximately RMB37.130 billion as set out in the Asset Valuation Report, multiplied by 51% (being the percentage of the First Equity Interests).

At the general meeting of Luxi Mining held on 16 January 2023, it was agreed that the profit in a total of approximately RMB1,209.960 million would be distributed to all shareholders from the distributable profit as of 31 August 2022 based on the registered capital of Luxi Mining. Since the consideration has included accumulated undistributed profits of the First Equity Interests as at the Valuation Benchmark Date, the parties agree to deduct the profit distribution in respect of the First Equity Interests received by the First Vendors in the aggregate amount of approximately RMB617.080 million from the consideration and therefore the actual consideration payable by the Company for the First Equity Interests shall be approximately RMB18.319 billion, details of which are as follows.

First Vendors	Equity interest in Luxi Mining to be transferred (%)	Actual consideration payable (RMB billion)
Vendor A	13.01	4.673
Vendor B	15.93	5.722
Vendor C	10.00	3.592
Vendor D	2.70	0.970
Vendor E	9.36	3.362
Total	51.00	18.319

Payment method

The actual amount of consideration of approximately RMB18.319 billion shall be paid in cash to the First Vendors in proportion to their respective equity interests transferred to the Company as follows:

1. The Company shall pay 30% of the actual consideration (i.e. approximately RMB5.496 billion) to the First Vendors in one lump sum within five Working Days after the First Equity Transfer Agreement becomes effective;
2. The Company shall pay 30% of the actual consideration (i.e. approximately RMB5.496 billion) (the “**Luxi Second Tranche Consideration**”) and the corresponding interest (the “**Luxi Corresponding Interest**”) to the First Vendors in one lump sum within five Working Days after the First Closing Date or 31 July 2023, whichever is later; and
3. The Company shall pay 40% of the actual consideration (i.e. approximately RMB7.328 billion) (the “**Luxi Third Tranche Consideration**”) and the Luxi Corresponding Interest to the First Vendors within 12 months from the effective date of the First Equity Transfer Agreement.

Luxi Corresponding Interest is calculated based on the LPR One-year Interest Rate of the month immediately preceding the actual payment date of each subsequent tranche of consideration. The calculation is from the payment date of the first tranche of consideration (excluding that date) to the actual payment date of each subsequent tranche of consideration. The calculation period is calculated as 365 days a year.

Unless otherwise agreed in writing by the parties, if the registration (filing) procedure in relation to the transfer of the First Equity Interests with the company registration authority is not completed in accordance with the provisions of the First Equity Transfer Agreement due to reasons of any of the First Vendors, the Company has the right not to pay Luxi Corresponding Interest in respect of Luxi Second Tranche Consideration from 1 August 2023 (including that date) to the completion date of the registration (filing) procedure in relation to the transfer of the First Equity Interests with the company registration authority.

Unless otherwise agreed in writing by the parties, if (i) the registration (filing) procedure in relation to the transfer of the First Equity Interests with the company registration authority is not completed in accordance with the provisions of the First Equity Transfer Agreement within 12 months from the effective date of the First Equity Transfer Agreement due to reasons of any of the First Vendors; or (ii) the First Vendors have not completed or are slow in completing the rectification work of Luxi Mining in accordance with the provisions of the First Equity Transfer Agreement, the Company has the right to postpone the payment of Luxi Third Tranche Consideration, to negotiate the actual payment time of Luxi Third Tranche Consideration with the First Vendors and the Company has the right not to pay Luxi Corresponding Interest in respect of Luxi Third Tranche Consideration from the date immediately after the end of a 12-month period from the effective date of the First Equity Transfer Agreement (including that date) to the date on which the abovementioned circumstances are all eliminated (including that date).

Conditions precedent

The First Equity Transfer Agreement shall take effect on the day when all the following conditions are fulfilled, and the day when the last consent or approval set out in this provision is obtained shall be the effective date:

1. The First Equity Transfer Agreement is executed by the legal representatives or authorised representatives of each party and stamped with its respective company seals;
2. All necessary consents or approvals have been obtained for the transfer of the First Equity Interests, including but not limited to:
 - (i) the filing of the valuation results of the entire equity interests of Luxi Mining with the authorized state-owned assets regulatory agencies or their authorized units;
 - (ii) the authorized state-owned assets regulatory agencies or their authorized units consider and approve the transfer of the First Equity Interests;
 - (iii) each of the First Vendors completes its internal procedures to approve the transfer of the First Equity Interests; and
 - (iv) the Company obtains approval for the transfer of the First Equity Interests from its competent decision-making authorities such as board meeting and shareholders' meeting.
3. The relevant creditors agrees to release the existing mortgage guarantee provided by two subsidiaries of Luxi Mining to secure the indebtedness of Vendor D, and completes the cancellation registration procedures of the relevant mortgage.

Closing

Unless otherwise agreed in writing by the parties, Luxi Mining shall convene a shareholders' meeting to amend its articles of association and complete the registration (filing) procedure in respect of the transfer of the First Equity Interests with the company registration authority before 31 July 2023. The First Closing Date is the date of completing the registration (filing) procedure in relation to the transfer of the First Equity Interests with the company registration authority. The rights and obligations corresponding to the First Equity Interests will be transferred to the Company with effect from the First Closing Date.

Luxi Mining shall set up a board of directors consisting of 7 directors. Except for an employee representative director who shall be democratically elected, the First Vendors have the right to nominate 2 director candidates, and the Company has the right to nominate 4 director candidates, who shall be elected by shareholders in general meeting. The chairman of the board of directors shall be a director nominated by the Company and elected by the board of directors; Luxi Mining shall have a board of supervisors consisting of 3 supervisors, except for an employee representative supervisor who shall be democratically elected, the First Vendors have the right to nominate 1 supervisor candidate, and the Company has the right to nominate 1 supervisor candidate, who shall be elected by shareholders in general meeting, and the chairman of the board of supervisors shall be a supervisor nominated by the Company; the general manager and chief financial officer of Luxi Mining shall be recommended by the Company and appointed by the board of directors.

The parties shall begin the relevant procedures below for the closing of the First Equity Transfer Agreement from the effective date of the First Equity Transfer Agreement, including but not limited to:

1. The First Vendors shall transfer the relevant documents, materials and seals relating to Luxi Mining and its assets which they hold and control to the Company;
2. The First Vendors shall procure Luxi Mining to hold relevant meeting(s) in accordance with the First Equity Transfer Agreement to revise its register of members and articles of association;
3. The First Vendors shall procure their appointed directors and management of Luxi Mining to transfer duties and related documents, materials and seals to the directors and management of Luxi Mining designated by the Company; and
4. The First Vendors shall procure Luxi Mining to handle the registration (filing) procedure in relation to the transfer of the First Equity Interests with the company registration authority.

Profit and loss during the First Transition Period

Unless otherwise agreed by the parties, the First Vendors shall be entitled to the profit and loss attributable to the First Equity Interests during the First Transition Period in proportion to their respective equity interests in Luxi Mining transferred to the Company. The profit and loss of the First Equity Interests during the First Transition Period shall be audited by an audit institution recognized by the parties, and the audit report(s) for the profit and loss during the First Transition Period shall be issued within 30 Working Days after the end of the First Transition Period. The closing audit benchmark date shall be determined as follows:

- (1) If the First Closing Date is before the 15th (15th inclusive) of the current month, the last day of the previous month will be the closing audit benchmark date; or
- (2) If the First Closing Date is after the 15th of the current month, the last day of the current month will be the closing audit benchmark date.

The parties shall conduct a one-off settlement in cash within 20 Working Days after the audit institution issues the audit report for the profit and loss of the First Equity Interests during the First Transition Period.

Unless otherwise agreed by the parties, each of the First Vendors and the Company is entitled to the reduced accumulated undistributed profit of Luxi Mining as at the Valuation Benchmark Date after deducting the amount of profit distribution, in proportion to their equity interests in Luxi Mining upon closing of the First Equity Transfer Agreement.

Responsibility on default

After the First Equity Transfer Agreement becomes effective, the failure of any party to fulfil its obligations under the First Equity Transfer Agreement, or any declaration, warranty or undertaking made by any party being false, is considered a breach of contract. The party in default shall compensate the non-defaulting parties for all losses incurred by its breach of contract.

Without precluding the termination of the First Equity Transfer Agreement by the relevant parties according to the First Equity Transfer Agreement, unless the First Equity Transfer Agreement expressly stipulates otherwise, if one party suffers any reasonable costs, expenses, liabilities or losses due to the other party's breach of contract, the defaulting party shall compensate any such costs, expenses, liabilities or losses and shall indemnify the non-defaulting party from such claims. For losses caused by the non-defaulting party's own fault, negligence or omission, as well as losses or any extended losses arising due to its failure to take measures, the defaulting party shall not be liable for such losses.

First Letter of Undertaking

In view of the entering into of the First Equity Transfer Agreement, on the same date, the Company and the First Vendors have entered into the First Letter of Undertaking, pursuant to which the First Vendors make the following undertakings to the Company:

- (1) If after the First Closing Date, the relevant government authorities order disposal measures such as limiting, suspending, closing and withdrawing the production of the coal mines of Luxi Mining Group pursuant to "Provincial Implementation of the "Three Resolute" Action Plan (2021-2022)" (Ludongneng [2021] No. 3) and the "14th Five-Year Plan for Energy Development in Shandong Province" (Luzhengzi [2021] No. 143) or specific rules issued in accordance with the aforementioned documents,
 - (i) the First Vendors shall compensate the Company with an amount to be calculated by the First Vendors and the Company pursuant to the applicable laws, regulations, policy documents or specific rules and a special report issued by an intermediary appointed by the Company and approved by each of the First Vendors and the Company, and the compensation amount shall be confirmed in writing within 3 months (or other reasonable period as agreed by the parties) by friendly negotiations from the date of the aforementioned disposal measure. The compensation amount shall not exceed the appraised value of Luxi Mining or its subsidiaries in the First Acquisition multiplied by 51%. If such subsidiaries are holding subsidiaries, the compensation amount shall not exceed the aforementioned compensation amount multiplied by Luxi Mining's shareholding ratio in such subsidiaries;

- (ii) if the First Vendors and the Company are unable to mutually agree on the compensation amount within 3 months (or other reasonable period as agreed by the parties) from the date of the aforementioned disposal measure, the Company may terminate the First Equity Transfer Agreement by written notice to the First Vendors. Within 30 days from the date of such written notice, the First Vendors shall return to the Company all transfer price for the First Equity Interests and fund occupation fee, and the Company shall return to the First Vendors the First Equity Interests and dividends (if any) received from Luxi Mining since the First Closing Date. The aforementioned fund occupation fee is calculated based on the LPR One-year Interest Rate of the month immediately preceding the date of return payment of all transfer price for the First Equity Interests. The calculation is from the closing audit benchmark date under the First Equity Transfer Agreement to the date of return payment of all transfer price for the First Equity Interests and the calculation period is calculated as 365 days a year.
- (2) Other than the mineral rights for which Transfer Fee has been deducted in accordance with the Transfer Fee Calculation Report, in respect of Guotun Coal Mine, Pengzhuang Coal Mine, Liangbaosi Coal Mine and Chenmanzhuang Coal Mine, which have been disposed of with compensation by way of cash and conversion into national capital, after the First Closing Date, if the relevant authorities levy Transfer Fee (“**Luxi Levied Transfer Fee**”) in respect of the resource reserves utilized prior to the Valuation Benchmark Date and the resource reserves corresponding to the First Acquisition (i.e. the resource reserves within the valuation scope of the relevant mining rights in the First Acquisition, the same below) based on the “Methods of Levying Transfer Fee” (the “**Circular 10**”), and the aforesaid Transfer Fee has not been reflected in the relevant audit report of the First Acquisition, then:
- (i) the First Vendors will compensate the Company in cash in accordance with the amount of Luxi Levied Transfer Fee on such subsidiaries within 30 days after the payment obligation is specified (the compensation amount is the amount of Luxi Levied Transfer Fee x 51% x Luxi Mining’s shareholding ratio in such subsidiaries);
- (ii) in addition to the aforesaid Luxi Levied Transfer Fee, the remaining amount required to be paid in respect of the remaining resource reserves corresponding to the First Acquisition that have not been levied at the rate of Transfer Fee during the sale of mineral products (if involved), which shall be calculated based on the calculation methods and related parameters contained in Transfer Fee Calculation Report and discounted to the date on which payment obligation is specified in accordance with Circular 10 and ancillary policies subsequently promulgated and implemented, shall be compensated together by the First Vendors to the Company in cash;
- (iii) the compensation amount payable by the First Vendors to the Company shall be limited to (the amount set forth in the mineral rights valuation reports quoted in the Asset Valuation Report on which the First Equity Transfer Agreement is based x 51% x Luxi Mining’s shareholding ratio in such subsidiaries).

- (3) If, in the course of the historical circulation of the coal mines of Luxi Mining Group, a third party is liable for compensation or indemnity in respect of the Transfer Fee or other fees, the First Vendors have the right to replace Luxi Mining or its subsidiaries after the First Closing Date to seek compensation from the third party, and the Company shall assist accordingly. If Luxi Mining or its subsidiaries have obtained relevant compensation or indemnity from the third party, a sum equivalent to the compensation or indemnity received multiplied by 51% shall be deducted from the aforementioned compensation required from the First Vendors or notify and pay in a timely manner to the First Vendors.
- (4) During the negotiation between subsidiaries of Luxi Mining and the government department in respect of the matters mentioned in (1) and (2) above of the First Letter of Undertaking, each party to the First Letter of Undertaking shall actively assist the subsidiaries of Luxi Mining in communicating and negotiating with the government department, in order to fully protect the rights and interests of Luxi Mining and the parties.

The First Letter of Undertaking shall take effect when all the following conditions are fulfilled: (1) the official seals of each of the First Vendors and the Company are affixed; and (2) the First Equity Transfer Agreement is signed and becomes effective.

First Letter of Performance Commitment

In view of the entering into of the First Equity Transfer Agreement, on the same date, the Company and the First Vendors have entered into the First Letter of Performance Commitment, pursuant to which the First Vendors agreed to make the following commitments regarding the performance of Luxi Mining in the three years from 2023 to 2025:

- (1) Luxi Mining's audited net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss ("**Luxi Actual Net Profit**"), calculated in accordance with the Chinese accounting standards, is not less than approximately RMB11.425 billion ("**Luxi Committed Net Profit**") during the years 2023 to 2025 ("**Luxi Commitment Period**"). The Luxi Committed Net Profit is determined with reference to the asset valuation reports filed with the competent state-owned regulatory authorities.
- (2) If the aggregate amount of Luxi Actual Net Profit during the Luxi Commitment Period does not reach the Luxi Committed Net Profit, the First Vendors shall compensate the Company in cash, and the specific compensation amount shall be calculated based on the following formula:

Compensation amount during the commitment period ("**Luxi Compensation Amount**") = (Luxi Committed Net Profit – Luxi Actual Net Profit) ÷ Luxi Committed Net Profit x the consideration of the First Equity Interests – other compensation amounts (if the Luxi Compensation Amount is less than zero, it shall be taken as zero), among which:

- (i) Luxi Actual Net Profit = Luxi Mining's aggregate net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss during the Luxi Commitment Period recognized in the special audit report issued by the accounting firm with securities and futures business qualifications appointed by the Company, and approved by each of the First Vendors and the Company;

- (ii) Compensation amount to be paid by each of the First Vendors = (the ratio of the equity interests in Luxi Mining transferred by each of the First Vendors to the Company \div 51%) x Luxi Compensation Amount.
- (3) If during the Luxi Commitment Period, the coal mines of Luxi Mining Group incurred losses as a result of measures such as limitation, suspension, closing and withdrawal being imposed on rockburst mines due to deep mining with a depth of more than 1,000 meters, the First Vendors shall calculate the relevant compensation amount (“**Rockburst Mines Compensation**”) in accordance with the First Letter of Undertaking and make compensation. To avoid double counting, the Luxi Compensation Amount payable by the First Vendors to the Company shall deduct the Rockburst Mines Compensation (if the compensation amount after deduction is less than zero, it shall be taken as zero). If the First Equity Transfer Agreement is terminated during the Luxi Commitment Period, the First Vendors are not obliged to perform the First Letter of Performance Commitment. If the First Equity Transfer Agreement is terminated after the Luxi Commitment Period, the Company shall refund the First Vendors any paid Luxi Compensation Amount within 30 days after the termination date of the First Equity Transfer Agreement.
- (4) The First Vendors undertake to perform all the compensation obligations within 30 days after the special audit report of Luxi Mining is issued and after receiving the notice from the Company specifying the Luxi Compensation Amount.
- (5) If during the Luxi Commitment Period, due to equity transfer, capital increase or other reasons, (i) Luxi Mining is no longer actually controlled by the Company or consolidated into its financial statements; or (ii) there is change to the scope of subsidiaries in Luxi Mining’s consolidated financial statements as at the date of the First Letter of Performance Commitment, the amount of Luxi Committed Net Profit and Luxi Actual Net Profit starting from that year (such year inclusive) can be adjusted after the First Vendors and the Company reach a consensus.
- (6) In the case which during the Luxi Commitment Period, due to force majeure (“force majeure” refers to the objective circumstances that cannot be foreseen, unavoidable and cannot be overcome or the objective reasons beyond control at the time of entering into the First Equity Transfer Agreement, including but not limited to: (i) natural disasters such as earthquakes, tsunamis, typhoons, volcanic eruptions, landslides, avalanches and mudslides, etc.; (ii) social abnormal events such as wars, armed conflicts, strikes, disturbances and riots, etc.; (iii) changes in laws, regulations or policies, government control orders or decisions), the normal production and operation of Luxi Mining and its consolidated subsidiaries is materially and adversely affected or Luxi Mining and its consolidated subsidiaries are no longer actually controlled by the Company, the First Vendors and the Company may negotiate to adjust the amount of the Luxi Committed Net Profit and other content under the First Letter of Performance Commitment according to the degree of impact of the abovementioned circumstances starting from the year (such year inclusive) in which the abovementioned circumstances occurred.

“Force Majeure” does not include the circumstances under which the coal mines of Luxi Mining Group are subject to disposal measures such as limiting, suspending, closing and withdrawing its production, pursuant to “Provincial Implementation of the “Three Resolute” Action Plan (2021-2022)” (Ludongneng [2021] No. 3) and the “14th Five-Year Plan for Energy Development in Shandong Province” (Luzhengzi [2021] No. 143) or specific rules, ancillary policies, minutes of meeting issued in accordance with the aforementioned documents.

The First Letter of Performance Commitment shall take effect when all the following conditions are fulfilled: (1) the official seals of each of the First Vendors and the Company are affixed; and (2) the First Equity Transfer Agreement is signed and becomes effective. The Company will comply with the disclosure requirements under Rule 14A.63 of the Listing Rules.

III. THE SECOND EQUITY TRANSFER AGREEMENT

Date

28 April 2023 (after trading hours)

Parties

Purchaser: the Company

Vendors: (1) Shandong Energy;

(2) Vendor A

Target Company: Xinjiang Energy

Subject matter and consideration

The Company has conditionally agreed to acquire, and the Second Vendors have conditionally agreed to sell, in aggregate 51% equity interests in Xinjiang Energy at a total consideration of approximately RMB8.112 billion as follows:

Vendors	Equity interest in Xinjiang Energy to be transferred (%)	Consideration (RMB billion)
Shandong Energy	43.16	6.865
Vendor A	7.84	1.247
Total	51.00	8.112

The consideration under the Second Equity Transfer Agreement was determined after arm's length negotiations between the parties with reference to the appraised value of the entire equity interests of Xinjiang Energy as at the Valuation Benchmark Date of approximately RMB15.906 billion as set out in the Asset Valuation Report, multiplied by 51% (being the percentage of the Second Equity Interests).

Payment method

The total consideration of approximately RMB8.112 billion shall be paid in cash to the Second Vendors in proportion to their respective equity interests transferred to the Company as follows:

1. The Company shall pay 30% of the consideration (interest-free) (i.e. approximately RMB2.434 billion) to the Second Vendors in one lump sum within five Working Days after the Second Equity Transfer Agreement becomes effective;
2. The Company shall pay 30% of the consideration (i.e. approximately RMB2.434 billion) (the “**Xinjiang Second Tranche Consideration**”) and the corresponding interest (the “**Xinjiang Corresponding Interest**”) to the Second Vendors within five Working Days after the Second Closing Date or 31 July 2023, whichever is later; and
3. The Company shall pay the remaining balance of the consideration other than the Xinjiang Mining Transfer Price (as defined below) (i.e. approximately RMB3.243 billion) (the “**Xinjiang Third Tranche Consideration**”) and Xinjiang Corresponding Interest to the Second Vendors within 12 months from the effective date of the Second Equity Transfer Agreement.
4. Based on the Asset Valuation Report, the parties confirm the appraised value of 100% equity interests of Xinjiang Mining is RMB7,614,800. Unless otherwise agreed in writing by the parties, the Company shall pay a sum corresponding to the appraised value of 51% equity interests of Xinjiang Mining (which is indirectly held as to approximately 51% by Xinjiang Energy) in the amount of RMB1,980,626.70 (the “**Xinjiang Mining Transfer Price**”) in one lump sum within five Working Days upon fulfillment of all the following conditions:
 - (a) the date on which Xinjiang Mining enters the mining right transfer contract with the consolidator in respect of the Baosheng Hongshanwa Mining Rights and completes the procedures for the transfer of the mining rights or the relevant Xinjiang government department or the consolidator confirms that the consolidation work of the Baosheng Hongshanwa Mining Rights has been terminated (or no longer implemented) and the renewal procedures of the Baosheng Hongshanwa Mining Rights are completed;
 - (b) Liuhuanggou Mine of Xinjiang Mining obtains the notice of resumption of production and work from relevant authorities.

Xinjiang Corresponding Interest is calculated based on the LPR One-year Interest Rate of the month immediately preceding the actual payment date of each subsequent tranche of consideration. The calculation is from the payment date of the first tranche of consideration (excluding that date) to the payment date of each subsequent tranche of consideration. The calculation period is calculated as 365 days a year.

Unless otherwise agreed in writing by the parties, if the registration (filing) procedure in relation to the transfer of the Second Equity Interests with the company registration authority is not completed in accordance with the provisions of the Second Equity Transfer Agreement due to reasons of any of the Second Vendors, the Company has the right not to pay Xinjiang Corresponding Interest in respect of Xinjiang Second Tranche Consideration from 1 August 2023 (including that date) to the completion date of the registration (filing) procedure in relation to the transfer of the Second Equity Interests with the company registration authority.

Unless otherwise agreed in writing by the parties, if (i) the registration (filing) procedure in relation to the transfer of the Second Equity Interests with the company registration authority is not completed in accordance with the provisions of the Second Equity Transfer Agreement within 12 months from the effective date of the Second Equity Transfer Agreement due to reasons of any of the Second Vendors; or (ii) the Second Vendors have not completed or are slow in completing the rectification work of Xinjiang Energy in accordance with the provisions of the Second Equity Transfer Agreement, the Company has the right to postpone the payment of Xinjiang Third Tranche Consideration, to negotiate with the Second Vendors the actual payment date of Xinjiang Third Tranche Consideration and the Company has the right not to pay Xinjiang Corresponding Interest in respect of Xinjiang Third Tranche Consideration from the date immediately after the end of a 12-month period from the effective date of the Second Equity Transfer Agreement (including that date) to the date on which the abovementioned circumstances are all eliminated (including that date).

Conditions precedent

The Second Equity Transfer Agreement shall take effect on the day when all the following conditions are fulfilled, and the day when the last consent or approval set out in this provision is obtained shall be the effective date:

1. The Second Equity Transfer Agreement is executed by the legal representatives or authorised representatives of each party and stamped with its respective company seals;
2. All necessary consents or approvals have been obtained for the transfer of the Second Equity Interests, including but not limited to:
 - (i) the filing of the valuation results of the entire equity interests of Xinjiang Energy with the authorized state-owned assets regulatory agencies or its authorized units;
 - (ii) the authorized state-owned assets regulatory agencies or its authorized units consider and approve the transfer of the Second Equity Interests;
 - (iii) each of the Second Vendors completes its internal procedures to approve the transfer of the Second Equity Interests; and
 - (iv) the Company obtains approval for the transfer of the Second Equity Interests from its competent decision-making authorities such as board meeting and shareholders' meeting.

Closing

Unless otherwise agreed in writing by the parties, Xinjiang Energy shall convene a shareholders' meeting to amend its articles of association and complete the registration (filing) procedure in relation to the transfer of the Second Equity Interests with the company registration authority before 31 July 2023. The Second Closing Date is the date of completing the registration (filing) procedure in relation to the transfer of the Second Equity Interests with the company registration authority. The rights and obligations corresponding to the Second Equity Interests will be transferred to the Company with effect from the Second Closing Date.

Xinjiang Energy shall set up a board of directors consisting of 7 directors. Except for an employee representative director who shall be democratically elected, the Second Vendors have the right to nominate 2 director candidates, and the Company has the right to nominate 4 director candidates, who shall be elected by the shareholders in general meeting. The chairman of the board of directors shall be a director nominated by the Company and elected by the board of directors; Xinjiang Energy shall have a board of supervisors consisting of 3 supervisors, except for an employee representative supervisor who shall be democratically elected, the Second Vendors have the right to nominate 1 supervisor candidate, and the Company has the right to nominate 1 supervisor candidate, who shall be elected by the shareholders in general meeting, and the chairman of the board of supervisors shall be a supervisor nominated by the Company; the general manager and chief financial officer of Xinjiang Energy shall be recommended by the Company and appointed by the board of directors.

The parties shall begin the relevant procedures below for the closing of the Second Equity Transfer Agreement from the effective date of the Second Equity Transfer Agreement, including but not limited to:

1. The Second Vendors shall transfer the relevant documents, materials and seals relating to Xinjiang Energy and its assets which they hold and control to the Company;
2. The Second Vendors shall procure Xinjiang Energy to hold relevant meeting(s) in accordance with the Second Equity Transfer Agreement to revise its register of members and articles of association;
3. The Second Vendors shall procure its appointed directors and management of Xinjiang Energy to transfer duties and related documents, materials and seals to the directors and management of Xinjiang Energy designated by the Company; and
4. The Second Vendors shall procure Xinjiang Energy to handle the registration (filing) procedure in relation to the transfer of the Second Equity Interests with the company registration authority.

Profit and loss during the Second Transition Period

Unless otherwise agreed by the parties, the Second Vendors shall be entitled to the profit and loss attributable to the Second Equity Interests during the Second Transition Period in proportion to their respective equity interests transferred to the Company. The profit and loss of the Second Equity Interests during the Second Transition Period shall be audited by an auditing institution recognized by the parties, and the audit report(s) for the profit and loss during the Second Transition Period shall be issued within 30 Working Days after the end of the Second Transition Period. The closing audit benchmark date shall be determined as follows:

- (1) If the Second Closing Date is before the 15th (15th inclusive) of the current month, the last day of the previous month will be the closing audit benchmark date; or
- (2) If the Second Closing Date is after the 15th of the current month, the last day of the current month will be the closing audit benchmark date.

The parties shall conduct a one-off settlement in cash within 20 Working Days after the audit institution issues the audit report for the profit and loss of the Second Equity Interests during the Second Transition Period.

Unless otherwise agreed by the parties, each of the Second Vendors and the Company is entitled to the accumulated undistributed profit of Xinjiang Energy as at the Valuation Benchmark Date, in proportion to their equity interests in Xinjiang Energy upon closing of the Second Equity Transfer Agreement.

Responsibility on default

After the Second Equity Transfer Agreement becomes effective, the failure of any party to fulfil its obligations under the Second Equity Transfer Agreement, or any declaration, warranty or undertaking made by any party being false, is considered a breach of contract. The party in default shall compensate the non-defaulting parties for all losses incurred by its breach of contract.

Without precluding the termination of the Second Equity Transfer Agreement by the relevant parties according to the Second Equity Transfer Agreement, unless the Second Equity Transfer Agreement expressly stipulates, if one party suffers any reasonable costs, expenses, liabilities or losses due to the other party's breach of contract, the defaulting party shall compensate any such costs, expenses, liabilities or losses and shall indemnify the non-defaulting party from such claims. For losses caused by the non-defaulting party's own fault, negligence or omission, as well as losses or any extended losses arising due to its failure to take measures, the defaulting party shall not be liable for such losses.

Second Letter of Undertaking

In view of the entering into of the Second Equity Transfer Agreement, on the same date, the Company and the Second Vendors have entered into the Second Letter of Undertaking, pursuant to which the Second Vendors make the following undertakings to the Company:

- (1) As of the date of the Second Letter of Undertaking, the exploration rights held by Xinjiang Energy in Huangcaohu No. 1 to No. 11 exploration areas in Qitai County, Zhudong Coalfield, Xinjiang have expired. Xinjiang Energy has submitted the application for the consolidation of Huangcaohu No. 1 to No. 11 exploration areas into one exploration area in accordance with the requirements of the relevant government authorities. The application renewal period is from 28 March 2023 to 28 March 2025. The Second Vendors undertake to actively urge and assist Xinjiang Energy to complete the registration procedures for the change of exploration rights as soon as possible. If Xinjiang Energy suffers losses due to failure to complete or complete on time the aforementioned registration procedures for the change of exploration rights after the Second Closing Date, the Second Vendors shall compensate the Company at that time.
- (2) Other than the mineral rights for which Transfer Fee has been deducted in accordance with the Transfer Fee Calculation Report, in respect of Baosheng Coal Mine and Hongshanwa Coal Mine which have been disposed of with compensation, after the Second Closing Date, if the relevant authorities levy Transfer Fee (“**Xinjiang Levied Transfer Fee**”) on Xinjiang Mining in respect of the resource reserves utilized prior to the Valuation Benchmark Date and the resource reserves corresponding to the Second Acquisition (i.e. the resource reserves within the valuation scope of the relevant mining rights in the Second Acquisition, the same below) in accordance with Circular 10, and the aforesaid Transfer Fee has not been reflected in the relevant audit report of the Second Acquisition, then:
 - (i) the Second Vendors will compensate the Company in cash in accordance with the amount of Xinjiang Levied Transfer Fee on such subsidiaries within 30 days after the payment obligation is specified (the compensation amount is the amount of Xinjiang Levied Transfer Fee x 51% x Xinjiang Energy’s shareholding ratio in Xinjiang Mining);
 - (ii) in addition to the aforesaid Xinjiang Levied Transfer Fee, the remaining amount required to be paid in respect of the remaining resource reserves corresponding to the Second Acquisition that have not been levied at the rate of Transfer Fee during the sale of mineral products (if involved), which shall be calculated based on the calculation methods and related parameters in the Transfer Fee Calculation Report and discounted to the date on which payment obligation is specified in accordance with Circular 10 and ancillary policies subsequently promulgated and implemented, shall be compensated together by the Second Vendors to the Company in cash;
 - (iii) the compensation amount payable by the Second Vendors to the Company shall be limited to (the amount set forth in the mineral rights valuation reports quoted in the Asset Valuation Report on which the Second Equity Transfer Agreement is based x 51% x Xinjiang Energy’s shareholding ratio in Xinjiang Mining).
- (3) During the negotiation between Xinjiang Mining and the government department in respect to the matters mentioned in (2) above of the Second Letter of Undertaking, each party to the Second Letter of Undertaking shall actively assist Xinjiang Mining in communicating and negotiating with the government department, in order to fully protect the rights and interests of Xinjiang Energy and the parties.

The Second Letter of Undertaking shall take effect when all the following conditions are fulfilled: (1) the official seals of each of the Second Vendors and the Company are affixed; and (2) the Second Equity Transfer Agreement is signed and becomes effective.

Second Letter of Performance Commitment

In view of the entering into of the Second Equity Transfer Agreement, on the same date, the Company and the Second Vendors have entered into the Second Letter of Performance Commitment, pursuant to which the Second Vendors agreed to make the following commitments regarding the performance of Xinjiang Energy in the next three years:

- (1) Xinjiang Energy's audited net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss ("**Xinjiang Actual Net Profit**"), calculated in accordance with the Chinese accounting standards, shall be not less than RMB4.013 billion ("**Xinjiang Committed Net Profit**") during the years 2023 to 2025 ("**Xinjiang Commitment Period**"). The Xinjiang Committed Net Profit is determined with reference to the asset valuation reports filed with the competent state-owned regulatory authorities.
- (2) If the aggregate amount of Xinjiang Actual Net Profit during the Xinjiang Commitment Period does not reach the Xinjiang Committed Net Profit, the Second Vendors shall compensate the Company in cash, and the specific compensation amount shall be calculated based on the following formula:

Compensation amount during the commitment period ("**Xinjiang Compensation Amount**") = (Xinjiang Committed Net Profit – Xinjiang Actual Net Profit) ÷ Xinjiang Committed Net Profit x the consideration of the Second Equity Interests – other compensated amounts (if the Xinjiang Compensation Amount is less than zero, it shall be taken as zero), among which:

- (i) Xinjiang Actual Net Profit = Xinjiang's aggregate net profit attributable to shareholders of the parent company after deducting non-recurring profit and loss during the Xinjiang Commitment Period recognized in the special audit report issued by the accounting firm with securities and futures business qualifications appointed by the Company, and approved by each of the Second Vendors and the Company;
 - (ii) Compensation amount to be paid by each of the Second Vendors = (the ratio of the equity interests in Xinjiang Energy to be transferred by each of the Second Vendors to the Company ÷ 51%) x Xinjiang Compensation Amount.
- (3) If the Second Equity Transfer Agreement is terminated during the Xinjiang Commitment Period, the Second Vendors are not obliged to perform the Second Letter of Performance Commitment. If the Second Equity Transfer Agreement is terminated after the Xinjiang Commitment Period, the Company shall refund the Second Vendors any paid Xinjiang Compensation Amount within 30 days after the termination date of the Second Equity Transfer Agreement.
 - (4) The Second Vendors undertake to perform all the compensation obligations within 30 days after the special audit report of Xinjiang Energy is issued and after receiving the notice from the Company specifying the Xinjiang Compensation Amount.

- (5) If during the Xinjiang Commitment Period, due to equity transfer, capital increase or other reasons, (i) Xinjiang Energy is no longer actually controlled by the Company or consolidated into its financial statements or (ii) there is change to the scope of subsidiaries in Xinjiang Energy’s consolidated financial statements as at the date of the Second Letter of Performance Commitment, the amount of Xinjiang Committed Net Profit and Xinjiang Actual Net Profit starting from the year (such year inclusive) can be adjusted after the Second Vendors and the Company reach a consensus.
- (6) In the case which during the Xinjiang Commitment Period, due to force majeure (“force majeure” refers to the objective circumstances that cannot be foreseen, unavoidable and cannot be overcome or the objective reasons beyond control at the time of entering into the Second Equity Transfer Agreement, including but not limited to: (i) natural disasters such as earthquakes, tsunamis, typhoons, volcanic eruptions, landslides, avalanches and mudslides, etc.; (ii) social abnormal events such as wars, armed conflicts, strikes, disturbances and riots, etc.; (iii) changes in laws, regulations or policies, government control orders or decisions), the normal production and operation of Xinjiang Energy and its consolidated subsidiaries is materially and adversely affected or Xinjiang Energy and its consolidated subsidiaries are no longer actually controlled by the Company, the Second Vendors and the Company may negotiate to adjust the amount of the Xinjiang Committed Net Profit and other content under the Second Letter of Performance Commitment according to the degree of impact of the abovementioned circumstances starting from the year (such year inclusive) in which the abovementioned circumstances occurred.

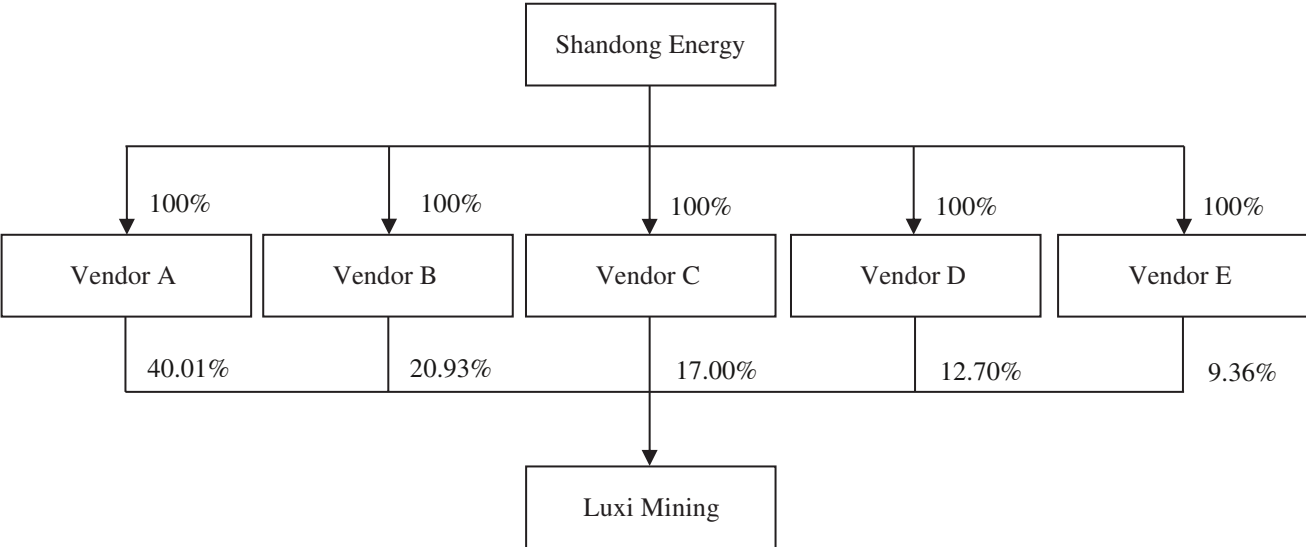
The Second Letter of Performance Commitment shall take effect when all the following conditions are fulfilled: (1) the official seals of each of the Second Vendors and the Company are affixed; and (2) the Second Equity Transfer Agreement is signed and becomes effective. The Company will comply with the disclosure requirements under Rule 14A.63 of the Listing Rules.

IV. BASIC INFORMATION ON TARGET COMPANIES AND TARGET GROUPS

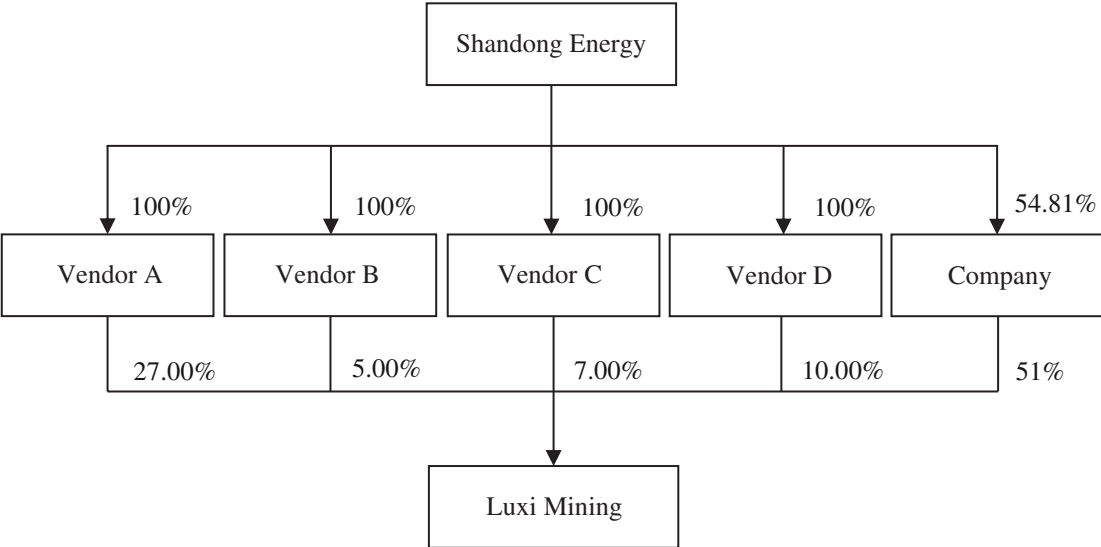
1. Luxi Mining

Luxi Mining is a company established in the PRC with limited liability in December 2021. Luxi Mining Group is principally engaged in mining, washing, sales, transportation and storage of coal, and manufacturing of mining equipment and accessories and other upstream and downstream businesses of the coal industry chain. The original acquisition costs for the First Equity Interests by Vendor A, Vendor B, Vendor C, Vendor D and Vendor E were approximately RMB229.728 million, RMB489.793 million, RMB404.189 million, RMB239.173 million and RMB1,231.651 million respectively.

As of the date of this announcement, the shareholding structure of Luxi Mining is as follows:



Upon closing of the First Equity Transfer Agreement, the shareholding structure of Luxi Mining will be as follows:



In the First Acquisition, the Company will acquire 13.01%, 15.93%, 10.00%, 2.70% and 9.36% equity interests in Luxi Mining held by Vendor A, Vendor B, Vendor C, Vendor D and Vendor E respectively. As of the date of this announcement, the equity interests of Luxi Mining have clearly-established ownership without mortgage, pledge and any other restrictions on transfer. It was not involved in judicial proceedings such as litigation, arbitration, being sealed up or frozen, or any other circumstances that would prevent the transfer of the ownership thereof.

Upon closing of the First Equity Transfer Agreement, the Company shall hold 51% equity interests in Luxi Mining; and Luxi Mining will become a subsidiary of the Company and its financial results will be consolidated into those of the Group.

Mineral Rights of Luxi Mining Group

As at the date of this announcement, Luxi Mining Group holds 7 mining rights, details of which are as follows.

No.	Type of mineral rights	Name of owner and mine	Type of coal	Resources/reserves used in the valuation ¹			Production volume of saleable coal (Ten kiloton)		Remaining service life (year)
				Resources (million tonnes)	Recoverable reserves (million tonnes)	Approved production capacity ² (Ten kiloton /year)	2021	2022	
1	Mining rights	Shanxian Energy (Chenmanzhuang Coal Mine)	Coking coal	64	41	70	70.31	41.77	41.84
2	Mining rights	Lilou Coal Industry (Lilou Coal Mine)	Gas coal, 1/3 coking coal	556	288	190	177.36	181.83	108.24
3	Mining rights	Tangkou Coal Industry (Tangkou Coal Mine)	Gas coal	407	82	390	275.91	296.52	15.09
4	Mining rights	Liangbaosi Energy (Liangbaosi Coal Mine)	Gas coal, mixed coal (1/2 medium caking coal, weak caking coal, 1/3 coking coal)	324	128	330	- ³	27.53	21.16
5	Mining rights	Heze Coal Electricity (Guotun Coal Mine)	Gas coal, 1/3 coking coal	268	132	240	192.67	182.41	39.38
6	Mining rights	Heze Coal Electricity (Pengzhuang Coal Mine)	Gas coal	48	20	80	60.87	55.86	17.90
7	Mining rights	Xinjulong Energy (Xinjulong Coal Mine)	Fat coal, 1/3 coking coal, gas coal, gas fat coal, anthracite	921	536	600	427.77	348.48	63.83
		Total		<u>2,589</u>	<u>1,228</u>	<u>1,900</u>	<u>1,204.88</u>	<u>1,134.38</u>	<u>-</u>

Note 1: The figures are based on the resources and recoverable reserves used in the valuation as at 31 December 2022 in the valuation report on mineral rights issued by Beijing Kuangtong Resources Development Consultation Co., Limited. According to the standard of Solid Mineral Resources/Reserves Classification (China National Standard GB/T17766-2020), the total resources and reserves of Luxi Mining as at the end of 2022 amounted to 3,865 million tonnes and 865 million tonnes respectively. Resources used in the valuation refers to the basic data used in the valuation and calculation of recoverable resources, i.e. the total of the (measured + indicated) resources involved in the valuation and the inferred resources discounted by the reliability coefficient. Reserves used in the valuation refers to the reserves that can be recovered after deducting various losses from the resources used in the valuation.

Note 2: The figures represent the approved production capacity as of 31 December 2022.

Note 3: Due to safety production accidents, Liangbaosi Coal Mine has stopped production since 20 August 2020, and has obtained approval from relevant government authorities to resume production on 19 October 2021, and has resumed actual production on 23 June 2022.

Note 4: Where there is a rounding difference between the total and the sum of the sub-values in the above table, it is due to rounding.

1) *Mining right of Chenmanzhuang Coal Mine of Shanxian Energy*

Type of mineral right:	Mining right
Mining right owner:	Shanxian Energy
Mining permit No.:	C1000002012111110127768
Name of mine:	Mining right of Chenmanzhuang Coal Mine of Shanxian Energy
Mining type:	Coal
Type of coal:	Coking Coal
Mining method:	Underground mining
Approved production capacity:	700,000 tonnes/year
Actual production volumes of saleable coal:	703,100 tonnes in 2021 and 417,700 tonnes in 2022
Mining area:	22.8371 square kilometres
Validity period:	20 November 2012 to 20 November 2032
Mining elevation:	From -580m to -1,460m
Remaining service life of the mine:	41.84 years

2) *Mining right of Lilou Coal Industry*

Type of mineral right:	Mining right
Mining right owner:	Lilou Coal Industry
Mining permit No.:	C1000002011011110107893
Name of mine:	Mining right of Lilou Coal Industry
Mining type:	Coal
Type of coal:	Gas coal, 1/3 coking coal
Mining method:	Underground mining
Approved production capacity:	1,900,000 tonnes/year
Actual production volumes of saleable coal:	1,773,600 tonnes in 2021 and 1,818,300 tonnes in 2022
Mining area:	198.284 square kilometres
Validity period:	5 January 2021 to 5 January 2036
Mining elevation:	From -450m to -1,750m
Remaining service life of the mine:	108.24 years

3) *Mining right of Tangkou Coal Industry*

Type of mineral right:	Mining right
Mining right owner:	Tangkou Coal Industry
Mining permit No.:	C1000002011011120107090
Name of mine:	Mining right of Tangkou Coal Industry
Mining type:	Coal
Type of coal:	Coking coal
Mining method:	Underground mining
Approved production capacity:	3,900,000 tonnes/year
Actual production volumes of saleable coal:	2,759,100 tonnes in 2021 and 2,965,200 tonnes in 2022
Mining area:	72.2189 square kilometres
Validity period:	23 March 2012 to 10 February 2030
Mining elevation:	From -650m to -1,300m
Remaining service life of the mine:	15.09 years

4) *Mining right of Liangbaosi Coal Mine of Liangbaosi Energy*

Type of mineral right:	Mining right
Mining right owner:	Liangbaosi Energy
Mining permit No.:	C1000002010061110070549
Name of mine:	Mining right of Liangbaosi Coal Mine of Liangbaosi Energy
Mining type:	Coal
Type of coal:	Gas coal, mixed coal (1/2 medium caking coal, weak caking coal, 1/3 coking coal)
Mining method:	Underground mining
Approved production capacity:	3,300,000 tonnes/year
Actual production volumes of saleable coal:	No production in 2021 and 275,300 tonnes in 2022
Mining area:	95.2866 square kilometres
Validity period:	18 June 2010 to 4 April 2030
Mining elevation:	From +40m to -1,200m
Remaining service life of the mine:	21.16 years

5) *Mining right of Guotun Coal Mine of Heze Coal Electricity*

Type of mineral right:	Mining right
Mining right owner:	Heze Coal Electricity
Mining permit No.:	C1000002011071110116460
Name of mine:	Mining right of Guotun Coal Mine of Heze Coal Electricity
Mining type:	Coal
Type of coal:	Gas coal, 1/3 coking coal
Mining method:	Underground mining
Approved production capacity:	2,400,000 tonnes/year
Actual production volumes of saleable coal:	1,926,700 tonnes in 2021 and 1,824,100 tonnes in 2022
Mining area:	69.3293 square kilometres
Validity period:	16 December 2004 to 16 December 2034
Mining elevation:	From -600m to -1,200m
Remaining service life of the mine:	39.38 years

6) *Mining right of Pengzhuang Coal Mine of Heze Coal Electricity*

Type of mineral right:	Mining right
Mining right owner:	Heze Coal Electricity
Mining permit No.:	C1000002011071110116461
Name of mine:	Mining right of Pengzhuang Coal Mine of Heze Coal Electricity
Mining type:	Coal
Type of coal:	Gas coal
Mining method:	Underground mining
Approved production capacity:	800,000 tonnes/year
Actual production volumes of saleable coal:	608,700 tonnes in 2021 and 558,600 tonnes in 2022
Mining area:	67.1928 square kilometres
Validity period:	5 February 2018 to 7 July 2034
Mining elevation:	From -450m to -1,200m
Remaining service life of the mine:	17.90 years

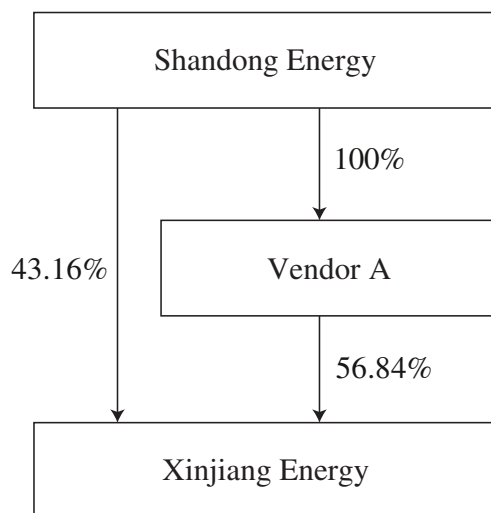
7) *Mining right of Xinjulong Energy*

Type of mineral right:	Mining right
Mining right owner:	Xinjulong Energy
Mining permit No.:	C1000002008061110000037
Name of mine:	Mining right of Xinjulong Energy
Mining type:	Coal
Type of coal:	Fat coal, 1/3 coking coal, gas coal, gas fat coal and anthracite
Mining method:	Underground mining
Approved production capacity:	6,000,000 tonnes/year
Actual production volumes of saleable coal:	4,277,000 tonnes in 2021 and 3,484,800 tonnes in 2022
Mining area:	142.2894 square kilometres
Validity period:	21 June 2008 to 18 September 2033
Mining elevation:	From +40m to -1,200m
Remaining service life of the mine:	63.83 years

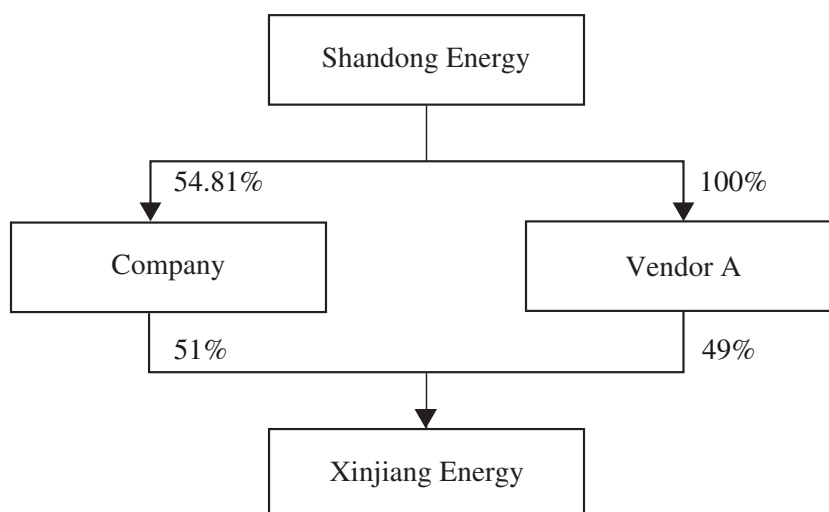
2. **Xinjiang Energy**

Xinjiang Energy is a company established in the PRC with limited liability in August 2007. Xinjiang Energy Group is principally engaged in mining, washing and sales of coal, coal chemical industry and other upstream and downstream businesses of the coal industry chain. The original acquisition costs for the Second Equity Interests by Shandong Energy and Vendor A were approximately RMB2,999.704 million and RMB275.862 million respectively.

As of the date of this announcement, the shareholding structure of Xinjiang Energy is as follows:



Upon completion of the Second Equity Transfer Agreement, the shareholding structure of Xinjiang Energy will be as follows:



In the Second Acquisition, the Company will acquire 43.16% and 7.84% equity interests in Xinjiang Energy held by Shandong Energy and Vendor A respectively. As of the date of this announcement, the equity interests of Xinjiang Energy have clearly-established ownership without mortgage, pledge and any other restrictions on transfer. It was not involved in judicial proceedings such as litigation, arbitration, being sealed up or frozen, or any other circumstances that would prevent the transfer of the ownership thereof.

Upon closing of the Second Equity Transfer Agreement, the Company shall hold 51% equity interests in Xinjiang Energy; and Xinjiang Energy will become a subsidiary of the Company and its financial results will be consolidated into those of the Group.

Mineral Rights of Xinjiang Energy

As at the date of this announcement, the Xinjiang Energy Group holds 5 mining rights and 12 exploration rights, details of which are as follows:

No.	Type of mineral rights	Name of owner and mine/ exploration project	Type of coal	Resources/reserves used in the valuation ¹			Production volume of saleable coal (Ten kiloton)		Remaining service life (year)
				Resources (million tonnes)	Recoverable reserves (million tonnes)	Approved production capacity ² (Ten kiloton /year)	2021	2022	
1	Mining rights	Yili Energy (Yili No. 1 Coal Mine)	Non-stick coal, long-flame coal	3,920	1,971	1,000	811.03	1,003.56	140.80
2	Mining rights	Yixin Coal Industry (Yili No. 4 Coal Mine)	Non-stick coal, long-flame coal	1,444	983	900	731.50	782.32	77.99
3	Mining rights	Xinjiang Mining (Liuhuanggou Mine)	Long-flame coal, non-stick coal	213	142	150	138.54	260.70	67.61
4	Mining rights	Xinjiang Mining (Baosheng Coal Mine)	Long-flame coal	7	4	9	-	-	29.71
5	Mining rights	Xinjiang Mining (Hongshanwa Coal Mine)	Long-flame coal, gas coal, non-stick coal	32	16	30	-	-	39.22
Subtotal of Mining Rights				<u>5,617</u>	<u>3,116</u>	<u>2,089</u>	<u>1,681.07</u>	<u>2,046.58</u>	<u>-</u>
6-16	Exploration rights	Xinjiang Energy (exploration in Huangcaohu No. 1 to No. 11 exploration areas ("Huangcaohu Exploration Rights"))	Non-stick coal, long-flame coal	13,612	9,284	-	-	-	-
17	Exploration rights	Qineng Coal Industry (exploration in Zhundong Wucanwan No.4 open pit Coalfield)	Non-stick coal, long-flame coal	3,785	2,866	-	-	-	-
Subtotal of Exploration Rights				<u>17,398</u>	<u>12,150</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total				<u><u>23,015</u></u>	<u><u>15,266</u></u>	<u><u>2,089</u></u>	<u><u>1,681.07</u></u>	<u><u>2,046.58</u></u>	<u><u>-</u></u>

Note 1: The figures are based on the resources and recoverable reserves used in the valuation as at 31 December 2022 in the valuation report on mineral rights issued by Beijing Kuangtong Resources Development Consultation Co., Limited. According to the standard of Solid Mineral Resources/Reserves Classification (China National Standard GB/T17766-2020), the total resources and reserves of Xinjiang Energy as at the end of 2022 amounted to 27,312 million tonnes and 2,381 million tonnes respectively. Resources used in the valuation refers to the basic data used in the valuation and calculation of recoverable resources, i.e. the total of the (measured + indicated) resources involved in the valuation and the inferred resources discounted by the reliability coefficient. Reserves used in the valuation refers to the reserves that can be recovered after deducting various losses from the resources used in the valuation.

Note 2: The figures represent the approved production capacity as of 31 December 2022.

Note 3: Where there is a rounding difference between the total and the sum of the sub-values in the above table, it is due to rounding.

(I) *Mining rights*

1) Mining right of Yili No. 1 Coal Mine of Yili Energy

Type of mineral right:	Mining right
Mining right owner:	Yili Energy
Mining permit No.:	C1000002010111110084121
Name of mine:	Mining right of Yili No. 1 Coal Mine of Yili Energy
Mining type:	Coal
Type of coal:	Non-stick coal, long flame coal
Mining method:	Underground mining
Approved production capacity:	10,000,000 tonnes/year
Actual production volumes of saleable coal:	8,110,300 tonnes in 2021 and 10,035,600 tonnes in 2022
Mining area:	118.5151 square kilometres
Validity period:	24 November 2010 to 24 November 2040
Mining elevation:	From +1,360m to -20m
Remaining service life of the mine:	140.80 years

2) Mining right of Yili No. 4 Coal Mine of Yixin Coal Industry

Type of mineral right:	Mining right
Mining right owner:	Yixin Coal Industry
Mining permit No.:	C6500002018011110145845
Name of mine:	Mining right of Yili No. 4 Coal Mine of Yixin Coal Industry
Mining type:	Coal
Type of coal:	Non-stick coal and long-flame coal
Mining method:	Underground mining
Approved production capacity:	9,000,000 tonnes/year
Actual production volumes of saleable coal:	7,315,000 tonnes in 2021 and 7,823,200 tonnes in 2022
Mining area:	76.646 square kilometres
Validity period:	22 December 2022 to 22 December 2037
Mining elevation:	From +1,075m to -550m
Remaining service life of the mine:	77.99 years

3) Mining right of Liuhuanggou Mine of Xinjiang Mining

Type of mineral right:	Mining right
Mining right owner:	Xinjiang Mining
Mining permit No.:	C6500002009111120047758
Name of mine:	Mining right of Liuhuanggou Mine of Xinjiang Mining
Mining type:	Coal
Type of coal:	Long-flame coal and non-stick coal
Mining method:	Underground mining
Approved production capacity:	1,500,000 tonnes/year
Actual production volumes of saleable coal:	1,385,400 tonnes in 2021 and 2,607,000 tonnes in 2022
Mining area:	5.873 square kilometres
Validity period:	26 September 2021 to 9 August 2023
Mining elevation:	From +978m to +300m
Remaining service life of the mine:	67.61 years

4) Mining right of Baosheng Coal Mine in Jimusar Shuixigou Mining Area of Xinjiang Mining

Type of mineral right:	Mining right
Mining right owner:	Xinjiang Mining
Mining permit No.:	C6500002010101120105936
Name of mine:	Mining right of Baosheng Coal Mine in Jimusar Shuixigou Mining Area of Xinjiang Mining (“ Baosheng Coal Mine ”)
Mining type:	Coal
Type of coal:	Long flame coal
Mining method:	Underground mining
Approved production capacity:	90,000 tonnes/year
Actual production volumes of saleable coal:	No production in 2021 and 2022
Mining area:	1.0855 square kilometres
Validity period:	20 March 2019 to 20 December 2019 ¹
Mining elevation:	From +1,060m to +900m
Remaining service life of the mine:	29.71 years

Note 1: Baosheng Coal Mine has not been actually mined since obtaining the mining right certificate, which expired on 20 December 2019 and has not been renewed. As at the date of this announcement, Xinjiang Jitong Mining Co., Ltd has signed a framework agreement with Xinjiang Mining to form a preliminary intent on the consolidation of the Baosheng Coal Mine, and will sign a formal transfer agreement and perform the outward transfer procedures in accordance with the laws after the consolidation plan is confirmed.

5) Mining right of Hongshanwa Coal Mine in Jimusar Shuixigou Mining Area of Xinjiang Mining

Type of mineral right:	Mining right
Mining right owner:	Xinjiang Mining
Mining permit No.:	C6500002009111120046732
Name of mine:	Mining right of Hongshanwa Coal Mine in Jimusar Shuixigou Mining Area of Xinjiang Mining (“ Hongshanwa Coal Mine ”)
Mining type:	Coal
Type of coal:	Long flame coal, gas coal and non-caking coal
Mining method:	Underground mining
Approved production capacity:	300,000 tonnes/year
Actual production volumes of saleable coal:	No production in 2021 and 2022
Mining area:	1.7978 square kilometres
Validity period:	24 November 2009 to 24 November 2019
Mining elevation:	From+1,130m to +760m
Remaining service life of the mine:	39.22 years

Note: Hongshanwa Coal Mine has not been actually mined since obtaining the mining right certificate, which expired on 24 November 2019 and has not been renewed. As at the date of this announcement, Jimsar County Weiwei Energy Development Co., Ltd. has signed a framework agreement with Xinjiang Mining to form a preliminary intent on the consolidation of the Hongshanwa Coal Mine, and will sign a formal transfer agreement and perform the outward transfer procedures in accordance with the laws after the consolidation plan is confirmed.

(II) Exploration rights

- 1) Exploration rights of Xinjiang Energy in Huangcaohu No. 1-11 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang (“**Huangcaohu Exploration Rights**”)

The coal types in Huangcaohu Exploration Rights are non-caking coal and long-flame coal. The details of the Huangcaohu Exploration Rights are as follows:

No.	Type of mineral right	Exploration Right Owner	Exploration Permit No.	Name of Exploration Project	Exploration	
					Area(km ²)	Validity Period
1			T6500002008041010005403	Exploration in Huangcaohu No. 1 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	27.20	8 March 2021 to 8 March 2023
2			T6500002008041010005406	Exploration in Huangcaohu No. 2 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	26.71	8 March 2021 to 8 March 2023
3			T6500002008041010005394	Exploration in Huangcaohu No.3 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	26.57	8 March 2021 to 8 March 2023
4			T6500002008041010005395	Exploration in Huangcaohu No. 4 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	26.89	8 March 2021 to 8 March 2023
5			T6500002008041010005408	Exploration in Huangcaohu No.5 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	25.56	29 March 2021 to 29 March 2023
6	Exploration rights	Xinjiang Energy	T6500002008041010005405	Exploration in Huangcaohu No. 6 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	20.97	29 March 2021 to 29 March 2023
7			T6500002008041010005411	Exploration in Huangcaohu No. 7 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	25.40	29 March 2021 to 29 March 2023
8			T6500002008041010005401	Exploration in Huangcaohu No. 8 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	29.37	29 March 2021 to 29 March 2023
9			T6500002008041010005909	Exploration in Huangcaohu No. 9 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	26.67	29 March 2021 to 29 March 2023
10			T6500002008041010005404	Exploration in Huangcaohu No. 10 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	23.95	8 March 2021 to 8 March 2023
11			T6500002008041010005393	Exploration in Huangcaohu No. 11 Exploration Area, Qitai County, Zhundong Coalfield, Xinjiang	22.43	29 March 2021 to 29 March 2023

Note 1: Xinjiang Energy has submitted the application for the renewal of the Huangcaohu Exploration Rights in February 2023. On 8 March 2023, the Natural Resources Department of Xinjiang Uygur Autonomous Region required Xinjiang Energy to implement consolidation of the Huangcaohu Exploration Rights as required. As of the date of this announcement, Xinjiang Energy has re-submitted the materials in accordance with the requirement, and is in the process of renewing its mineral rights.

- 2) Exploration rights of the No. 4 open pit field in Wucaiwan Mining Area, Jimusar County, Zhundong Coalfield, Xinjiang

Type of mineral right:	Exploration right
Exploration right owner:	Qineng Coal Industry
Exploration permit No.:	T65120081001016890
Name of exploration project:	Exploration in No. 4 open pit field in Wucaiwan Mining Area, Jimusar County, Zhundong Coalfield, Xinjiang
Validity period:	10 February 2023 to 10 February 2025
Exploration area:	96.67 square kilometres
Type of coal:	non-caking coal and long flame coal

V. FINANCIAL DATA OF THE TARGET COMPANIES

1. Luxi Mining

The major consolidated financial figures of Luxi Mining for the two years ended 31 December 2021, 2022 and three months ended 31 March 2023, prepared in accordance with the Chinese accounting standards, are as follows:

	<i>RMB'000</i>		
	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the three months ended 31 March 2023 (unaudited)
Revenue	14,979,710	17,713,152	4,730,919
Profit before tax	3,352,188	5,335,017	1,551,170
Profit after tax	2,233,814	4,200,844	1,152,850
	As of 31 December 2021 (audited)	As of 31 December 2022 (audited)	As of 31 March 2023 (unaudited)
Total assets	49,113,554	48,266,156	47,118,003
Total liabilities	38,664,465	38,411,769	35,154,876
Net assets	10,449,089	9,854,387	11,963,127

2. Xinjiang Energy

The major consolidated financial figures of Xinjiang Energy for the two years ended 31 December 2021, 2022 and three months ended 31 March 2023, prepared in accordance with the Chinese accounting standards, are as follows:

	<i>RMB'000</i>		
	For the year ended 31 December 2021 (audited)	For the year ended 31 December 2022 (audited)	For the three months ended 31 March 2023 (unaudited)
Revenue	4,486,126	4,329,687	1,289,918
Profit/(loss) before tax	340,096	2,362,450	341,581
Profit/(loss) after tax	278,285	2,168,333	341,578
	As of 31 December 2021 (audited)	As of 31 December 2022 (audited)	As of 31 March 2023 (unaudited)
Total assets	19,027,042	18,110,968	18,767,261
Total liabilities	19,766,998	16,694,727	17,062,881
Net assets/(net liabilities)	(739,956)	1,416,241	1,704,380

VI. INFORMATION ON THE PARTIES

The Company

The Company is principally engaged in the business of mining, high-end chemical new materials, new energy, and high-end equipment manufacturing and smart logistics. The Company's main products are steam coal for use in large-scale power plants, coking coal for metallurgical production, prime quality low sulphur coal for use in pulverized coal injection, and chemical products such as methanol and acetic acid, etc.

The Vendors

Shandong Energy is a state-controlled limited liability company which is ultimately owned as to 70%, 20%, and 10% by Shandong Provincial People's Government State-owned Assets Supervision and Administration Commission* (山東省人民政府國有資產監督管理委員會), Shandong Guohui Investment Holding Group Co., Ltd.* (山東國惠投資控股集團有限公司) and Shandong Caixin Assets Operation Co., Ltd.* (山東省財欣資產運營有限公司), respectively. The principal business of Shandong Energy includes coal, thermal power generation, coal chemicals, high-end equipment manufacturing, new energy and materials, modern trade and logistics, etc.

As at the date of this announcement, Shandong Energy is the controlling Shareholder, holding directly and indirectly approximately 54.81% of the issued share capital of the Company, and is hence a connected person of the Company.

Each of Vendor A, Vendor B, Vendor C, Vendor D and Vendor E is a company established in the PRC and a direct wholly-owned subsidiary of Shandong Energy as at the date of this announcement.

Vendor A is principally engaged in mining and washing of coal and sales of chemical products (excluding chemical dangerous goods). Each of Vendor B and Vendor D is principally engaged in mining and sales of coal. Vendor C is principally engaged in mining, washing and sales of coal. Vendor E is principally engaged in mining and sales of coal and iron ore.

VII. BENEFITS OF AND REASONS FOR THE ACQUISITIONS

Following the reorganisation of Shandong Energy in July 2020, there is a certain degree of competition between the existing coal and coal chemical businesses of Shandong Energy in the four regions of Southwest of Shandong Province, Xinjiang, Shaanxi-Ganxi and Inner Mongolia and the Company's main business. The injection of assets by region and by batches through the Acquisitions will be conducive to reducing the competition between the Company and Shandong Energy and promoting the standardisation of operations.

The assets involved in the Acquisitions are all high quality assets of Shandong Energy. Upon completion of the Acquisitions, the profitability of the Company will be significantly enhanced, which will be conducive to further enhancing the long-term return to the shareholders.

The Acquisitions are essential to the implementation of the Company's development strategy. Through the integration of Shandong Energy's high-quality coal resources, it will be conducive to further enhancing the Company's coal resources reserves, strengthening its mineral sector and enhancing its core competitiveness.

Apart from the coal production business, the Target Groups are also engaged in part of the upstream and downstream businesses of the coal industry chain, such as coal chemical industry, coal washing and sales, coal transportation and storage, mining equipment and accessories manufacturing. The Acquisitions are beneficial to the Company in further optimising its industrial layout around its coal business, creating synergies, diversifying operational risks and enhancing its risk resistance.

The Directors (excluding the independent non-executive Directors, whose opinion on the matter will be given in the circular after taking into account the advice of the Independent Financial Adviser in this regard) are of the view that the Transaction Documents are on normal commercial terms which have been negotiated at an arm's length basis and are fair and reasonable and are in the interests of the Company and its Shareholders as a whole.

VIII. LISTING RULES IMPLICATIONS

As one or more applicable percentage ratios of the Acquisitions, on an aggregate basis, are more than 5% but all applicable percentage ratios are less than 25%, the Acquisitions constitute a discloseable transaction of the Company and subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, Shandong Energy is a controlling shareholder of the Company holding directly and indirectly approximately 54.81% of the issued share capital of the Company and Shandong Energy directly wholly owns each of the other Vendors, indirectly wholly owns Luxi Mining and directly and indirectly wholly owns Xinjiang Energy. In accordance with the Listing Rules, each of the Vendors and the Target Companies is a connected person of the Company. Hence, the Acquisitions also constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

As the valuation of certain assets was prepared based on income approach in the Asset Valuation Reports, such valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules.

Pursuant to Rule 14.62(1) of the Listing Rules, the following are the details of the principal assumptions, including commercial assumptions, on which the Asset Valuation Report on Luxi Mining prepared by the Independent Valuer were based:

(I) General assumptions

1. Transaction assumption: The transaction assumption is that all assets to be appraised are in the process of transaction, and the asset valuers will conduct valuation in a market according to the transaction conditions of assets to be appraised.
2. Open market assumption: The open market assumption is an assumption about the conditions of the market for proposed asset to enter and what kind of influence the asset will receive under such market conditions. The open market refers to the fully developed and perfect market conditions, which is a competitive market with willing buyers and sellers. In this market, buyers and sellers have equal status and have the opportunity and time to obtain sufficient market information. Both buyers and sellers conduct their transactions under willing, rational, non-compulsory or unrestricted conditions.
3. Continuous use assumption: The continuous use assumption is an assumption about the conditions of the market for proposed asset to enter and the asset status under such market conditions. First, the appraised assets are in use status. Second, it is assumed that the assets in use will continue to be used. Under the assumption of continuous use, the scope of use of the valuation results is limited without considering the conversion of the use of assets or the best use conditions.

4. Going concern assumption: It is an assumption to take the assets in their entirety as the subject of appraisal. As a business entity, the enterprise will continue to operate as a going concern in the external environment. The management is responsible and has the ability to take responsibilities; the enterprise operates according to the law, makes reasonable profits, and its operation is sustainable.
5. Information authenticity assumption: As for the information and materials provided by the principal and relevant parties on the basis of the valuation conclusion, the asset valuer assumes that these are credible and has conducted necessary verification according to the appraisal procedure, but the asset valuer does not make any guarantee for the authenticity, legality and integrity of these information and materials.

(II) Special assumptions

1. There are no material changes in the relevant prevailing laws, regulations and policies of the State and the macroeconomic situation of the State; there are no material changes in the political, economic and social environment of the regions where the parties to this transaction are located.
2. It is assumed that the operator of the enterprise is responsible and the enterprise's management is capable of shouldering its duties.
3. Unless otherwise stated, it is assumed that the enterprise is fully compliant with all relevant laws and regulations.
4. It is assumed that the accounting policies to be adopted by the enterprise in the future are basically consistent with the accounting policies adopted in the preparation of the valuation report in material aspects.
5. It is assumed that the business scope and mode of the company are consistent with the current direction based on the existing management mode and management level.
6. There are no material changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies.
7. There are no other force majeure and unforeseen factors that would have a material adverse impact on the enterprise.
8. It is assumed that the business content of the enterprise in the forecast years will remain basically the same as the current model without significant changes.
9. It is assumed that the mining license will be renewed and registered upon expiration.
10. It is assumed that product prices, costs and expenses, tax rates and interest rates will vary within the normal range during the development and revenue period of the mines.

Pursuant to Rule 14.62(1) of the Listing Rules, the following are the details of the principal assumptions, including commercial assumptions, on which the Asset Valuation Report on Xinjiang Energy prepared by the Independent Valuer were based:

(I) General assumptions

1. Transaction assumption: The transaction assumption is that all assets to be appraised are in the process of transaction, and the asset valuers will conduct valuation in a market according to the transaction conditions of assets to be appraised.
2. Open market assumption: The open market assumption is an assumption about the conditions of the market for proposed asset to enter and what kind of influence the asset will receive under such market conditions. The open market refers to the fully developed and perfect market conditions, which is a competitive market with willing buyers and sellers. In this market, buyers and sellers have equal status and have the opportunity and time to obtain sufficient market information. Both buyers and sellers conduct their transactions under willing, rational, non-compulsory or unrestricted conditions.
3. Continuous use assumption: The continuous use assumption is an assumption about the conditions of the market for proposed asset to enter and the asset status under such market conditions. First, the appraised assets are in use status. Second, it is assumed that the assets in use will continue to be used. Under the assumption of continuous use, the scope of use of the valuation results is limited without considering the conversion of the use of assets or the best use conditions.
4. Going concern assumption: It is an assumption to take the assets in their entirety as the subject of appraisal. As a business entity, the enterprise will continue to operate as a going concern in the external environment. The management is responsible and has the ability to take responsibilities; the enterprise operates according to the law, makes reasonable profits, and its operation is sustainable.
5. Information authenticity assumption: As for the information and materials provided by the principal and relevant parties on the basis of the valuation conclusion, the asset valuer assumes that these are credible and has conducted necessary verification according to the appraisal procedure, but the asset valuer does not make any guarantee for the authenticity, legality and integrity of these information and materials.

(II) Special assumptions

1. The relevant policies, laws and systems followed remain as they are without significant change, and the relevant social, political and economic environment as well as the development techniques and conditions followed remain as they are without significant change.
2. It is assumed that the operation continues based on the set resource reserves, production method, production scale, product structure, development technology level and market supply and demand level, assuming the term of the registration of the mining license renewed, without taking into account the time taken to renew the mining license and registration upon expiration and the associated costs.
3. It is assumed that product prices, costs and expenses, tax rates and interest rates will vary within the normal range during the development and revenue period of the mines.
4. Without taking into account the effect on its valuation of other rights such as mortgages, guarantees or any other restrictions on property rights that may be assumed in the future and the additional price that may be paid by the particular counterparty.
5. It is assumed that the operator of the enterprise will take up responsibility and the enterprise's management is capable of shouldering its duties.
6. It is assumed that the business scope and mode of the company are consistent with the current direction based on the existing management mode and management level.
7. It is assumed that the business content of the enterprise's operations for the forecast year remains substantially the same as the current model and that there are no significant changes.
8. There are no material changes in interest rates, exchange rates, tax bases and tax rates, and policy-based levies.
9. It is assumed that the accounting policies to be adopted by the enterprise in the future and the accounting policies adopted in the preparation of this report are substantially the same in material respects.
10. It is assumed that the amount of taxable income for future income periods of the appraised entity is substantially the same as total profit and that there are no material permanent differences or adjustments for timing differences.
11. Some of the appraised entities included in the scope of the valuation are currently high-tech enterprises, and it is assumed that the renewal of the high-tech enterprise certification can be processed smoothly upon expiry.

12. There are no other force majeure and unforeseen factors that would cause significant impact on the enterprise.
13. As Xinwen Mining Group (Yili) Energy Development Co., Ltd. had prepaid the transfer proceeds of RMB336,000,000 before the Valuation Benchmark Date, according to the communication with the enterprise, the enterprise will change the payment method of Transfer Fee in accordance with the “Methods of Levying Transfer Proceeds of Mineral Rights” (Cai Zong [2023] No. 10) to the new policy, therefore, it is assumed that Xinwen Mining Group (Yili) Energy Development Co., Ltd. will pay the Transfer Fee in accordance with the new policy in this valuation.

IX. CONFIRMATIONS

SHINEWING (HK) CPA Limited, the reporting accountant of the Company, has reviewed the arithmetical accuracy of the calculations of the profit forecast on which certain valuations using income approach as contained in the Asset Valuation Reports are based, which does not involve the adoption of accounting policies. The Board has confirmed that the profit forecasts for the Target Companies as set out in the Asset Valuation Reports have been made after due and careful enquiry by the Board.

The text of the report from SHINEWING (HK) CPA Limited and the letter issued by the Board, both dated 28 April 2023, are set out in Appendix I and Appendix II to this announcement, respectively.

The qualifications of the experts who have given their conclusion or advices included in this announcement are set out as below:

Name	Qualification
SHINEWING (HK) CPA Limited	Certified Public Accountants
山東中評恒信資產評估有限公司 (Shandong Zhongping Hengxin Asset Valuation Co., Ltd.*)	Independent valuer in the PRC

To the best of the Directors’ knowledge, information and belief and after having made all reasonable enquiries, each of the Independent Valuer and SHINEWING (HK) CPA Limited is a third party independent of the Group and its connected person(s).

To the best of the Directors’ knowledge, information and belief, as at the date of this announcement, none of the Independent Valuer or SHINEWING (HK) CPA Limited has any shareholding, directly or indirectly, in any member of the Group, or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

Each of the Independent Valuer and SHINEWING (HK) CPA Limited had given and has not withdrawn its respective written consent to the publication of this announcement with the inclusion of its respective name, letter, statements and all references to its name (including its qualification) in the form and context in which it respectively appears.

X. CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 9 December 2020 and 29 April 2022 and the circulars of the Company dated 13 January 2021 and 10 June 2022 in relation to, among others, the Existing Continuing Connected Transactions Agreements entered into between the Company and Shandong Energy.

On 5 February 2021, the Company and Shandong Energy Digital entered into the ERP Framework Agreement pursuant to which Shandong Energy Digital agreed to provide services in relation to operation and maintenance of the ERP and relevant systems to the Company during the three years ending 31 December 2023. On 26 March 2021, the Company and Shandong Energy entered into the Raw Material Coal Purchase and Chemical Products Sales Agreement, pursuant to which, for the three years ending 31 December 2023, (i) Shandong Energy sells the Company coal used as raw materials of chemical products; (ii) the Company sells Shandong Energy methanol, glycol, acetic acid, ammonia, ammonium sulfate and other chemical products; and (iii) the Company provides sales agency services of chemical products to Shandong Energy. On 27 August 2021, the Company and Shandong Yiyang entered into the Medical Services Collaboration Framework Agreement in relation to the provision of medical services by Shandong Yiyang to the Company for a period commencing from 1 September 2021 to 31 December 2023. Please refer to the announcements of the Company dated 5 February 2021 and 26 March 2021 for the details of the ERP Framework Agreement and the Raw Material Coal Purchase and Chemical Products Sales Agreement.

In this announcement, references to the Company and Shandong Energy in relation to the provision of products, materials or services in connection with continuing connected transactions shall include, in the case of the Company, its subsidiaries, or, in the case of Shandong Energy, its subsidiaries (excluding the Group) and its associates (which shall include the Target Companies upon completion of the Acquisitions).

As (i) the Target Companies will become subsidiaries of the Company and associates of Shandong Energy (which is a connected person of the Company) by virtue of Shandong Energy's indirect 49% shareholding in the Target Companies upon completion of the Acquisitions, the Board envisages that the scope of transactions and annual caps under the Existing Continuing Connected Transactions Agreements will need to be adjusted; and (ii) the Existing Continuing Connected Transactions Agreements will expire on 31 December 2023 and the parties thereto expect that the continuing connected transactions contemplated thereunder will continue on an ongoing basis, on 28 April 2023, the Company entered into the Proposed Continuing Connected Transaction Agreements with Shandong Energy to renew and supersede the Existing Continuing Connected Transaction Agreements. The Proposed Continuing Connected Transaction Agreements are subject to the Independent Shareholders' approval at the AGM.

Shandong Energy is a controlling shareholder of the Company directly and indirectly holding 54.81% of the issued share capital of the Company as at the date of this announcement, and thus a connected person of the Company under the Listing Rules. Accordingly, the Proposed Continuing Connected Transactions constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

1. Proposed Provision of Materials Supply Agreement

On 9 December 2020, the Company entered into the Existing Provision of Materials Supply Agreement with Shandong Energy for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023. On 29 April 2022, the Board has resolved to revise the annual caps for the years ending 31 December 2022 and 2023 in respect of the Existing Provision of Materials Supply Agreement, which has been approved by the Independent Shareholders at the 2021 annual general meeting of the Company. Please refer to the announcements of the Company dated 9 December 2020 and 29 April 2022, and the circulars of the Company dated 13 January 2021 and 10 June 2022 for the details of the Existing Provision of Materials Supply Agreement.

The Proposed Provision of Materials Supply Agreement

On 28 April 2023, the Company entered into the Proposed Provision of Materials Supply Agreement with Shandong Energy to renew the Existing Provision of Materials Supply Agreement on substantially the same terms. In order to better regulate the provision of materials supply between the Company and Shandong Energy, the Company decided to consolidate the sale of coal used as raw materials of chemical products by Shandong Energy to the Company under the Raw Material Coal Purchase and Chemical Products Sales Agreement into the Proposed Provision of Materials Supply Agreement.

Unless otherwise agreed by the parties in writing, the Proposed Provision of Materials Supply Agreement shall take effect upon execution by the respective legal representative or the authorised representative of the parties and approval by the Board and Independent Shareholders in accordance with the regulatory requirements of the places where the shares of the Company are listed, with retrospective effect commencing from 1 January 2023 and ending on 31 December 2025. When the Proposed Provision of Materials Supply Agreement becomes effective, (i) the Existing Provision of Materials Supply Agreement and the Raw Material Coal Purchase and Chemical Products Sales Agreement will be superseded with effect from 1 January 2023; and (ii) all transactions performed under the Existing Provision of Materials Supply Agreement and the sale of coal used as raw materials of chemical products by Shandong Energy to the Company under the Raw Material Coal Purchase and Chemical Products Sales Agreement since 1 January 2023 will be classified as transactions performed under the Proposed Provision of Materials Supply Agreement.

Date

28 April 2023

Parties

- (1) the Company; and
- (2) Shandong Energy

Term

Three years commencing from 1 January 2023 and expiring on 31 December 2025

Major terms

Shandong Energy would provide the following materials to the Company: chemical raw materials (methanol, pure benzene, etc.), coal, electricity, underground supporting and protection materials, equipment accessories for coalmine operation, safety protection materials, informationization facilities, grease and oil materials and other general materials.

On or before 30 November each year, the Company may provide to Shandong Energy an annual assessment of the supplies or services that it requires from the other in the coming year and the parties shall agree on the annual plan for the coming year before 31 December each year. The parties may enter into specific contracts in accordance with the terms of the Proposed Provision of Materials Supply Agreement.

Payment

- (1) The payment of consideration of the Proposed Provision of Materials Supply Agreement can be settled on a one-off basis or by installment in accordance with paragraph (2) below.
- (2) Each party shall record all items payable to or from the other party in a calendar month in relation to the transactions under the Proposed Provision of Materials Supply Agreement in its accounts on or before the last Working Day of that calendar month. Save for the payments made for non-completed transactions or disputed payments, all payments incurred in a calendar month shall be settled in full by the responsible party within the next calendar month.

Pricing

All materials would be supplied at Market Price and such price shall in so far as possible be calculated and estimated before the commencement of each financial year.

To determine the Market Price, the purchase department of the Company and its designated personnel are mainly responsible for checking the prices offered by other independent third parties generally through obtaining quotations from at least two independent third parties via emails, fax or phone or tenders by publishing tender notice through various media resources, such as local newspapers. The purchase department of the Company will update the relevant information from time to time based on the procurement demand and continue to monitor the Market Price to ensure that each transaction is conducted in accordance with the pricing policy set out above.

The price of electricity shall be determined with reference to the electricity trading price in the electricity spot market of Shandong Province and would be settled according to the actual usage of electricity by the Company.

Shandong Energy has undertaken that the price of such supplies would not be higher than the price offered by Shandong Energy to any independent third parties for the same type of materials under any circumstances.

In the event that the terms of provision of any materials by any third party are better than the terms offered by Shandong Energy or if the provision of such materials by Shandong Energy cannot meet the demand of the Company, the Company would be entitled to purchase any such materials from third parties.

Accordingly, the Directors believe that the above methods and procedures can ensure that the relevant continuing connected transactions will be conducted in accordance with the terms (including pricing policy) provided under the Proposed Provision of Materials Supply Agreement and such transactions will be conducted on normal commercial terms and in the interest of the Company and Shareholders as a whole.

The historical amount, proposed annual caps and reasons

Set out below are the historical annual amounts of the Existing Provision of Materials Supply Agreement and the sale of coal used as raw materials of chemical products under the Raw Material Coal Purchase and Chemical Products Sales Agreement for the two financial years ended 31 December 2021 and 2022:

	For the year ended 31 December 2021		For the year ended 31 December 2022		For the year ending 31 December 2023 Existing annual cap
	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	(RMB'000)
materials supply	900,000	640,228	2,400,000	2,308,204	2,600,000
sale of coal used as raw materials of chemical products	600,000	406,583	600,000	558,495	600,000

Having considered the historical figures and the reasons set out below, the Board proposed that the annual amount payable by the Company to Shandong Energy under the Proposed Provision of Materials Supply Agreement shall not exceed RMB5,370,000,000, RMB5,370,000,000 and RMB5,370,000,000 for the three financial years ending 31 December 2023, 2024 and 2025, respectively.

- (1) Considering that (i) after the reorganization of Shandong Energy, Shandong Energy is able to provide a wider variety of materials and the procurement amount of the Company is expected to increase; (ii) a subsidiary of the Company, Lunan Chemicals, has been procuring methanol from Shandong Energy since 2022 and the procurement amount is expected to increase in subsequent years; (iii) Yankuang Coal Chemical Supply and Marketing Co., Ltd.* (兗礦煤化供銷有限公司) (a subsidiary of the Company) will sign a new purchase order in the amount of RMB454 million for supply of pure benzene from Shengyuan Hongda Chemical Co., Ltd.* (盛源宏達化工有限公司) (a subsidiary of Shandong Energy) since 2023; and (iv) the continuous provision of certain materials by Shandong Energy to the Target Companies (which will become subsidiaries of the Company after completion of the Acquisitions) after completion of the Acquisitions, it is expected that amount of provision of materials payable by the Company to Shandong Energy shall be RMB3,850,000,000, RMB3,800,000,000 and RMB3,800,000,000 for each of the three financial years ending 31 December 2023, 2024 and 2025 respectively;
- (2) In December 2020, the Company completed the acquisition of chemical-related companies and assets from Shandong Energy, resulting in increases in the demand of chemical raw materials and output of chemical products. Based on the demand of relevant subsidiaries and estimated prices, it is expected that the amount of sale of coal used as raw materials of chemical products by Shandong Energy to the Company for the three financial years ending 31 December 2023, 2024 and 2025 shall be RMB1,500,000,000, RMB1,550,000,000 and RMB1,550,000,000, respectively; and
- (3) Considering the new transactions for electricity supply with the subsidiary of Shandong Energy since 2023, it is expected that the amount of sale of electricity payable by the Company to Shandong Energy for the three financial years ending 31 December 2023, 2024 and 2025 shall be RMB20,000,000, RMB20,000,000 and RMB20,000,000 respectively.

Reasons for and benefits of entering into the Proposed Provision of Materials Supply Agreement

Since Shandong Energy will continue to provide materials to the Target Companies (which will become subsidiaries of the Company upon completion of the Acquisitions) after completion of the Acquisitions, the Board proposed to enter into the Proposed Provision of Materials Supply Agreement to renew and supersede the Existing Provision of Materials Supply Agreement.

The Company requires stable suppliers of mining production materials for steady business expansion. Certain materials provided by Shandong Energy are better in quality than those provided by external suppliers and it is rather difficult for the Company to source materials with comparable quality, specifications and value from other external suppliers. Furthermore, since Shandong Energy's production sites are close to the Company's coal mines and factories, the transportation of such materials is convenient and at a relatively lower cost.

At the same time, the Target Companies were subsidiaries of Shandong Energy prior to the Acquisitions and have been procuring materials from Shandong Energy every year. Such transactions will continue after completion of the Acquisitions in order to maintain the stable operations of the Target Companies, which is in line with the Company's production and operation and further business integration needs.

The Directors (including the independent non-executive Directors) consider that the Proposed Provision of Materials Supply Agreement, the transactions contemplated thereunder and the proposed annual caps are: (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

As stated above, Shandong Energy is a controlling Shareholder and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Proposed Provision of Materials Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the relevant percentage ratios for the transactions under the Proposed Provision of Materials Supply Agreement exceeds 0.1% but is less than 5% on an annual basis, the Proposed Provision of Materials Supply Agreement, the transactions contemplated thereunder and the proposed annual caps are subject to reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

According to the applicable PRC regulations, the Company will submit the resolution relating to the Proposed Provision of Materials Supply Agreement and the transactions contemplated thereunder for the Independent Shareholders' approval at the AGM.

2. Proposed Mutual Provision of Labour and Services Agreement

On 9 December 2020, the Company entered into the Existing Mutual Provision of Labour and Services Agreement with Shandong Energy for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023. Please refer to the announcement of the Company dated 9 December 2020 and the circular of the Company dated 13 January 2021 for the details of the Existing Mutual Provision of Labour and Services Agreement.

The Proposed Mutual Provision of Labour and Services Agreement

On 28 April 2023, the Company and Shandong Energy entered into the Proposed Mutual Provision of Labour and Services Agreement to renew the Existing Mutual Provision of Labour and Services Agreement on substantially the same terms. In order to better regulate the provision of labour and services between the Company and Shandong Energy, the Company and Shandong Energy decided to consolidate the ERP Framework Agreement, the Medical Services Collaboration Framework Agreement and the provision of sales agency services of chemical products by the Company to Shandong Energy under the Raw Material Coal Purchase and Chemical Products Sales Agreement into the Proposed Mutual Provision of Labour and Services Agreement.

Unless otherwise agreed by the parties in writing, the Proposed Mutual Provision of Labour and Services Agreement shall take effect upon execution by the respective legal representative or the authorised representative of the parties and approval by the Board and Independent Shareholders in accordance with the regulatory requirements of the places where the shares of the Company are listed, with retrospective effect commencing from 1 January 2023 and ending on 31 December 2025. When the Proposed Mutual Provision of Labour and Services Agreement becomes effective, (i) the Existing Mutual Provision of Labour and Services Agreement and the Raw Material Coal Purchase and Chemical Products Sales Agreement will be superseded with effect from 1 January 2023; and (ii) all transactions performed under the Existing Mutual Provision of Labour and Services Agreement, the ERP Framework Agreement, the Medical Services Collaboration Framework Agreement and the provision of sales agency services of chemical products by the Company to Shandong Energy under the Raw Material Coal Purchase and Chemical Products Sales Agreement since 1 January 2023 will be classified as the transactions performed under the Proposed Mutual Provision of Labour and Services Agreement.

Date

28 April 2023

Parties

- (1) the Company; and
- (2) Shandong Energy

Term

Three years commencing from 1 January 2023 and expiring on 31 December 2025

Major terms

Provision of labour and services by the Company to Shandong Energy:

Pursuant to the Proposed Mutual Provision of Labour and Services Agreement, the Company has agreed to provide Shandong Energy with services including training services, transportation services, repair and maintenance services, informationization and technology services, and sales agency services of chemical products.

Provision of labour and services by Shandong Energy to the Company:

Pursuant to the Proposed Mutual Provision of Labour and Services Agreement, Shandong Energy has agreed to provide the Company with services including repair and maintenance services, construction engineering and management services, individual employee benefits, asset leasing and relevant services, board and lodging operation and catering services, guarantee services, security services (including security guard services and coal train convoy services), informationization and technology services, operation and maintenance services of the ERP and relevant systems, and medical services.

On or before 30 November each year, the requesting party may provide to the supplying party an annual assessment of the labour or services that it requires in the coming year and the parties shall agree on an annual plan for the coming year before 31 December each year. The parties may enter into specific contracts in accordance with the terms of the Proposed Mutual Provision of Labour and Services Agreement.

Payment

- (1) The payment of consideration of the Proposed Mutual Provision of Labour and Services Agreement can be settled on a one-off basis or by installment in accordance with paragraph (2) below.
- (2) Each party shall record all items payable to or from the other party in a calendar month in relation to the transactions under the Proposed Mutual Provision of Labour and Services Agreement in its accounts on or before the last Working Day of that calendar month. Save for the payments made for non-completed transactions or disputed payments, all payments incurred in a calendar month shall be settled in full by the responsible party within the next calendar month.

Pricing

In respect of the provision of construction engineering and management services, repair and maintenance services, board and lodging operation and catering services, guarantee services, security guard services in security services, asset leasing, informationization and technology services by Shandong Energy to the Company, the consideration shall be determined according to the Market Price (as defined below).

In respect of the provision of training services, transportation services, repair and maintenance services, and informationization and technology services by the Company to Shandong Energy, the consideration shall be determined according to the Market Price.

The Market Price shall in so far as possible be calculated and estimated before the commencement of each financial year.

“**Market Price**” shall be determined according to normal commercial terms based on the following:

- (i) the price offered by independent third parties for provision of the same or similar type of services in the same or similar area or in the vicinity under normal commercial terms in the ordinary course of business of such independent third parties; or
- (ii) if paragraph (i) above is not applicable, the price offered by independent third parties in the PRC for provision of the same or similar type of services under normal commercial terms in the ordinary course of business of such independent third parties.

To determine the Market Price, the sales department or purchase department of the Company and its designated personnel are mainly responsible for checking the prices offered by other independent third parties generally through obtaining quotations from at least two independent third parties via emails, fax or phone or tenders by publishing tender notice through various media resources, such as local newspapers. The sales department or purchase department of the Company will update the relevant information from time to time based on the procurement demand and continue to monitor the Market Price to ensure that each transaction is conducted in accordance with the pricing policy set out above.

With respect to the labour and services provided or received by the Company to or from Shandong Energy according to the Market Price, the Company or the subsidiaries of the Company that provide or receive such labour and services would collect market data and conduct research on the market prices of similar labour and services when entering into the relevant transactions so as to ensure the price of which is fair and reasonable.

In respect of the provision of individual employee benefits services by Shandong Energy to the Company, the consideration shall be determined according to the Cost Price (as defined below).

“**Cost Price**” is the transaction price determined based on the actual cost. The actual cost is the cost of providing the subject matter of the transaction by the providing party. For the purpose of computing the actual cost, Shandong Energy shall provide the Company with full account books and records in respect of the costs of such services.

The individual employee benefits to be paid shall be equal to the actual cost incurred from the provision of such services by Shandong Energy.

The consideration for the provision of coal train convoy services in security services by Shandong Energy to the Company shall be determined based on the Cost Price plus reasonable profit. Reasonable profit normally represents 5% of the Cost Price, which is determined through commercial negotiation between parties with reference to the general profit margin of the service industry.

The consideration for the provision of medical services by Shandong Energy to the Company shall be determined as follows: the medical examination fee shall be calculated strictly in accordance with the fee charge standards of the Shandong Provincial Price Bureau and the medical fee catalog of the Shandong Provincial Medical Security Bureau. Other medical service fees shall be calculated with reference to the actual workload during the three years from 2020 to 2022, the number of staff engaged in the service and their salary and consumable costs incurred.

Based on the market practice of operation and maintenance of the ERP and relevant systems, the consideration of provision of such services by Shandong Energy to the Company is RMB3,500 per person per day.

The sales agency service fees of chemical products shall be determined with reference to the costs of providing such services plus reasonable profit. Reasonable profit shall be determined through commercial negotiation between parties..

Shandong Energy has undertaken that the price of such labour and services would not be higher than the price offered by Shandong Energy to any independent third parties for the same type of labour and services under any circumstances.

Accordingly, the Directors believe that the above methods and procedures can ensure that the relevant continuing connected transactions will be conducted in accordance with the terms (including pricing policy) provided under the Proposed Mutual Provision of Labour and Services Agreement and such transactions will be conducted on normal commercial terms and in the interest of the Company and Shareholders as a whole.

The historical amount, proposed annual caps and reasons

Set out below are the historical annual amounts of the labour and services provided under the Existing Mutual Provision of Labour and Services Agreement, the ERP Framework Agreement, the Medical Services Collaboration Framework Agreement and the provision of sales agency services of chemical products by the Company to Shandong Energy under the Raw Material Coal Purchase and Chemical Products Sales Agreement for the two financial years ended 31 December 2021 and 2022:

Category	For the year ended		For the year ended		For the
	31 December 2021		31 December 2022		year ending
<i>Provision of labour and services by Shandong Energy to the Company:</i>	Annual cap	Actual amount	Annual cap	Actual amount	31 December 2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	Existing annual cap
					(RMB'000)
property management services	12,000	0	12,000	0	13,000
repair and maintenance services	300,000	61,449	320,000	58,210	350,000
construction engineering and management services	1,200,000	696,044	1,500,000	1,419,698	1,500,000
individual employee benefits	40,000	4,580	40,000	9,142	40,000
retiree benefits	700,000	699,964	700,000	370,882	700,000
asset leasing and relevant services	80,000	432	90,000	0	100,000
canteen operation services	40,000	36,488	42,000	41,654	45,000
guarantee services	300,000	189,578	300,000	117,824	300,000
security services	85,000	72,817	95,000	68,990	105,000
technology services	30,000	26,396	40,000	37,797	50,000
operation and maintenance services of the ERP and related systems	50,000	41,981	50,000	47,169	50,000
medical services	60,000	0			
	(for the four months ended 31 December 2021)	(for the four months ended 31 December 2021)	60,000	40,259	60,000
Sub-total	2,897,000	1,829,729	3,249,000	2,211,625	3,313,000
<i>Provision of labour and services by the Company to Shandong Energy:</i>	Annual cap	Actual amount	Annual cap	Actual amount	Existing annual cap
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
training services	10,000	1,580	10,000	1,204	10,000
transportation services	80,000	24,351	90,000	25,239	100,000
repair and maintenance services	60,000	6,415	70,000	12,444	80,000
informationization and telecommunication services	20,000	15,562	25,000	22,543	30,000
sales agency services of chemical products	5,000	3,763	5,000	691	5,000
Sub-total	175,000	51,671	200,000	62,121	225,000
Total	3,072,000	1,881,400	3,449,000	2,273,746	3,538,000

Having considered the historical figures and the reasons set out below, the Board proposed that the total amounts of the service fees payable by the Company to Shandong Energy under the Proposed Mutual Provision of Labour and Services Agreement shall not exceed RMB4,830,000,000, RMB4,475,000,000 and RMB3,529,000,000 for the three financial years ending 31 December 2023, 2024 and 2025, respectively, and the total amounts of the service fees payable by Shandong Energy to the Company under the Proposed Mutual Provision of Labour and Services Agreement shall not exceed RMB141,000,000, RMB174,000,000 and RMB204,000,000 for the three financial years ending 31 December 2023, 2024 and 2025, respectively.

Set out below are the proposed annual caps for each category of services under the Proposed Mutual Provision of Labour and Services Agreement for each of the three financial years ending 31 December 2025:

Category	Proposed annual cap for the year ending 31 December 2023 (RMB'000)	Proposed annual cap for the year ending 31 December 2024 (RMB'000)	Proposed annual cap for the year ending 31 December 2025 (RMB'000)
<i>Provision of labour and services by Shandong Energy to the Company:</i>			
repair and maintenance services	400,000	420,000	450,000
construction engineering and management services	3,600,000	3,200,000	2,200,000
individual employee benefits	35,000	35,000	38,000
asset leasing and relevant services	40,000	42,000	45,000
board and lodging operation and catering services	120,000	128,000	131,000
guarantee services	130,000	120,000	120,000
security services	120,000	120,000	120,000
informationization and technology services	270,000	295,000	310,000
operation and maintenance services of the ERP and related systems	55,000	55,000	55,000
medical services	60,000	60,000	60,000
Sub-total	4,830,000	4,475,000	3,529,000
<i>Provision of labour and services by the Company to Shandong Energy:</i>			
training services	8,000	8,000	8,000
transportation services	32,000	35,000	35,000
repair and maintenance services	60,000	70,000	80,000
informationization and technology services	40,000	60,000	80,000
sales agency services of chemical products	1,000	1,000	1,000
Sub-total	141,000	174,000	204,000
Total	4,971,000	4,649,000	3,733,000

The proposed annual caps for the transactions under the Proposed Mutual Provision of Labour and Services Agreement are determined mainly based on the following reasons:

Basis of the proposed caps for services provided by Shandong Energy to the Company

- (1) Considering (i) the aging of mining and factory equipment as well as buildings, the growth in the Company's maintenance demand; (ii) Shandong Energy Heavy Equipment Group Taizhuang Project Equipment Manufacture Co., Ltd.* (山東能源重裝集團泰裝工程裝備製造有限公司), a subsidiary of Shandong Energy, is capable of providing large equipment repair and maintenance services to the Company after the reorganization of Shandong Energy and (iii) the increase in repair and maintenance costs as intelligent factories of the Group are put into operation, it is expected that the annual expenses of the Group for repair and maintenance services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB400,000,000, RMB420,000,000 and RMB450,000,000, respectively;
- (2) In light of (i) the construction fees, supervision fees, park and property management fees in relation to the Company's park construction management centre will end in 2024; (ii) the new construction projects of Future Energy, Rongxin Chemicals and Yankuang Ordos; and (iii) the gradual completion of the infrastructure and technical transformation projects of Lunan Chemicals, it is expected that the annual expenses of the Group for construction engineering services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB3,600,000,000, RMB3,200,000,000 and RMB2,200,000,000, respectively;
- (3) Given that the personal benefits of employees will not change much each year, it is expected that the annual expenses of the Group for individual employee benefits for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB35,000,000, RMB35,000,000 and RMB38,000,000, respectively;
- (4) Given (i) the mutually supplemental advantages between Shandong Energy Heavy Equipment Group Taizhuang Project Equipment Manufacture Co., Ltd.* (山東能源重裝集團泰裝工程裝備製造有限公司), a subsidiary of Shandong Energy after the reorganization of Shandong Energy, and the Company in the need of the production of inter-mine equipment; (ii) the provision of property and land leasing services by Shandong Energy to the Target Companies; and (iii) the increase in railway track user charges paid by Lunan Chemicals to Shandong Energy as a result of increased business volume, it is expected that the annual expenses of the Group for asset leasing and relevant services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB40,000,000, RMB42,000,000 and RMB45,000,000, respectively;
- (5) Currently Shandong Yankuang Cinda provides canteen operation services to Yankuang Ordos, Yulin Neng Hua and Heze Neng Hua. Considering that catering services will be included under this category and the continuous provision of board and lodging operation and catering services by Shandong Energy to the Target Companies after completion of the Acquisitions it is expected that the annual expenses of the Group for board and lodging operation and catering services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB120,000,000, RMB128,000,000 and RMB131,000,000, respectively;

- (6) Considering that the Company is in need of the guarantee provided by Shandong Energy in future, it is expected that the annual expenses of the Group for guarantee services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB130,000,000, RMB120,000,000 and RMB120,000,000, respectively;
- (7) Security services include train convoy services and security guard services. Considering (i) the volume of coal transported by train in the next three financial years is expected to increase; (ii) the increased salary of security employees; and (iii) the Target Companies will become subsidiaries of the Company upon completion of the Acquisitions, it is expected that the annual expenses of the Group for security services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB120,000,000, RMB120,000,000 and RMB120,000,000, respectively;
- (8) Taking into account (i) the construction projects of Lunan Chemicals, Rongxin Chemicals and Future Energy such as construction of intelligent factory, the application of water slurry gasification technology and low-temperature methanol washing system; (ii) the continuous provision of informationization and technology services by Shandong Energy to the Target Companies after completion of the Acquisitions, it is expected that the annual expenses of the Group for informationization and technology services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB270,000,000, RMB295,000,000 and RMB310,000,000, respectively; and
- (9) Based on the scope of entities enjoying the services in relation to the operation and maintenance of ERP and relevant systems, the scope of the systems, the number of employees of the service team, the number of days providing services, and the consideration per person per day, it is expected that the annual expenses of the Group for operation and maintenance services of the ERP and related systems for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB55,000,000, RMB55,000,000 and RMB55,000,000, respectively.
- (10) Considering that the Company has sold its hospital to a subsidiary of Shandong Energy in 2022 in order to focus on the Company's main businesses and separate all businesses unrelated to its main businesses, it is expected that the annual expenses of the Group for medical services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB60,000,000, RMB60,000,000 and RMB60,000,000, respectively.

Basis of the proposed caps for services provided by the Company to Shandong Energy

- (1) Having considered the number of employees and the demand for education and training and the resumption of normal training following the implementation of the "Class B and B Control" for the novel coronavirus infection, it is expected that the annual revenue of the Group for training services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB8,000,000, RMB8,000,000 and RMB8,000,000, respectively;
- (2) Yankuang Railway Logistics Co., Ltd.* (兗礦鐵路物流有限公司) and Shandong Duanxin Supply Chain Management Co. Ltd.* (山東端信供應鏈管理有限公司), subsidiaries of the Company, will provide railway transportation and automobile transportation to Shandong Energy respectively. It is expected that the annual revenue of the Group for transportation services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB32,000,000, RMB35,000,000 and RMB35,000,000, respectively;

- (3) Donghua Heavy Industry, a subsidiary of the Company, will provide repair and maintenance services to Shandong Energy based on actual business demands. Due to increase in raw material costs and labour costs, it is expected that the annual revenue of the Group for repair and maintenance services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB60,000,000, RMB70,000,000 and RMB80,000,000, respectively;
- (4) Taking into account the expansion in the scope of information technology services and the improvement of the level of information technology services, it is expected that the annual revenue of the Group for informationization and technology services for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB40,000,000, RMB60,000,000 and RMB80,000,000, respectively; and
- (5) In December 2020, the Company completed the acquisition of chemical-related companies and assets from Shandong Energy, resulting in improvement in capacity of sales agency services of chemical products. Based on the estimates of relevant subsidiaries, it is expected that the annual revenue of the Group for sales agency services of chemical products for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB1,000,000, RMB1,000,000 and RMB1,000,000, respectively;

Reasons for and benefits of entering into the Proposed Mutual Provision of Labour and Services Agreement

Taking into account the continuous provision of certain services by Shandong Energy to the Target Companies (which will become subsidiaries of the Company upon completion of the Acquisitions) after completion of the Acquisitions, the Board proposed to enter into the Proposed Mutual Provision of Labour and Services Agreement to renew and supersede the Existing Mutual Provision of Labour and Services Agreement.

After the reorganization of Shandong Energy, its business scope and geographical distribution of assets have been further expanded. Relying on its huge asset volume and internal demand, Shandong Energy has established a strong capacity in providing services such as repair and maintenance services, construction engineering and management services, canteen operations services, and security services in Shandong Province, Shaanxi Province and Inner Mongolia Autonomous Region and is an important service provider in the relevant regional market. The Company's procurement of labour and services from Shandong Energy can create synergistic advantages, and the Company can obtain timely and reliable supply of labour and services from Shandong Energy, thereby reducing the operating costs and risks which helps to enhance the daily operation efficiency of the Company.

At the same time, the Target Companies were subsidiaries of Shandong Energy prior to the Acquisitions and Shandong Energy have been providing labour and services to the Target Companies every year. Such provision of labour and services will continue after completion of the Acquisitions in order to maintain the stable operations of the Target Companies, which is in line with the Company's production and operation and further business integration needs.

As regards the provision of labour and services by the Company to Shandong Energy, since the Company has professional qualification of and management experience in providing services such as training services, transportation services, repair and maintenance services and informationization and telecommunication services, the Company can enjoy operating profits by providing such services to Shandong Energy at a fair price.

The Directors (including the independent non-executive Directors) consider that the Proposed Mutual Provision of Labour and Services Agreement, the transactions contemplated thereunder and the proposed annual caps are: (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

As stated above, Shandong Energy is a controlling Shareholder, and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Proposed Mutual Provision of Labour and Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the relevant percentage ratios for the transactions under the Proposed Mutual Provision of Labour and Services Agreement exceeds 0.1% but is less than 5% on an annual basis, the Proposed Mutual Provision of Labour and Services Agreement, the transactions contemplated thereunder and the proposed annual caps are subject to reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

According to the applicable PRC regulations, the Company will submit the resolution relating to the Proposed Mutual Provision of Labour and Services Agreement and the transactions contemplated thereunder for the Independent Shareholders' approval at the AGM.

3. Proposed Provision of Insurance Fund Administrative Services Agreement

On 9 December 2020, the Company entered into the Existing Provision of Insurance Fund Administrative Services Agreement with Shandong Energy for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023. Please refer to the announcement of the Company dated 9 December 2020 and the circular of the Company dated 13 January 2021 for the details of the Existing Provision of Insurance Fund Administrative Services Agreement.

The Proposed Provision of Insurance Fund Administrative Services Agreement

On 28 April 2023, the Company entered into the Proposed Provision of Insurance Fund Administrative Services Agreement with Shandong Energy to renew the Existing Provision of Insurance Fund Administrative Services Agreement on substantially the same terms.

Unless otherwise agreed by the parties in writing, the Proposed Provision of Insurance Fund Administrative Services Agreement shall take effect upon execution by the respective legal representative or the authorised representative of the parties and approval by the Board and Independent Shareholders in accordance with the regulatory requirements of the places where the shares of the Company are listed, with retrospective effect commencing from 1 January 2023 and ending on 31 December 2025. When the Proposed Provision of Insurance Fund Administrative Services Agreement becomes effective, (i) the Existing Provision of Insurance Fund Administrative Services Agreement will be superseded with effect from 1 January 2023; and (ii) all transactions performed under the Existing Provision of Insurance Fund Administrative Services Agreement since 1 January 2023 will be classified as transactions performed under the Proposed Provision of Insurance Fund Administrative Services Agreement.

Date

28 April 2023

Parties

- (1) the Company; and
- (2) Shandong Energy

Term

Three years commencing from 1 January 2023 and expiring on 31 December 2025

Major terms

Shandong Energy has undertaken to be responsible for the management of various insurance payments (including but not limited to social insurance, housing provident fund and enterprise annuity as required by the relevant national laws and regulations) to the employees of the Group on a free-of-charge basis under the Proposed Provision of Insurance Fund Administrative Services Agreement.

The Company would pay to Shandong Energy each month the amount payable under various insurance schemes, which is calculated with reference to the salary level of the relevant employee in accordance with the relevant national laws and regulations and relevant internal systems, to a designated account maintained by Shandong Energy, which would be transferred by Shandong Energy on behalf of the employees of the Group to the relevant social welfare authorities or other related authorities on a free-of-charge basis. The respective payment amount of each insurance scheme will be adjusted from time to time according to the changes in the relevant national laws and regulations and the Company's relevant internal systems and based on the salary level of the relevant employee at that time.

Shandong Energy would provide the Company with a statement of the various insurance fund payments each year and the Company would be entitled to monitor and inspect the payment and application of such moneys.

Pricing

The provision of insurance fund administrative services under the Proposed Provision of Insurance Fund Administrative Services Agreement is on a free-of-charge basis.

The historical amount, proposed annual caps and reasons

The historical amounts of the insurance fund transferred under the free transfer services provided by Shandong Energy to the Company for the two financial years ended 31 December 2021 and 2022 were approximately RMB741,825,000 and RMB362,988,000, respectively. As the provision of insurance fund administrative services by Shandong Energy is on a free-of-charge basis under the Existing Provision of Insurance Fund Administrative Services Agreement, no annual cap was required to be set for the provision of such services.

Before completion of the Acquisitions, insurance payments such as social insurance, housing provident fund and enterprise annuity of some employees of the Target Companies were transferred by Shandong Energy to the relevant authorities. After completion of the Acquisitions, in order to protect the interests of employees, the abovementioned insurance payments of the Target Companies will still be transferred by Shandong Energy to the relevant authorities on a free-of-charge basis. Based on the amounts of insurance fund transferred under the free transfer services provided by Shandong Energy to the Target Companies, the Company estimates that the amounts of insurance fund of the free transfer services provided by Shandong Energy to the Company under the Proposed Provision of Insurance Fund Administrative Services Agreement for the three financial years ending 31 December 2023, 2024 and 2025 will be RMB230,000,000, RMB270,000,000 and RMB300,000,000, respectively.

Reasons for and benefits of entering into the Proposed Provision of Insurance Fund Administrative Services Agreement

Having considered the continuous provision of insurance fund administrative services on a free-of-charge basis by Shandong Energy to the Target Companies (which will become subsidiaries of the Company upon completion of the Acquisitions) after completion of the Acquisitions, the Board considers that it is necessary to enter into the Proposed Provision of Insurance Fund Administrative Services Agreement to renew and supersede the Existing Provision of Insurance Fund Administrative Services Agreement.

Before completion of the Acquisitions, insurance payments such as social insurance, housing provident fund and enterprise annuity of some employees of the Target Companies were transferred by Shandong Energy to the relevant authorities. After completion of the Acquisitions, in order to protect the interests of employees, the abovementioned insurance fees of the Target Companies will still be transferred by Shandong Energy to the relevant authorities since it would be the most efficient if Shandong Energy provides free transfer services of insurance payments to the Company.

The Directors (including the independent non-executive Directors) consider that the Proposed Provision of Insurance Fund Administrative Services Agreement and the transactions contemplated thereunder are: (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

As stated above, Shandong Energy is a controlling Shareholder and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Proposed Provision of Insurance Fund Administrative Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the insurance fund administrative services are provided by Shandong Energy on a free-of-charge basis, the Proposed Provision of Insurance Fund Administrative Services Agreement and the transactions contemplated thereunder are exempt from all reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules, and no annual cap is required to be set for the provision of such services.

According to the applicable PRC regulations, the Company will submit the resolution relating to the Proposed Provision of Insurance Fund Administrative Services Agreement and the transactions contemplated thereunder for the Independent Shareholders' approval at the AGM.

4. Proposed Provision of Products, Materials and Asset Leasing Agreement

On 9 December 2020, the Company entered into the Existing Provision of Products, Materials and Asset Leasing Agreement with Shandong Energy for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023. On 29 April 2022, the Board has resolved to revise the annual caps for the years ending 31 December 2022 and 2023 in respect of the Existing Provision of Products, Materials and Asset Leasing Agreement, which has been approved by the Independent Shareholders at the 2021 annual general meeting of the Company. Please refer to the announcements of the Company dated 9 December 2020 and 29 April 2022, and the circulars of the Company dated 13 January 2021 and 10 June 2022 for the details of the Existing Provision of Products, Materials and Asset Leasing Agreement.

The Proposed Provision of Products, Materials and Asset Leasing Agreement

On 28 April 2023, the Company entered into the Proposed Provision of Products, Materials and Asset Leasing Agreement with Shandong Energy to renew the Existing Provision of Products, Materials and Asset Leasing Agreement on substantially the same terms. In order to better regulate the provision of products, materials and asset leasing between the Company and Shandong Energy, the Company and Shandong Energy decided to consolidate the sale of chemical products by the Company to Shandong Energy under the Raw Material Coal Purchase and Chemical Products Sales Agreement into the Proposed Provision of Products, Materials and Asset Leasing Agreement.

Unless otherwise agreed by the parties in writing, the Proposed Provision of Products, Materials and Asset Leasing Agreement shall take effect upon execution by the respective legal representative or the authorised representative of the parties and approval by the Board and Independent Shareholders in accordance with the regulatory requirements of the places where the shares of the Company are listed, with retrospective effect commencing from 1 January 2023 and ending on 31 December 2025. When the Proposed Provision of Products, Materials and Asset Leasing Agreement becomes effective, (i) the Existing Provision of Products, Materials and Asset Leasing Agreement and the Raw Material Coal Purchase and Chemical Products Sales Agreement will be superseded with effect from 1 January 2023; and (ii) all transactions performed under the Existing Provision of Products, Materials and Asset Leasing Agreement and the sale of chemical products by the Company to Shandong Energy under the Raw Material Coal Purchase and Chemical Products Sales Agreement since 1 January 2023 will be classified as transactions performed under the Proposed Provision of Products, Materials and Asset Leasing Agreement.

Date

28 April 2023

Parties

- (1) the Company; and
- (2) Shandong Energy

Term

Three years commencing from 1 January 2023 and expiring on 31 December 2025

Major Terms

Pursuant to the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Company would provide the followings to Shandong Energy: coal products, electricity, chemical products (methanol, glycol, acetic acid, ammonia, ammonium sulfate and other chemical products), materials (including but not limited to steel, non-ferrous metal, timber, grease and oil products, axles, mining equipment and machineries such as hydraulic support and rubber conveyors, and other similar materials) and asset leasing.

On or before 30 November each year, the requesting party may provide to the supplying party an annual assessment of the supplies or services that it requires from the other in the coming year and the parties shall agree on the annual plan for the coming year before 31 December each year. The parties may enter into specific contracts in accordance with the terms of the Proposed Provision of Products, Materials and Asset Leasing Agreement.

Payment

- (1) The payment of consideration of the Proposed Provision of Products, Materials and Asset Leasing Agreement can be settled on a one-off basis or by instalment in accordance paragraph (2) below.
- (2) Each party shall record all items payable to or from the other party in a calendar month in relation to the transactions under the Proposed Provision of Products, Materials and Asset Leasing Agreement in its accounts on or before the last Working Day of that calendar month. Save for the payments made for non-completed transactions or disputed payments, all payments incurred in a calendar month shall be settled in full by the responsible party within the next calendar month.

Pricing

The price of coal products, chemical products, materials and asset leasing shall be determined according to the Market Price.

The price of electricity shall be determined with reference to the electricity trading price in the electricity spot market of Shandong Province and would be settled according to the actual usage of electricity by Shandong Energy.

To determine the Market Price, the sales department of the Company and its designated personnel are mainly responsible for checking the prices offered by other independent third parties generally through obtaining quotations from at least two independent third parties via emails, fax or phone or tenders by publishing tender notice through various media resources, such as local newspapers. The sales department of the Company will update the relevant information from time to time based on the procurement demand and continue to monitor the Market Price to ensure that each transaction is conducted in accordance with the pricing policy set out above.

Accordingly, the Directors believe that the above methods and procedures can ensure that the relevant continuing connected transactions will be conducted in accordance with the terms (including pricing policy) provided under the Proposed Provision of Products, Materials and Asset Leasing Agreement and such transactions will be conducted on normal commercial terms and in the interest of the Company and Shareholders as a whole.

The historical amount, proposed annual caps and reasons

Set out below are the historical annual amounts of the Existing Provision of Products, Materials and Asset Leasing Agreement and the sales of chemical products under the Raw Material Coal Purchase and Chemical Products Sales Agreement for the two financial years ended 31 December 2021 and 2022:

Category	For the year ended		For the year ended		For the
	31 December 2021		31 December 2022		year ending
	Annual cap	Actual amount	Annual cap	Actual amount	31 December 2023
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	Existing annual cap (RMB'000)
coal sales	2,500,000	2,362,057	6,600,000	2,878,282	7,900,000
materials supply	700,000	699,873	800,000	489,051	900,000
asset leasing	100,000	26,295	200,000	95,590	250,000
electricity supply	20,000	14,300	20,000	4,480	22,000
sales of chemical products	400,000	22,168	400,000	18,732	400,000
Total	3,720,000	3,124,693	8,020,000	3,486,135	9,472,000

Having considered the historical figures and the reasons set out below, the Board proposed that the annual amount payable by Shandong Energy to the Company under the Proposed Provision of Products, Materials and Asset Leasing Agreement shall not exceed RMB14,196,000,000, RMB14,532,000,000 and RMB14,638,000,000 for the three financial years ending 31 December 2023, 2024 and 2025, respectively.

Set out below are the proposed annual caps for each transaction category under the Proposed Provision of Products, Materials and Asset Leasing Agreement for each of the three financial years ending 31 December 2025:

Category	Annual cap	Annual cap	Annual cap
	for the	for the	for the
	year ending	year ending	year ending
	31 December	31 December	31 December
	2023	2024	2025
	(RMB'000)	(RMB'000)	(RMB'000)
coal sales	10,800,000	10,800,000	10,800,000
materials supply	3,200,000	3,500,000	3,600,000
asset leasing	60,000	65,000	70,000
electricity supply	16,000	17,000	18,000
sale of chemical products	120,000	150,000	150,000
Total	14,196,000	14,532,000	14,638,000

- (1) Considering (i) changes in the scope of connected transactions after the reorganization of Shandong Energy; (ii) the Group has entered into new substantial coal sales contracts with Shandong Energy; (iii) Shandong Energy will expand its scale of coal procurement from the Group in order to complete the task of increasing storage and ensuring supply; and (iv) the continuous sales of coal from the Target Companies to Shandong Energy after completion of the Acquisitions, it is expected that the amount of coal sales payable by Shandong Energy to the Company for the three financial years ending 31 December 2023, 2024 and 2025 shall be RMB10,800,000,000, RMB10,800,000,000 and RMB10,800,000,000, respectively;
- (2) Considering (i) changes in the scope of connected transactions after the reorganization of Shandong Energy; (ii) Donghua Heavy Industry, a subsidiary of the Company, will provide high-end materials to Shandong Energy; and (iii) after completion of the Acquisitions, the Target Companies (which will be associates of Shandong Energy upon completion of the Acquisitions) will procure materials from the Company, it is expected that the amount of provision of materials payable by Shandong Energy to the Company for the three financial years ending 31 December 2023, 2024 and 2025 shall be RMB3,200,000,000, RMB3,500,000,000 and RMB3,600,000,000, respectively;
- (3) Considering (i) the increasing demand for asset leasing of Shandong Energy in the next three financial years, and (ii) the Group will lease machineries for mining projects to additional coal mines of Shandong Energy, it is expected that the amount of provision of asset leasing payable by Shandong Energy to the Company for the three financial years ending 31 December 2023, 2024 and 2025 shall be RMB60,000,000, RMB65,000,000 and RMB70,000,000, respectively;
- (4) Considering the demand for electricity of Shandong Energy's subsidiaries situated in Zoucheng in the following three financial years, it is expected that the amount of sales of electricity payable by Shandong Energy to the Company for the three financial years ending 31 December 2023, 2024 and 2025 shall be RMB16,000,000, RMB17,000,000 and RMB18,000,000, respectively; and
- (5) Considering the new contracts for sale of chemical products entered into between the Group and Shandong Energy, it is expected that the amount of sales of chemical products payable by Shandong Energy to the Company for the three financial years ending 31 December 2023, 2024 and 2025 shall be RMB120,000,000, RMB150,000,000 and RMB150,000,000, respectively.

Reasons for and benefits of entering into the Proposed Provision of Products, Materials and Asset Leasing Agreement

Having considered the continuous provision of products from the Target Companies (which will become subsidiaries of the Company upon completion of the Acquisitions) to Shandong Energy and the provision of materials from the Company to the Target Companies (which will be associates of Shandong Energy upon completion of the Acquisitions) after completion of the Acquisitions, the Board proposes to enter into the Proposed Provision of Products, Materials and Asset Leasing Agreement to renew and supersede the Existing Provision of Products, Materials and Asset Leasing Agreement.

As Shandong Energy is in close proximity to the Company and the Company can obtain Shandong Energy's demand plan more easily and the provision of products and materials by the Company to Shandong Energy at Market Price can enable the Company to achieve a stable sales market and reduce management and operational costs of the Group. Meanwhile, the Company's materials supply centre has the qualification for materials and equipment distribution. Hence, it is able to purchase materials and equipment at a lower wholesale price, and subsequently resell to Shandong Energy at the Market Price, thereby increases the Company's operating profit. Furthermore, the Company's equipment management centre can provide equipment leasing to Shandong Energy under normal commercial terms based on its operation needs and thus could effectively control the risks of leasing business and achieve economic benefits.

The Directors (excluding the independent non-executive Directors who will provide their view in the letter from the Independent Board Committee to be included in the circular to be despatched to the Shareholders in due course) consider that the Proposed Provision of Products, Materials and Asset Leasing Agreement, the transactions contemplated thereunder and the proposed annual caps are: (i) on normal commercial terms or better and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

As stated above, Shandong Energy is a controlling Shareholder, and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Proposed Provision of Products, Materials and Asset Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest of the relevant percentage ratios for the transactions under the Proposed Provision of Products, Materials and Asset Leasing Agreement exceeds 5% on an annual basis, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the transactions contemplated thereunder and the proposed annual caps are subject to reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

XI. GENERAL

As Mr. Li Wei, Mr. Liu Jian and Mr. Zhu Qingrui are regarded as having material interests in the Acquisitions and the Proposed Continuing Connected Transactions, they have abstained from voting on the relevant resolutions of the Board for approving (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions and the respective proposed annual caps. Save as disclosed above, none of the other Directors has a material interest in the Acquisitions and the Proposed Continuing Connected Transactions.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions and the respective proposed annual caps.

The Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Provision of Products, Materials and Asset Leasing Agreement, the transactions contemplated thereunder and the proposed annual caps.

According to the applicable PRC regulations, the Company also submits the resolutions relating to the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions and their respective proposed annual caps for the Independent Shareholders' approval at the AGM.

The AGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve, (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions and their respective proposed annual caps. Shandong Energy and its associates will abstain from voting on the resolutions in relation to the Acquisitions and the Proposed Continuing Connected Transactions. To the best of the Directors' knowledge, information and belief, save as disclosed above, no other Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the AGM.

A circular containing, among other things, (i) particulars of the Transaction Documents and the Acquisitions; (ii) particulars of the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions and their respective proposed annual caps; (iii) the Asset Valuation Report on each of the Target Companies; (iv) a letter from the Independent Board Committee to the Independent Shareholders; (v) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (vi) other information as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 31 May 2023, as additional time is required to prepare certain information to be contained in the circular by the Company.

XII. DEFINITIONS

“Acquisitions”	collectively the First Acquisition and the Second Acquisition
“AGM”	the 2022 annual general meeting to be held by the Company to consider and, if thought fit, approve, among other things, (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Continuing Connected Transactions Agreements, the Proposed Continuing Connected Transactions and the proposed annual caps
“A Share(s)”	domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“Asset Valuation Report(s)”	the asset valuation report on each of the Target Companies prepared by the Independent Valuer, individually or collectively (as the case may be), for inclusion in the circular to be despatched to the Shareholders in relation to the Acquisitions
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Baosheng Hongshanwa Mining Rights”	collectively Baosheng Coal Mine and Hongshanwa Coal Mine
“Board”	the board of Directors of the Company
“Chenmanzhuang Coal Mine”	Chenmanzhuang Coal Mine, which is owned by Shanxian Energy
“Company”	Yankuang Energy Group Company Limited* (兗礦能源集團股份有限公司), a joint stock limited company established under the laws of PRC in 1997, and the H Shares and A shares of which are listed on the Hong Kong Stock Exchange (01171.HK) and the Shanghai Stock Exchange (600188.SH), respectively
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“Director(s)”	the director(s) of the Company
“Donghua Heavy Industry”	Yankuang Donghua Heavy Industry Company Limited* (兗礦東華重工有限公司), a wholly-owned subsidiary of the Company
“ERP”	Enterprise Resource Planning

“ERP Framework Agreement”	the framework agreement entered into between the Company and Shandong Energy Digital on 5 February 2021 in relation to the provision of services of operation and maintenance of ERP and relevant systems to the Company during the three years ending 31 December 2023
“Existing Continuing Connected Transactions Agreements”	the Existing Provision of Materials Supply Agreement, the Existing Mutual Provision of Labour and Services Agreement, the Existing Provision of Insurance Fund Administrative Services Agreement and the Existing Provision of Products, Materials and Asset Leasing Agreement
“Existing Mutual Provision of Labour and Services Agreement”	the mutual provision of labour and services agreement entered into between the Company and Shandong Energy on 9 December 2020
“Existing Provision of Insurance Fund Administrative Services Agreement”	the provision of insurance fund administrative services agreement entered into between the Company and Shandong Energy on 9 December 2020
“Existing Provision of Materials Supply Agreement”	the provision of materials supply agreement entered into between the Company and Shandong Energy on 9 December 2020
“Existing Provision of Products, Materials and Asset Leasing Agreement”	the provision of products, materials and asset leasing agreement entered into between the Company and Shandong Energy on 9 December 2020
“First Acquisition”	acquisition of the First Equity Interests under the First Equity Transfer Agreement
“First Closing Date”	the date of closing of the First Equity Transfer Agreement
“First Equity Interests”	in aggregate 51% equity interests in Luxi Mining (held by Vendor A, Vendor B, Vendor C, Vendor D and Vendor E as to 13.01%, 15.93%, 10.00%, 2.70% and 9.36% respectively)
“First Equity Transfer Agreement”	the equity transfer agreement entered into among the Company, the First Vendors and Luxi Mining on 28 April 2023 in respect of acquisition of the First Equity Interests
“First Letter of Performance Commitment”	the letter of performance commitment entered into between the Company and the First Vendors on 28 April 2023 in respect of the First Equity Transfer Agreement
“First Letter of Undertaking”	the letter of undertaking entered into between the Company and the First Vendors on 28 April 2023 in respect of the First Equity Transfer Agreement

“First Transition Period”	the period from the Valuation Benchmark Date to the First Closing Date (excluding the First Closing Date)
“First Vendors”	collectively Vendor A, Vendor B, Vendor C, Vendor D and Vendor E
“Future Energy”	Shaanxi Future Energy & Chemicals Co., Ltd.* (陝西未來能源化工有限公司), a non-wholly owned subsidiary of the Company
“Group”	the Company and its subsidiaries
“Guotun Coal Mine”	Guotun Coal Mine, which is owned by Heze Coal Electricity
“Heze Coal Electricity”	Linyi Mining Group Heze Coal Electricity Co., Ltd.* (臨沂礦業集團荷澤煤電有限公司), a non-wholly owned subsidiary of Luxi Mining
“Heze Neng Hua”	Yanmei Heze Neng Hua Company Limited* (兗煤荷澤能化有限公司), a non-wholly owned subsidiary of the Company
“H Share(s)”	overseas listed foreign invested shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Continuing Connected Transaction Agreements, the Proposed Continuing Connected Transactions and the respective proposed annual caps
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, which is appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholder(s) on (i) the Transaction Documents and the Acquisitions; and (ii) the Proposed Provision of Products, Materials and Asset Leasing Agreement, the transactions contemplated thereunder and the proposed annual caps
“Independent Shareholder(s)”	shareholder(s) other than Shandong Energy and its associates, who are neither involved nor interested in the Acquisitions and the Proposed Continuing Connected Transactions

“Independent Valuer”	Shandong Zhongping Hengxin Asset Valuation Co., Ltd.* (山東中評恒信資產評估有限公司), an independent valuer in the PRC.
“Liangbaosi Coal Mine”	Liangbaosi Coal Mine, which is owned by Liangbaosi Energy
“Liangbaosi Energy”	Feicheng Mining Group Liangbaosi Energy Co., Ltd.* (肥城礦業集團梁寶寺能源有限責任公司), a non-wholly owned subsidiary of Luxi Mining
“Lilou Coal Industry”	Shandong Lilou Coal Industry Co., Ltd.* (山東李樓煤業有限公司), a wholly-owned subsidiary of Luxi Mining
“Lilou Coal Mine”	mining right of Lilou Coal Industry
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“LPR One-year Interest Rate”	the one year loan prime rate announced by National Interbank Funding Center
“Lunan Chemicals”	Yankuang Lunan Chemicals Co., Ltd.* (兗礦魯南化工有限公司), a wholly-owned subsidiary of the Company
“Luxi Mining”	Shandong Energy Group Luxi Mining Co., Ltd.* (山東能源集團魯西礦業有限公司), a company established in the PRC, which is owned as to 40.01%, 20.93%, 17.00%, 12.70% and 9.36% equity interests by Vendor A, Vendor B, Vendor C, Vendor D and Vendor E respectively as at the date of this announcement
“Luxi Mining Group”	Luxi Mining and its subsidiaries
“Market Price”	a price determined according to normal commercial terms based on the following: <ul style="list-style-type: none"> (i) the price offered by independent third parties for provision of the same or similar type of services in the same or similar area or in the vicinity under normal commercial terms in the ordinary course of business of such independent third parties; or (ii) if paragraph (i) above is not applicable, the price offered by independent third parties in the PRC for provision of the same or similar type of services under normal commercial terms in the ordinary course of business of such independent third parties.

“Medical Services Collaboration Framework Agreement”	the medical services collaboration framework agreement entered into between the Company and Shandong Yiyang on 27 August 2021 in relation to the provision of medical services by Shandong Yiyang to the Company
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“Pengzhuang Coal Mine”	Pengzhuang Coal Mine, which is owned by Heze Coal Electricity
“PRC”	the People’s Republic of China
“Proposed Continuing Connected Transactions”	the transactions under the respective Proposed Continuing Connected Transactions Agreements
“Proposed Continuing Connected Transactions Agreements”	the Proposed Provision of Materials Supply Agreement, the Proposed Mutual Provision of Labour and Services Agreement, the Proposed Provision of Insurance Fund Administrative Services Agreement and the Proposed Provision of Products, Materials and Asset Leasing Agreement
“Proposed Mutual Provision of Labour and Services Agreement”	the mutual provision of labour and services agreement entered into between the Company and Shandong Energy on 28 April 2023
“Proposed Provision of Insurance Fund Administrative Services Agreement”	the provision of insurance fund administrative services agreement entered into between the Company and Shandong Energy on 28 April 2023
“Proposed Provision of Materials Supply Agreement”	the provision of materials supply agreement entered into between the Company and Shandong Energy on 28 April 2023
“Proposed Provision of Products, Materials and Asset Leasing Agreement”	the provision of products, materials and asset leasing agreement entered into between the Company and Shandong Energy on 28 April 2023
“Qineng Coal Industry”	Xinjiang Yankuang Qineng Coal Industry Co., Ltd.* (新疆兗礦其能煤業有限公司), a non-wholly owned subsidiary of Xinjiang Energy
“Raw Material Coal Purchase and Chemical Products Sales Agreement”	the raw material coal purchase and chemical products sales agreement entered into between the Company and Shandong Energy on 26 March 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Rongxin Chemicals”	Inner Mongolia Rongxin Chemicals Co., Ltd.* (內蒙古榮信化工有限公司), a wholly-owned subsidiary of the Company

“Second Acquisition”	acquisition of the Second Equity Interests under the Second Equity Transfer Agreement
“Second Closing Date”	the date of closing of the Second Equity Transfer Agreement
“Second Equity Interests”	in aggregate 51% equity interests in Xinjiang Energy (held by Shandong Energy and Vendor A as to 43.16% and 7.84% equity interests respectively respectively)
“Second Equity Transfer Agreement”	the equity transfer agreement entered into among the Company, Second Vendors and Xinjiang Energy on 28 April 2023 in respect of acquisition of the Second Equity Interests
“Second Letter of Performance Commitment”	the letter of performance commitment entered into between the Company and the Second Vendors on 28 April 2023 in respect of the Second Equity Transfer Agreement
“Second Letter of Undertaking”	the letter of undertaking entered into between the Company and the Second Vendors on 28 April 2023 in respect of the Second Equity Transfer Agreement
“Second Transition Period”	the period from the Valuation Benchmark Date to the Second Closing Date (excluding the Second Closing Date)
“Second Vendors”	Shandong Energy and Vendor A collectively
“Shandong Energy”	Shandong Energy Group Company Limited* (山東能源集團有限公司), a state-controlled limited liability company which is ultimately owned as to 70%, 20%, and 10% by Shandong Provincial People’s Government State-owned Assets Supervision and Administration Commission* (山東省人民政府國有資產監督管理委員會), Shandong Guohui Investment Holding Group Co., Ltd.* (山東國惠投資控股集團有限公司) and Shandong Caixin Assets Operation Co., Ltd.* (山東省財欣資產運營有限公司), respectively; and the controlling shareholder of the Company holding directly and indirectly approximately 54.81% of the total issued share capital of the Company as at the date of this announcement
“Shandong Energy Digital”	Shandong Energy Digital Technology Co., Ltd.* (山東能源數字科技有限公司), a non-wholly owned subsidiary of Shandong Energy
“Shandong Yankuang Cinda”	Shandong Yankuang Cinda Hotel Management Co., Ltd* (山東兗礦信達酒店管理有限公司), a wholly-owned subsidiary of Shandong Energy

“Shandong Yiyang”	Shandong Yiyang Health Industry Development Group Co., Ltd.* (山東頤養健康產業發展集團有限公司), a non-wholly owned subsidiary of Shandong Energy
“Shanxian Energy”	Feicheng Mining Group Shanxian Energy Co., Ltd.* (肥城礦業集團單縣能源有限責任公司), a wholly-owned subsidiary of Luxi Mining
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto under the Listing Rules
“Tangkou Coal Industry”	Shandong Tangkou Coal Industry Co., Ltd.* (山東唐口煤業有限公司), a wholly-owned subsidiary of Luxi Mining
“Tangkou Coal Mine”	mining right of Tangkou Coal Industry
“Target Companies”	collectively Luxi Mining and Xinjiang Energy
“Target Groups”	Target Companies and their respective subsidiaries
“Transaction Documents”	collectively the First Equity Transfer Agreement, the First Letter of Performance Commitment, the First Letter of Undertaking, the Second Equity Transfer Agreement, the Second Letter of Performance Commitment and the Second Letter of Undertaking
“Transfer Fee”	the fee charged by the PRC government authorities on owners of the mineral rights in relation to their use of natural resources
“Transfer Fee Calculation Report”	“The Calculation Report on Transfer Fee in respect of certain mineral rights of Luxi Mining and Xinjiang Energy” issued by Beijing Kuangtong Resources Development Consultation Co., Limited
“Working Day(s)”	any day except Saturday, Sunday and statutory holiday(s) in the PRC
“Valuation Benchmark Date”	31 December 2022
“Vendor A”	Xinwen Mining Group Co., Ltd.* (新汶礦業集團有限責任公司), a company established in the PRC, which is directly wholly-owned by Shandong Energy
“Vendor B”	Longkou Mining Group Co., Ltd.* (龍口礦業集團有限公司), a company established in the PRC, which is directly wholly-owned by Shandong Energy

“Vendor C”	Zibo Mining Group Co., Ltd.* (淄博礦業集團有限責任公司), a company established in the PRC, which is directly wholly-owned by Shandong Energy
“Vendor D”	Feicheng Feikuang Coal Industry Co., Ltd.*(肥城肥礦煤業有限公司), a company established in the PRC, which is directly wholly-owned by Shandong Energy
“Vendor E”	Linyi Mining Group Co., Ltd.* (臨沂礦業集團有限責任公司), a company established in the PRC, which is directly wholly-owned by Shandong Energy
“Vendors”	collectively the First Vendors and the Second Vendors
“Xinjiang Energy”	Yankuang Xinjiang Energy & Chemical Co., Ltd.* (兗礦新疆能化有限公司), a company established in the PRC, which is directly owned as to 56.84% and 43.16% equity interests by Vendor A and Shandong Energy as at the date of this announcement
“Xinjiang Energy Group”	Xinjiang Energy and its subsidiaries
“Xinjiang Mining”	Yankuang Xinjiang Mining Co., Ltd* (兗礦新疆礦業有限公司), a non-wholly owned subsidiary of Xinjiang Energy
“Xinjulong Energy”	Shandong Xinjulong Energy Co., Ltd.* (山東新巨龍能源有限責任公司), a non-wholly owned subsidiary of Luxi Mining
“Xinjulong Coal Mine”	mining right of Xinjulong Energy
“Yankuang Ordos”	Yanzhou Energy (Ordos) Company Limited* (兗礦能源(鄂爾多斯)有限公司), a wholly-owned subsidiary of the Company
“Yili Energy”	Xinwen Mining Group (Yili) Energy Development Co., Ltd.* (新汶礦業集團(伊犁)能源開發有限責任公司), a wholly-owned subsidiary of Xinjiang Energy
“Yixin Coal Industry”	Yili Xinkuang Coal Industry Co., Ltd.* (伊犁新礦煤業有限責任公司), a non-wholly owned subsidiary of Xinjiang Energy
“Yulin Neng Hua”	Yanzhou Coal Yulin Neng Hua Company Limited* (兗州煤業榆林能化有限公司), a wholly-owned subsidiary of the Company
“%”	per cent

Certain figures in this announcement have been subject to rounding. The figures set out in this announcement may be slightly different from the result calculated based on the relevant individual data presented in this announcement due to rounding.

By order of the Board
Yanzhou Energy Group Company Limited
Li Wei
Chairman of the Board

Zoucheng, Shandong Province, the PRC
28 April 2023

As at the date of this announcement, the Directors of the Company are Mr. Li Wei, Mr. Liu Jian, Mr. Xiao Yaomeng, Mr. Zhu Qingrui, Mr. Zhao Qingchun and Mr. Huang Xiaolong, and the independent non-executive Directors of the Company are Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang and Mr. Poon Chiu Kwok.

** For identification purpose only*

APPENDIX I – LETTER FROM SHINEWING (HK) CPA LIMITED

The following is the text of a report from the Company’s reporting accountants, SHINEWING (HK) CPA Limited, Certified Public Accountants, for inclusion in this announcement.

The Board of Directors
Yankuang Energy Group Company Limited
949 Fushan South Road,
Zoucheng City,
Shandong Province, PRC

Dear Sirs,

INDEPENDENT ASSURANCE REPORT

We have examined the calculations of the underlying profit forecast (the “**Underlying Forecast**”) to the business valuation dated 18 April 2023 prepared by 山東中評恒信資產評估有限公司 (the “**Valuer**”) in respect of the valuation on Shandong Energy Group Luxi Mining Co., Ltd.* (山東能源集團魯西礦業有限公司) (“**Luxi Mining**”) and Yankuang Xinjiang Energy & Chemical Co., Ltd.* (兗礦新疆能化有限公司) (“**Xinjiang Energy**”) (collectively the “**Target Companies**”) in connection with the proposed acquisition of 51% equity interest of the Target Companies by Yankuang Energy Group Company Limited, (the “**Company**”) as of 31 December 2022, as set out in the announcement of the Company dated 28 April 2023 (the “**Announcement**”).

Directors’ Responsibilities

The directors of the Company and the Target Companies (the “**Directors**”) are solely responsible for the preparation of the Underlying Forecast including the bases and assumptions, for the purpose of business valuation of the Target Companies based on discounted cash flow method. The Underlying Forecast has been prepared using a set of bases and assumptions (the “**Assumptions**”) that include hypothetical assumptions about future events and management’s actions that are not necessarily expected to occur. Even if the events anticipated occur, actual results are still likely to be different from the Underlying Forecast and the variation may be material. The Directors are responsible for the reasonableness and validity of the Assumptions.

Our Independence and Quality Management

We have complied with the independence and other ethical requirement of the Code of Ethics for Professional Accountants issued by the Hong Kong Institute of Certified Public Accountants, (“**HKICPA**”) which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies Hong Kong Standard on Quality Management (“**HKSQM**”) 1, Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements, which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountant’s Responsibilities

Our responsibility is to express an opinion, based on our work on the Underlying Forecast and to report our opinion solely to you, as a body, solely for the purpose of reporting under Rule 14.62 of Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and for no other purpose. We have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and express no opinion on the reasonableness and validity of the Assumptions on which the Underlying Forecast is based. We accept no responsibility to any other person in respect of, arising out of or in connection with our work. The Underlying Forecast does not involve adoption of accounting policies.

We conducted our engagement in accordance with the Hong Kong Standard on Assurance Engagements 3000 (Revised) (“**HKSAE 3000 (Revised)**”) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. We examined the arithmetical accuracy of the Underlying Forecast. We have planned and performed our work to obtain reasonable assurance for giving our opinion below.

We have planned and performed such procedures as we considered necessary to assist the Directors solely in evaluating whether the Underlying Forecast, so far as the calculations are concerned, has been properly compiled in accordance with the Assumptions made by the Directors. Our work does not constitute any valuation of the Target Companies.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, so far as the calculations are concerned, the Underlying Forecast has been property compiled, in all material aspects, in accordance with the Assumptions adopted by the Directors as set out in the Announcement.

Yours faithfully,

SHINEWING (HK) CPA Limited

Certified Public Accountants

Pang Wai Hang

Practising Certificate Number: P05044

Hong Kong

* *English name for identification purpose only*

APPENDIX II – LETTER FROM THE BOARD

The following is the text of a letter from the Board prepared for the purpose of incorporation in this announcement.

28 April 2023

The Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place
Central, Hong Kong

Dear Sirs,

Discloseable and Connected Transaction in relation to the Acquisition of 51% Equity Interest in Target Companies

We refer to the announcement of the Company dated 28 April 2023 (the “**Announcement**”), of which this letter forms part. Unless the context otherwise requires, terms defined in the Announcement shall have the same meanings when used herein.

References are made to (i) the valuation report in relation to the valuation of Luxi Mining dated 18 April 2023; and (ii) the valuation report in relation to the valuation (together with the valuation of Luxi Mining, collectively the “**Valuations**”) of Xinjiang Energy dated 18 April 2023 (collectively, the “**Asset Valuation Reports**”), both prepared by Shandong Zhongping Hengxin Asset Valuation Co., Ltd.* (山東中評恒信資產評估有限公司), an independent valuer (the “**Independent Valuer**”). In the Asset Valuation Reports, the valuation of certain assets were prepared based in accordance with the income approach and therefore constitute a profit forecast (the “**Profit Forecast**”) under Rule 14.61 of the Listing Rules.

We have discussed with the Independent Valuer and reviewed the bases and assumptions based upon which the Profit Forecast was prepared. We have also engaged SHINEWING (HK) CPA Limited to report on the calculations of the Profit Forecast used in the Asset Valuation Reports and considered the report from SHINEWING (HK) CPA Limited. Based on the aforesaid, we confirm that the Profit Forecast as contained in the Asset Valuation Reports have been made after due and careful inquiry.

Yours faithfully,
For and on behalf of the Board
Yankuang Energy Group Company Limited*
Zhao Qingchun
Director