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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)

CONNECTED TRANSACTION
ACQUISITION OF 100% EQUITY INTEREST IN
COAL CHEMICAL ENGINEERING COMPANY

EQUITY TRANSFER AGREEMENT

The Board announces that, on 27 October 2023, the Company entered into the Equity Transfer Agreement with Shandong Energy and Coal Chemical Engineering Company. Pursuant to the Equity Transfer Agreement, the Company agreed to acquire and Shandong Energy agreed to dispose of 100% equity interest in Coal Chemical Engineering Company for an aggregate equity transfer consideration of RMB20.904 million. Upon completion of the Equity Transfer of Coal Chemical Engineering Company, the Company will hold 100% equity interest in Coal Chemical Engineering Company and Coal Chemical Engineering Company will become a wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, Shandong Energy is the controlling shareholder of the Company, directly and indirectly holding approximately 54.67% of the issued share capital of the Company; Coal Chemical Engineering Company is a wholly-owned subsidiary of Shandong Energy and both Shandong Energy and Coal Chemical Engineering Company constitute connected persons of the Company. Accordingly, the transaction contemplated under the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Equity Transfer is more than 0.1% but less than 5%, the Equity Transfer is therefore subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirement.

I. SUMMARY OF THE EQUITY TRANSFER

Introduction

The Board announces that on 27 October 2023, the Company entered into the Equity Transfer Agreement with Shandong Energy and Coal Chemical Engineering Company. Pursuant to the Equity Transfer Agreement, the Company agreed to acquire and Shandong Energy agreed to dispose of 100% equity interest in Coal Chemical Engineering Company for an aggregate equity transfer consideration of RMB20.904 million. Upon completion of the Equity Transfer of Coal Chemical Engineering Company, the Company will hold 100% equity interest in Coal Chemical Engineering Company and Coal Chemical Engineering Company will become a wholly-owned subsidiary of the Company.

Date

27 October 2023

Principle terms

(a) *Parties*

The Company;
Shandong Energy; and
Coal Chemical Engineering Company

(b) *Equity Transfer*

Prior to the Equity Transfer, the registered capital of Coal Chemical Engineering Company was RMB130,286,200, of which Shandong Energy held 100% equity interest in Coal Chemical Engineering Company. Upon completion of the Equity Transfer, the shareholding structure of Coal Chemical Engineering Company is as follows:

Name of Shareholder	Registered Capital (RMB'0,000)	Shareholding Ratio(%)
The Company	13,028.62	100
Total	13,028.62	100

(c) *Consideration for the Equity Transfer and Basis for Determination*

On 10 July 2023, the general manager's office meeting of the Company reviewed and approved the Company's acquisition of 100% equity interest in Coal Chemical Engineering Company held by Shandong Energy. The consideration for the Equity Transfer was determined in accordance with the valuation report (Zhong Rui Ping Bao Zi [2023] No.000043) (the "**Valuation Report**") issued by Chungrui Worldunion Assets Appraisal Group Co., Ltd. with 30 September 2022 as the valuation benchmark date (valid for a period of one year). The total consideration payable by the Company to Shandong Energy for the Equity Transfer is RMB20.904 million, which is the valuation conclusion of the entire shareholders' equity of Coal Chemical Engineering Company using the asset-based approach.

The book value of the total assets of Coal Chemical Engineering Company was RMB444,852,800 and the appraised value was RMB454,263,500, representing an appreciation of RMB9,410,700, or an appreciation rate of 2.12%; The book value of liabilities was RMB433,359,500 and the appraised value was RMB433,359,500, with no increase or decrease in the appraised value; the book value of entire shareholders' equity was RMB11,493,300 and the appraised value was RMB20,904,000, representing an appreciation of RMB9,410,700, or an appreciation rate of 81.88%. The reasons for the appraised value increase are mainly as follows: (i) due to the scarcity of land resources, the current land premium was significantly higher than the acquisition cost, resulting in an appraised value increase in land use rights of RMB3,213,200; (ii) in the course of the appraisal, the recoverable amounts of trade receivables and other receivables were verified one by one, and the appraised value was determined on the basis of the verified book balances, which resulted in an appraised value increase of RMB10,893,500; at the same time, the deferred income tax assets were adjusted accordingly, resulting in an assessed impairment of RMB2,723,400; and (iii) the accounting depreciation period of the enterprise's fixed assets was longer than the assessed economic useful life, resulting in an assessed impairment of RMB2,358,300.

The Valuation Report is valid until 30 September 2023, and the Company has completed the decision-making procedures in respect of the Equity Transfer during the validity period of the Valuation Report. Meanwhile, taking into account the relatively stable operating conditions of Coal Chemical Engineering Company, the Company is of the view that the Valuation Report is representative of the value of the equity interest in Coal Chemical Engineering Company. Moreover, the transitional profit and loss will be enjoyed by Coal Chemical Engineering Company, and the interests of the Company can be fully protected. In order to save time costs and audit fees, the Company and Shandong Energy agreed to determine the consideration for the Equity Transfer in accordance with the Valuation Report.

The valuation assumptions for the valuation of the entire shareholders' equity of Coal Chemical Engineering Company and the reasons for adopting the valuation conclusion of the asset-based method are set out below:

Valuation Assumptions (I) General Assumptions

1. Transaction Assumption: assuming that all assets to be appraised are already in the process of being traded, the asset valuer performs the valuation based on a simulated market such as the trading conditions of the assets to be appraised;
2. Open Market Assumption: assuming that the parties to an asset traded, or intended to be traded, in a market are on equal footing with each other, and that each party to the asset transaction has had the opportunity and the time to obtain sufficient market information to enable it to make a reasonable judgment as to the asset's function, use, and transaction price;
3. Going Concern Assumption: it is assumed that the assessed entity will continue to operate in the foreseeable future in full compliance with all relevant laws and regulations;

4. It is assumed that there will be no material changes in the relevant laws, regulations and policies in force in the country, the macroeconomic situation in the country and no material changes in the political, economic and social environment of the region in which the parties to the transaction are located after the valuation benchmark date;
5. It is assumed that there will be no material adverse impact on the unit under valuation caused by force majeure and unforeseeable factors after the valuation benchmark date.

(II) Special Assumptions

1. It is assumed that the management of the appraised unit after the valuation benchmark date is responsible, stable and capable of performing its duties;
2. It is assumed that the scope and manner of operation of the appraised unit after the valuation benchmark date will remain consistent with the current direction on the basis of the existing management style and management level;
3. It is assumed that the accounting policies adopted by the appraised unit after the valuation benchmark date and the accounting policies adopted in preparing this report are consistent in material respects;
4. It is assumed that there will be no significant changes in interest rates, exchange rates, tax base and rates, and policy levies related to the appraised unit after the valuation benchmark date;
5. It is assumed that the assessed unit is in full compliance with all relevant laws and regulations;
6. The relevant basic information and financial information provided by the principal and the appraised unit are true, accurate and complete;
7. It is assumed that the financial reports and transaction data of the comparables on which the valuer relies upon are true and reliable;
8. It is assumed that the products or services of the appraised unit will maintain the current competitive situation in the market after the valuation benchmark date;

9. It is assumed that the R&D capability and technological advancement of the appraised unit will remain at the current level after the valuation benchmark date;
10. It is assumed that the signed lease of the appraised unit is legal and valid; the signed lease is actually performed and will not be changed and terminated without cause;
11. The asset valuation professionals have not conducted any technical tests on the technical parameters and performance of the various equipment as at the valuation benchmark date, and have made their judgments through on-site inspections on the assumption that the relevant technical information and operational records provided by the principal are true and valid;
12. The on-site inspection of the appraised subject by the asset valuation professionals was confined to the appearance and conditions of use of the appraised subject, and no tests were conducted on the internal quality of the structure and other parts of the subject to ascertain whether there are any inherent defects in the appraised subject. The valuation report is based on the assumption that the internal quality of the appraised subject complies with the relevant national standards and is sufficient to maintain its normal use.

The valuation conclusion is based on the above assumptions and limitations, and the valuation results will generally be invalidated when events occur that are inconsistent with the above valuation assumptions and limitations.

Reasons for adopting the valuation conclusion of the asset-based approach

The principal business of Coal Chemical Engineering Company is the maintenance and transportation business in the chemical industry, with a relatively small scale of operation. It is difficult to find sufficient comparable enterprise transactions in the capital market and the asset trading market that are identical or similar to the subject of the valuation, and therefore the market approach is not applicable in the valuation.

In recent years, Coal Chemical Engineering Company has been affected by macroeconomic conditions, and its operating conditions have fluctuated considerably. Whether Coal Chemical Engineering Company can develop in accordance with the management's forecast in the future are subject to greater uncertainty, therefore, the income approach cannot best reflect the value of the shareholders' equity of Coal Chemical Engineering Company.

The assets and liabilities of Coal Chemical Engineering Company, both on and off-balance sheet, as at the valuation date can be identified and separately appraised using appropriate methods, and after analysis, the valuer is of the opinion, that the valuation results using the asset-based approach can more reasonably reflect the value of the shareholders' equity of the unit under valuation, and has therefore adopted the valuation conclusion of the asset-based approach in the current valuer.

In addition, in respect of the valuation of the patented assets owned by Coal Chemical Engineering Company, the prerequisites for the adoption of the market approach are that there are identical or similar transaction cases and the transaction is carried out at arm's length, due to the fact that the information of market references is not easy to obtain, coupled with the rich and complex content of technological assets, which has limited the application of the market approach; in respect of the excess income of the patents currently owned by Coal Chemical Engineering Company in the coming years, as it is impossible for Coal Chemical Engineering Company to accurately identify and forecast the excess income of the patents currently owned by it in future years, and as the co-owners of the two patents have not entered into an income sharing agreement, it is not possible to adopt the income approach for valuation; therefore, the cost approach was adopted for this valuation, which refers to an valuation technique based on the idea of reconstruction or replacement, whereby a valuation conclusion is obtained by deducting depreciation of the appraised intangible assets up to the valuation date from the cost of reacquisition of the assets concerned.

(d) Payment

The Company shall, within 40 days from the effective date of the Equity Transfer Agreement, after completion of the business registration for the change of shareholding and upon re-issuance of the business license of Coal Chemical Engineering Company, pay the entire amount of the consideration for the transfer of the shareholding through bank remittance to the bank account jointly designated by the parties to the Equity Transfer Agreement.

(e) Conditions for Transaction Taking Effect

The Equity Transfer Agreement shall become effective upon fulfillment of all of the following conditions:

- (i) completion of the internal resolution procedures of the Company and Shandong Energy in respect of the Equity Transfer in accordance with the relevant laws and the articles of association; and

- (ii) completion of the signing and sealing of the Equity Transfer Agreement between the Company, Shandong Energy and Coal Chemical Engineering Company.

As at the date of this announcement, all of the above conditions have been fulfilled.

(f) Transitional profit and loss

The Company shall engage an auditing firm to audit the transitional profit and loss, and any income or loss incurred during the transitional period shall be enjoyed by Coal Chemical Engineering Company.

II. REASONS AND BENEFITS OF THE EQUITY TRANSFER

The Board is of the view that, at present, the chemical production unit of the Company is mainly engaged in product production, and the transportation and maintenance services of its chemical operation, daily maintenance and inspection of production equipment are all provided by Coal Chemical Engineering Company, and the relevant raw materials are required to be purchased from Coal Chemical Engineering Company. Therefore, the merger of Coal Chemical Engineering Company into the Company is beneficial to strengthen the ability of maintenance and transportation capability to ensure the stable operation of our chemical production enterprise.

III. LISTING RULES IMPLICATIONS

As at the date of the announcement, Shandong Energy is the controlling shareholder of the Company, directly and indirectly holding approximately 54.67% of the issued share capital of the Company; Coal Chemical Engineering Company is a wholly-owned subsidiary of Shandong Energy and both Shandong Energy and Coal Chemical Engineering Company constitute connected persons of the Company. Accordingly, the transaction contemplated under the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction contemplated under the Equity Transfer is more than 0.1% but less than 5%, the Equity Transfer is therefore subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules but is exempt from the independent shareholders' approval requirement.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement are on normal commercial terms and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. INFORMATION ON THE PARTIES OF THE EQUITY TRANSFER

The Company

The Company is principally engaged in the business of mining, high-end chemical new materials, new energy, 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.

Shandong Energy

Shandong Energy is a state-controlled limited liability company 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. Shandong Energy is principally engaged in the businesses of mining, high-end chemicals, electric power, high-end equipment manufacturing, new energy and new materials, and modern logistics and trading.

Coal Chemical Engineering Company

Basic Information

Established in April 2012, Coal Chemical Engineering Company is a company incorporated in the PRC with limited liability and is a wholly-owned subsidiary of Shandong Energy as at the date of this announcement. The main business of Coal Chemical Engineering Company is to provide professional services for maintenance and transportation of chemical enterprises and water operation, as well as inspection and repair of large-scale units, electrical testing, burner repair, gasket manufacturing, equipment lifting, anti-corrosion and thermal insulation, and construction installation, etc. The business scope covers its headquarters in Shandong, Xinjiang, Shaanxi, Inner Mongolia and other regions.

Financial Information

The following table sets forth the consolidated financial information of Coal Chemical Engineering Company for the last two financial years ended 31 December 2022, prepared in accordance with the PRC Accounting Standards for Business Enterprises:

	<i>Unit: RMB</i>	
	For the financial year ending 31 December	
	2022	2021
	<i>(Unaudited)</i>	<i>(Audited)</i>
Net profit before tax	18,534,170.40	20,028,892.88
Net profit after tax	8,287,364.85	10,673,830.30

V. DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the meanings set out below:

“Board”	the board of Directors of the Company
“Coal Chemical Engineering Company”	Yankuang Coal Chemical Engineering Company Limited* (兗礦煤化工程有限公司), a wholly-owned subsidiary of Shandong Energy as at the date of this announcement
“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
“Equity Transfer”	pursuant to the Equity Transfer Agreement, the Company invested RMB20.904 million to acquire 100% equity interest in Coal Chemical Engineering Company held by Shandong Energy
“Equity Transfer Agreement”	the equity transfer agreement dated 27 October 2023 and entered into among the Company, Shandong Energy and Coal Chemical Engineering Company in relation to the Equity Transfer
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited(as amended from time to time)
“percentage ratio”	has the meaning ascribed thereto under the Listing Rules
“PRC”	the People’s Republic of China
“PRC Accounting Standards for Business Enterprises”	Accounting Standards for Business Enterprises and the relevant regulations and explanations issued by the Ministry of Finance of the PRC
“RMB”	Renminbi, the lawful currency of the PRC

“Shandong Energy” or “controlling shareholder”	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 54.67% of the total issued share capital of the Company as at the date of this announcement
“Shareholder(s)”	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
“%”	per cent.

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

Zoucheng City, Shandong Province, the PRC
27 October 2023

As at the date of this announcement, the Directors of the Company are Mr. Li Wei, Mr. Xiao Yaomeng, Mr. Liu Jian, Mr. Liu Qiang, Mr. Zhang Haijun, Mr. Su Li and Mr. Huang Xiaolong, and the independent non-executive Directors of the Company are Mr. Peng Suping, Mr. Zhu Limin, Mr. Woo Kar Tung, Raymond and Ms. Zhu Rui.

* For identification purpose only