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If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other appropriate independent professional advisers.

If you have sold or transferred all your shares in **Yanzhou Coal Mining Company Limited**, you should at once hand this circular and the enclosed form of proxy to the purchaser(s) or transferee(s) or to the bank, or a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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兗州煤業股份有限公司

YANZHOU COAL MINING COMPANY LIMITED

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

(Stock Code: 1171)

**(1) CONTINUING CONNECTED TRANSACTIONS; AND
(2) PROPOSED PROVISION OF FINANCIAL GUARANTEE TO
THE COMPANY'S CONTROLLED SUBSIDIARIES AND
INVESTED COMPANIES**

**Independent financial adviser to the Independent Board Committee and
the Independent Shareholders**



Donvex Capital Limited
富域資本有限公司

A letter from the Board is set out on pages 9 to 61 of this circular. A letter from the Independent Board Committee is set out on pages 62 to 63 of this circular. A letter from the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 64 to 109 of this circular.

The notice convening the EGM of the Company to be held at 8:30 a.m. on Friday, 5 February 2021 at the headquarters of the Company in Zoucheng city, Shandong Province, postal code 273500, the People's Republic of China was published on 13 January 2021.

Shareholders who intend to appoint a proxy to attend the EGM shall complete and return the proxy form in accordance with the instructions printed thereon not less than 24 hours before the time fixed for holding the EGM or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude you from attending the EGM and voting in person if you so wish.

13 January 2021

CONTENTS

	<i>Page</i>
Definitions	1
Letter from the Board	9
Letter from the Independent Board Committee	62
Letter from Donvex Capital	64
Appendix I – General Information	I-1

DEFINITIONS

In this circular, unless the context requires otherwise, the following expressions have the following meaning:

“A Share(s)”	domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.0 each, which are subscribed for and fully paid in RMB and are listed on the Shanghai Stock Exchange
“Anotero”	Anotero Pty Limited, a company incorporated in Australia and a wholly-owned subsidiary of Glencore
“associate(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company
“Business Day”	a day which is not a Saturday, Sunday or a public holiday in the PRC or Hong Kong (as the case may be)
“CNAO”	Coal & Allied Operations Pty Ltd, a company incorporated in Australia, a wholly-owned subsidiary of Coal & Allied Industries Limited (a wholly-owned subsidiary of Yancoal Australia)
“Company”	兗州煤業股份有限公司, Yanzhou Coal Mining Company Limited, a joint stock limited company incorporated in the PRC and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“controlling Shareholder(s)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“Cost Price”	has the meaning ascribed thereto under the section headed “The Proposed Mutual Provision of Labour and Services Agreement” of this circular
“Donghua Heavy Industry”	Yankuang Donghua Heavy Industry Company Limited* (兗礦東華重工有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company

DEFINITIONS

“Dongjiang Lease Agreement”	the lease agreement entered into between Dongjiang Real Estate and Shanghai Yankuang Cinda on 7 February 2020 in relation to the lease of Dongjiang Pearl Plaza
“Dongjiang Real Estate”	Shanghai Dongjiang Real Estate Development Co., Ltd.* (上海東江房地產開發有限公司), a subsidiary of the Company
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held at 8:30 a.m. on Friday, 5 February 2021 at the headquarters of the Company in Zoucheng city, Shandong Province for the purpose of considering and, if appropriate, approving, among others, (i) the proposed continuing connected transaction agreements referred to in this circular, the transactions contemplated thereunder and their respective proposed annual caps; and (ii) the proposed provision of financial guarantee to the Company’s controlled subsidiaries and invested companies
“Existing Bulk Commodities Sale and Purchase Agreement”	the bulk commodities sale and purchase agreement entered into between the Company and Yankuang Group on 27 November 2017
“Existing Entrusted Management Agreement”	the entrusted management agreement entered into between the Company and Yankuang Group on 5 December 2018
“Existing Finance Lease Agreement”	the finance lease agreement entered into between Zhongyin Financial Leasing and Yankuang Group on 30 December 2019
“Existing Glencore Continuing Connected Transactions”	the transactions under the respective Existing Glencore Continuing Connected Transaction Agreements
“Existing Glencore Continuing Connected Transaction Agreements”	the Existing Glencore Framework Coal Sales Agreement, the Existing Glencore Framework Coal Purchase Agreement, the Existing HVO Services Contract, and the Existing HVO Sales Contract
“Existing Glencore Framework Coal Sales Agreement”	the framework coal sales agreement entered into between Yancoal Australia and Glencore on 29 June 2018

DEFINITIONS

“Existing Glencore Framework Coal Purchase Agreement”	the framework coal purchase agreement entered into between Yancoal Australia and Glencore on 6 August 2018
“Existing HVO Services Contract”	the services agreement entered into between Yancoal Australia Group and Glencore Group on 4 May 2018
“Existing HVO Sales Contract”	the sales agreement entered into between Yancoal Australia Group and Glencore Group on 4 May 2018
“Existing Mutual Provision of Labour and Services Agreement”	the mutual provision of labour and services agreement entered into between the Company and Yankuang Group on 27 November 2017
“Existing Provision of Insurance Fund Administrative Services Agreement”	the provision of insurance fund administrative services agreement entered into between the Company and Yankuang Group on 27 November 2017
“Existing Provision of Materials Supply Agreement”	the provision of materials supply agreement entered into between the Company and Yankuang Group on 27 November 2017
“Existing Provision of Products, Materials and Equipment Leasing Agreement”	the provision of products, materials and equipment leasing agreement entered into between the Company and Yankuang Group on 27 November 2017
“Existing Yankuang Continuing Connected Transactions”	the transactions under the respective Existing Yankuang Continuing Connected Transaction Agreements
“Existing Yankuang Continuing Connected Transaction 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, the Existing Provision of Products, Materials and Equipment Leasing Agreement, the Existing Bulk Commodities Sale and Purchase Agreement, the Existing Entrusted Management Agreement, and the Existing Finance Lease Agreement
“Finance Leasing Service”	including but not limited to the sale-leaseback service and direct finance leasing service to be provided by the Company to Yankuang Group Members in relation to the Leased Assets in accordance with the Proposed Finance Lease Agreement
“Glencore”	Glencore Coal Pty Limited, the indirect substantial shareholder of several subsidiaries of Yancoal Australia

DEFINITIONS

“Glencore Coal”	Glencore Coal Assets Australia Pty Ltd, a company incorporated in Australia and a subsidiary of Glencore
“Glencore Group”	Glencore and its subsidiaries and related entities
“Group”	the Company and its subsidiaries
“Heze Neng Hua”	Yanmei Heze Neng Hua Company Limited, a company with limited liability incorporated under the laws of the PRC in 2004 and a 98.33% 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 Hong Kong Stock Exchange
“Huaju Energy”	Shandong Hua Ju Energy Company Limited, a joint stock limited company incorporated under the laws of the PRC in 2002 and a 95.14% owned subsidiary of the Company
“HVO Joint Venture and the companies associated with it”	the unincorporated joint venture established for the purpose of operating coal mines in Australia known as “Hunter Valley Operations” and the associated companies HV Operations Pty Ltd and HVO Coal Sales Pty Ltd, each of which is an indirect subsidiary of Yancoal Australia and is indirectly held as to 51% and 49% by Yancoal Australia and Glencore, respectively
“HV Ops”	HV Operations Pty Ltd, a company incorporated in Australia, a subsidiary of Yancoal Australia and is indirectly held as to 51% and 49% by Yancoal Australia and Glencore, respectively
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Independent Board Committee”	a committee of the Board comprising all independent non-executive Directors established for the purpose of considering 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, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Entrusted Management Agreement, the Proposed Finance Lease Agreement, the Existing Glencore Framework Coal Sales Agreement, the Existing Glencore Framework Coal Purchase Agreement, the Existing HVO Services Contract, the Existing HVO Sales Contract and their respective proposed annual caps as set out in this circular
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders and a licensed corporation under the SFO to engage in type 6 (advising on corporate finance) regulated activity
“Independent Shareholder(s)”	have the same meaning ascribed thereto under the Hong Kong Listing Rules
“Independent Third Party(ies)”	third party(ies) independent of the Company and its connected persons
“Individual Agreement(s)”	the separate individual agreement for each Finance Leasing Service to be entered into between the Company and Yankuang Group Members pursuant to the Proposed Finance Lease Agreement
“Inner Mongolia Mining”	Inner Mongolia Mining (Group) Company Limited (內蒙古礦業(集團)有限公司), a subsidiary of the Company
“Latest Practicable Date”	8 January 2021, being the latest practicable date of ascertaining certain information contained in this circular prior to its publication
“Leased Asset(s)”	the assets to be leased by the Company pursuant to the Individual Agreements
“Market Price”	has the meaning ascribed thereto under the section headed “The Proposed Mutual Provision of Labour and Services Agreement” of this circular

DEFINITIONS

“Ordos Neng Hua”	Yanzhou Coal Ordos Neng Hua Company Limited* (兗州煤業鄂爾多斯能化有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“percentage ratios”	has the same meaning ascribed thereto under the Hong Kong Listing Rules
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
“Proposed Bulk Commodities Sale and Purchase Agreement”	the bulk commodities sale and purchase agreement entered into between the Company and Yankuang Group on 9 December 2020
“Proposed Entrusted Management Agreement”	the entrusted management agreement entered into between the Company and Yankuang Group on 9 December 2020
“Proposed Finance Lease Agreement”	the finance lease agreement entered into between the Company and Yankuang Group on 9 December 2020
“Proposed Mutual Provision of Labour and Services Agreement”	the mutual provision of labour and services agreement entered into between the Company and Yankuang Group on 9 December 2020
“Proposed Provision of Insurance Fund Administrative Services Agreement”	the provision of insurance fund administrative services agreement entered into between the Company and Yankuang Group on 9 December 2020
“Proposed Provision of Materials Supply Agreement”	the provision of materials supply agreement entered into between the Company and Yankuang Group on 9 December 2020
“Proposed Provision of Products, Materials and Asset Leasing Agreement”	the provision of products, materials and asset leasing agreement entered into between the Company and Yankuang Group on 9 December 2020
“Proposed Yankuang Continuing Connected Transactions”	the transactions under the respective Proposed Yankuang Continuing Connected Transaction Agreements

DEFINITIONS

“Proposed Yankuang Continuing Connected Transaction 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, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Entrusted Management Agreement, and the Proposed Finance Lease Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SalesCo”	HVO Coal Sales Pty Ltd, a company incorporated in Australia, a subsidiary of Yancoal Australia and is held as to 51% and 49% by Yancoal Australia and Glencore, respectively
“Shandong Energy Group”	Shandong Energy Company Limited (山東能源集團有限公司)
“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 subsidiary of Yankuang Group
“Shanghai Zhongqi”	Shanghai Zhongqi Futures Co.,Ltd. (上海中期期貨股份有限公司), a subsidiary of Yankuang Group
“Shanghai Yankuang Cinda”	Shanghai Yankuang Cinda Hotel Management Co., Ltd (上海兗礦信達酒店管理有限公司), a subsidiary of Yankuang Group
“Shareholder(s)”	the shareholder(s) of the Company
“subsidiary(ies)”	has the meaning ascribed thereto under the Hong Kong Listing Rules
“USD”	United States Dollar, the lawful currency of the United States
“Yancoal Australia”	Yancoal Australia Limited, a controlled overseas subsidiary of the Company, the shares of which are listed on the Australian Stock Exchange (Stock Code: YAL) and the Hong Kong Stock Exchange (Stock Code: 3668)
“Yancoal Australia Group”	Yancoal Australia and its subsidiaries

DEFINITIONS

“Yankuang Group”	Yankuang Group Company Limited (兗礦集團有限公司), a company with limited liability reformed and established under the laws of the PRC on 12 March 1996, the controlling shareholder of the Company holding directly and indirectly 56.01% the issued share capital of the Company
“Yankuang Group Members”	Yankuang Group, its subsidiaries and associates (excluding the Company and its subsidiaries)
“Yulin Neng Hua”	Yanzhou Coal Yulin Neng Hua Company Limited* (兗州煤業榆林能化有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“Zhongyin Financial Leasing”	Zhongyin Financial Leasing Company Limited* (中垠融資租賃有限公司), a wholly-owned subsidiary of the Company
“Zhongyin International Trade”	Shandong Zhongyin International Trade Co., Ltd.* (山東中垠國際貿易有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“%”	percentage

Note: In this circular, the English names of the PRC entities are translation of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

LETTER FROM THE BOARD



兗州煤業股份有限公司

YANZHOU COAL MINING COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1171)

Directors:

Li Xiyong
Wu Xiangqian
Liu Jian
Zhao Qingchun
He Jing
Wang Ruolin

Registered office:

298 South Fushan Road
Zoucheng
Shandong Province
PRC
Postal Code: 273500

Independent non-executive Directors:

Tian Hui
Zhu Limin
Cai Chang
Poon Chiu Kwok

Principal place of business

in Hong Kong:
40/F., Sunshine Center
248 Queen's Road East
Wanchai
Hong Kong

13 January 2021

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS; AND
(2) PROPOSED PROVISION OF FINANCIAL GUARANTEE TO
THE COMPANY'S CONTROLLED SUBSIDIARIES AND
INVESTED COMPANIES**

I. INTRODUCTION

References are made to the announcement of the Company dated 9 December 2020 together with the notice of EGM of the Company dated 13 January 2021 in relation to the Proposed Yankuang Continuing Connected Transaction Agreements, the Existing Glencore Continuing Connected Transaction Agreements and the proposed provision of financial guarantee to the Company's controlled subsidiaries and invested companies.

The purpose of this circular is to provide you with information relating to (1) the Proposed Yankuang Continuing Connected Transaction Agreements and the Existing Glencore Continuing Connected Transaction Agreements, and (2) the proposed provision of financial guarantee to the Company's controlled subsidiaries and invested companies.

LETTER FROM THE BOARD

II. CONTINUING CONNECTED TRANSACTIONS

References are made to the announcements of the Company dated 27 November 2017 and 30 December 2019 and the circular of the Company dated 11 January 2018, respectively, in relation to, among others, the Existing Yankuang Continuing Connected Transactions under the respective Existing Yankuang Continuing Connected Transaction Agreements for the provision of goods and/or services between certain members of Yankuang Group and the Group.

References are made to the announcements of the Company dated 29 June 2018, 6 August 2018 and 2 November 2018 and the circular of the Company dated 8 August 2018, respectively, in relation to, among others, the Existing Glencore Continuing Connected Transactions under the respective Existing Glencore Continuing Connected Transaction Agreements for the provision of goods and/or services between certain members of Glencore Group and Yancoal Australia.

In this circular, references to the Company and Yankuang Group 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 Yankuang Group, its subsidiaries and its associates, excluding the Group; references to Yancoal Australia and Glencore Group in relation to the provision of products, materials or services in connection with continuing connected transactions shall include, in the case of Yancoal Australia, its subsidiaries or, in the case of Glencore Group, its subsidiaries and its associates.

The Existing Yankuang Continuing Connected Transaction Agreements include:

1. Existing Provision of Materials Supply Agreement
2. Existing Mutual Provision of Labour and Services Agreement
3. Existing Provision of Insurance Fund Administrative Services Agreement
4. Existing Provision of Products, Materials and Equipment Leasing Agreement
5. Existing Bulk Commodities Sale and Purchase Agreement
6. Existing Entrusted Management Agreement
7. Existing Finance Lease Agreement

LETTER FROM THE BOARD

The Existing Glencore Continuing Connected Transaction Agreements include:

1. Existing Glencore Framework Coal Sales Agreement
2. Existing Glencore Framework Coal Purchase Agreement
3. Existing HVO Services Contract
4. Existing HVO Sales Contract

On 9 December 2020, the Company entered into the Proposed Yankuang Continuing Connected Transaction Agreements with Yankuang Group relating to the renewal of certain Existing Yankuang Continuing Connected Transaction Agreements. The Proposed Yankuang Continuing Connected Transaction Agreements are subject to the Independent Shareholders' approval at the EGM.

On 9 December 2020, the Board approved the renewal and the proposed annual caps of the Existing Glencore Continuing Connected Transaction Agreements (as the case maybe). The renewal and the proposed annual caps of the Existing Glencore Continuing Connected Transaction Agreements (as the case maybe) are subject to the Independent Shareholders' approval at the EGM.

Yankuang Group is a controlling shareholder of the Company directly and indirectly holding 56.01% of the issued share capital of the Company as at the Latest Practicable Date, and thus constitutes a connected person of the Company under the Hong Kong Listing Rules. Yancoal Australia is a controlled subsidiary of the Company, and the HVO Joint Ventures and the companies associated with it are indirect subsidiaries of the Company. Glencore, through its wholly-owned subsidiary, is interested in more than 10% of the interest in the HVO Joint Venture and the companies associated with it, and is thus a substantial shareholder of the HVO Joint Venture and the companies associated with it. Glencore is accordingly a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of the subsidiaries of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules. Accordingly, the Proposed Yankuang Continuing Connected Transaction Agreements, the Existing Glencore Continuing Connected Transaction Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

1. RENEWAL OF EXISTING YANKUANG CONTINUING CONNECTED TRANSACTIONS

i. The Proposed Provision of Materials Supply Agreement

On 27 November 2017, the Company entered into the Existing Provision of Materials Supply Agreement with Yankuang Group for a term of three years commencing from 1 January 2018 to 31 December 2020. Please refer to the announcement of the Company dated 27 November 2017 and the circular of the Company dated 11 January 2018 for the details of the Existing Provision of Materials Supply Agreement.

The Proposed Provision of Materials Supply Agreement

On 9 December 2020, the Company entered into the Proposed Provision of Materials Supply Agreement with Yankuang Group to renew the Existing Provision of Materials Supply Agreement on substantially the same terms.

Date

9 December 2020

Parties

- (1) the Company; and
- (2) Yankuang Group

Term

Three years commencing from 1 January 2021 and expiring on 31 December 2023

Major terms

Yankuang Group would provide the following materials to the Company: methanol, 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 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 Materials Supply Agreement.

LETTER FROM THE BOARD

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 Business 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.

Yankuang Group has undertaken that the price of such supplies would not be higher than the price offered by Yankuang Group 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 Yankuang Group or if the provision of such materials by Yankuang Group 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.

LETTER FROM THE BOARD

The historical amount, proposed annual caps and reasons

Set out below are the historical annual amounts of the Existing Provision of Materials Supply Agreement for the two financial years ended 31 December 2019 and the six months ended 30 June 2020:

Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	Period from 1 January 2020 to 30 June 2020
Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)	Annual cap (RMB'000)	Actual amount (RMB'000)
300,000	296,747	300,000	275,204	300,000	104,750

As at the Latest Practicable Date, the actual amount for the year 2020 did not exceed the annual cap for the year 2020.

Considering that (i) after the reorganization with Shandong Energy Group, Yankuang Group enhanced its production capacity and is able to provide a wider variety of materials; and (ii) a newly-added subsidiary of the Company, Yankuang Lunan Chemicals Co., Ltd. (兗礦魯南化工有限公司), will also procure methanol from Yankuang Group, the transaction volume of materials supply between the Group and Yankuang Group is expected to increase. Based on such, the Board proposed that the total annual amounts payable by the Company to Yankuang Group under the Proposed Provision of Materials Supply Agreement shall not exceed RMB900,000 thousand, RMB1,000,000 thousand and RMB1,100,000 thousand for each of the three financial years ending 31 December 2021, 2022 and 2023.

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

The materials provided by Yankuang Group to the Company are mining and factory tools and equipment used in ordinary mining production of the Company. The steady business expansion of the Company requires for stable suppliers of mining production materials. Certain materials provided by Yankuang Group 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 Yankuang Group's production sites are close to the Company's coal mines, the transportation of such materials is convenient and at a relatively lower cost.

LETTER FROM THE BOARD

Implications of the Hong Kong 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 Hong Kong 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 EGM.

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.

ii. The Proposed Mutual Provision of Labour and Services Agreement

On 27 November 2017, the Company entered into the Existing Mutual Provision of Labour and Services Agreement with Yankuang Group for a term of three years commencing from 1 January 2018 to 31 December 2020. Please refer to the announcement of the Company dated 27 November 2017 and the circular of the Company dated 11 January 2018 for the details of the Existing Mutual Provision of Labour and Services Agreement.

The Proposed Mutual Provision of Labour and Services Agreement

On 9 December 2020, the Company 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.

Date

9 December 2020

Parties

- (1) the Company; and
- (2) Yankuang Group

LETTER FROM THE BOARD

Term

Three years commencing from 1 January 2021 and expiring on 31 December 2023

Major terms

Provision of labour and services by the Company to Yankuang Group:

Pursuant to the Proposed Mutual Provision of Labour and Services Agreement, the Company has agreed to provide Yankuang Group with services including training services, transportation services, repair and maintenance services, and informationization and telecommunication services.

Provision of labour and services by Yankuang Group to the Company:

Pursuant to the Proposed Mutual Provision of Labour and Services Agreement, Yankuang Group has agreed to provide the Company with services including property management services, repair and maintenance services, construction engineering and management services, individual employee benefits, retiree benefits, asset leasing and relevant services, canteen operation services, guarantee services, security services (including security guard services and coal train convoy services) and technology 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 Business 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.

LETTER FROM THE BOARD

Pricing

In respect of the provision of construction engineering and management services, repair and maintenance services, canteen operation services, guarantee services, security guard services in security services, asset leasing and technology services by Yankuang Group 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 telecommunication services by the Company to Yankuang Group, 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 procurement Market Price, normally in each month, the purchase department of the Company collects market data, conducts analysis on bulk raw materials and materials and commodities which may experience significant price fluctuations during the month from various perspectives, including among others, price, production capacity, production volume, inventory, cost and profit and issues a purchase price information plan, which will be used to guide the purchase department in the procurement. This information provides a basis for monitoring the Market Price.

LETTER FROM THE BOARD

With respect to the sales Market Price, the sales department of the Company will determine the tender price of the relevant materials and commodities at the end of each month, in accordance with the market condition.

In respect to the labour and services provided or received by the Company to or from Yankuang Group 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 property management services, individual employee benefits services, and retiree benefits services by Yankuang Group 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, Yankuang Group shall provide the Company with full account books and records in respect of the costs of such services.

The consideration for the provision of property management services by Yankuang Group shall be equal to the sum of the total costs for providing such services by Yankuang Group to the Company and itself multiplied by the proportion of the total number of employees in respect of the services received by the Company to the total number of employees in respect of the services received by Yankuang Group and the Company.

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

The retiree benefits to be paid shall be equal to 18% of the total salaries of the employees of the Group at the relevant time, which are estimated based on the historical amounts of the previous provision of the services by Yankuang Group and taking into account changes in future. If the actual retiree benefits to be paid exceed the aforementioned estimate, Yankuang Group will pay the excess amount.

The consideration for the provision of coal train convoy services in security services by Yankuang Group 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. If the difference between the delivery weight and the arrival weight is within the range of natural and reasonable losses specified by or agreed on by the Company, the fees will be determined based on the delivery weight of the coal at RMB2.35 per tonne.

LETTER FROM THE BOARD

Yankuang Group has undertaken that the price of such labour and services would not be higher than the price offered by Yankuang Group 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 for the two financial years ended 31 December 2019 and the six months ended 30 June 2020:

Category	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	Period from 1 January 2020 to 30 June 2020
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<i>Provision of labour and services by Yankuang Group to the Company:</i>						
heat supply services	85,000	46,198	95,000	83,554	110,000	44,939
property management services	140,000	137,200	140,000	6,333	140,000	0
retiree benefits	887,000	651,386	975,700	655,438	1,073,270	349,659
individual employee benefits	40,000	20,702	45,000	15,904	50,000	6,365
informationization and telecommunication	90,000	14,399	100,000	49,132	110,000	3,425
repair and maintenance services	120,000	25,324	130,000	102,834	140,000	1,819
construction engineering and management services	1,100,000	1,044,908	900,000	896,497	700,000	119,166
asset leasing and relevant services	50,000	24,524	50,000	4,708	50,000	1,822
guarantee services	325,000	206,132	325,000	179,315	325,000	82,436
canteen operation services	18,000	12,993	18,000	12,761	18,000	11,896
security services	52,000	51,500	52,000	50,480	52,000	24,567
sub-total	2,907,000	2,235,266	2,830,700	2,056,956	2,768,270	646,094

LETTER FROM THE BOARD

Category	Year ended 31 December 2018		Year ending 31 December 2019		Year ended 31 December 2020	Period from 1 January 2020 to 30 June 2020
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
<i>Provision of labour and services by the Company to Yankuang Group:</i>						
training services	10,000	4,280	10,000	5,553	10,000	1,467
transportation services	126,500	41,408	126,500	74,010	126,500	25,163
repair and maintenance services	28,000	3,220	30,000	17,196	30,000	0
consultancy services	12,600	0	12,600	0	12,600	0
Sub-total	177,100	48,908	179,100	96,759	179,100	26,630
Total	3,084,100	2,284,174	3,009,800	2,153,715	2,947,370	672,724

Note: Due to change in business model, Zhongyin International Trade did not provide consultancy services to Shanghai Zhongqi for the three years ended 31 December 2020.

As at the Latest Practicable Date, the actual amount for the year 2020 did not exceed the annual cap for the year 2020.

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 Yankuang Group under the Proposed Mutual Provision of Labour and Services Agreement shall not exceed RMB2,787,000 thousand, RMB3,139,000 thousand and RMB3,203,000 thousand for the three financial years ending 31 December 2021, 2022 and 2023, respectively, and the total amounts of the service fees payable by Yankuang Group to the Company under the Proposed Mutual Provision of Labour and Services Agreement shall not exceed RMB170,000 thousand, RMB195,000 thousand and RMB220,000 thousand for the three financial years ending 31 December 2021, 2022 and 2023, respectively.

LETTER FROM THE BOARD

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 2023:

Category	Annual cap for the year ending 31 December 2021 (RMB'000)	Annual cap for the year ending 31 December 2022 (RMB'000)	Annual cap for the year ending 31 December 2023 (RMB'000)
<i>Provision of labour and services by Yankuang Group to the Company:</i>			
property management services	12,000	12,000	13,000
repair and maintenance services	300,000	320,000	350,000
construction engineering and management services	1,200,000	1,500,000	1,500,000
individual employee benefits	40,000	40,000	40,000
retiree benefits	700,000	700,000	700,000
asset leasing and relevant services	80,000	90,000	100,000
canteen operation services	40,000	42,000	45,000
guarantee services	300,000	300,000	300,000
security services	85,000	95,000	105,000
technology services	30,000	40,000	50,000
Sub-total	2,787,000	3,139,000	3,203,000
<i>Provision of labour and services by the Company to Yankuang Group:</i>			
training services	10,000	10,000	10,000
transportation services	80,000	90,000	100,000
repair and maintenance services	60,000	70,000	80,000
informationization and telecommunication services	20,000	25,000	30,000
Sub-total	170,000	195,000	220,000
Total	2,957,000	3,334,000	3,423,000

LETTER FROM THE BOARD

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 Yankuang Group to the Company

- (1) According to national policy, the Company needs to transfer its supply facilities and utility facilities to the state, and thus its demand for the property management services from Yankuang Group will decrease significantly. Thus, the annual service fees for the property management services provided by Yankuang Group to the Company are expected to decrease significantly, and it is expected that the annual expenses of the Group for property management services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB12,000 thousand, RMB12,000 thousand and RMB13,000 thousand, respectively;
- (2) Considering (i) the aging of mining and factory equipment as well as buildings, and 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 Group, is capable of providing large equipment repair and maintenance services to the Company after the completion of the reorganization between Yankuang Group and Shandong Energy Group; and (iii) the increase of the prices of materials, it is expected that the annual expenses of the Group for repair and maintenance services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB300,000 thousand, RMB320,000 thousand and RMB350,000 thousand, respectively;
- (3) In light of the completion and acceptance inspection for the coal chemical projects, the construction plan of Wanfu Coal Mine and coal washing plants and the subsequent development and construction of Inner Mongolia Mining, it is expected that the annual expenses of the Group for construction engineering services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB1,200,000 thousand, RMB1,500,000 thousand and RMB1,500,000 thousand, respectively;
- (4) Given that the Company completed several acquisition projects in relation to Yankuang Group's assets in 2020, the total number of employees of the Group increased, and it is expected that the annual expenses of the Group for individual employee benefits for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB40,000 thousand, RMB40,000 thousand and RMB40,000 thousand, respectively;
- (5) As the Company is going to implement the enterprise pension arrangements (企業年金), the amount of the retiree benefits is not expected to increase from 2021. It is expected that the annual expenses of the Group for retiree benefits for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB700,000 thousand, RMB700,000 thousand and RMB700,000 thousand, respectively;

LETTER FROM THE BOARD

- (6) Given 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 newly added subsidiary of Yankuang Group after the reorganization between Yankuang Group and Shandong Energy Group, and the Company in the need of the production of inter-mine equipment, it is expected that the annual expenses of the Group for asset leasing and relevant services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB80,000 thousand, RMB90,000 thousand and RMB100,000 thousand, respectively;
- (7) Currently Shandong Yankuang Cinda provides canteen operation services to Ordos Neng Hua, Yulin Neng Hua and Heze Neng Hua. Considering that the Company will gradually implement professional operation of canteens, streamline the size of the logistics department and entrust the operation of its restaurant to specialized companies of the Yankuang Group, it is expected that the annual expenses of the Group for canteen operation services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB40,000 thousand, RMB42,000 thousand and RMB45,000 thousand, respectively;
- (8) Considering that the Company is in need of the guarantee provided by Yankuang Group, it is expected that the annual expenses of the Group for guarantee services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB300,000 thousand, RMB300,000 thousand and RMB300,000 thousand, respectively;
- (9) 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 cancellation of security department in the Company and the increasing demand for security guard services of new subsidiaries, the demand for security guard services of the Group is expected to significantly increase. Thus, it is expected that the annual expenses of the Group for security services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB85,000 thousand, RMB95,000 thousand and RMB105,000 thousand, respectively; and
- (10) The Company is planning to build smart coalmines and increase investment in technology to improve production efficiency, and Yankuang Group can provide technical support services to the construction of “smart mine”. As a result, technology services are newly added to the Proposed Mutual Provision of Labour and Services Agreement, and it is expected that the annual expenses of the Group for technology services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB30,000 thousand, RMB40,000 thousand and RMB50,000 thousand, respectively.

LETTER FROM THE BOARD

Basis of the proposed caps for services provided by the Company to Yankuang Group

- (1) Having considered the increase in the number of employees and the demand for education and training after the reorganization between Yankuang Group and Shandong Energy Group, it is expected that the annual revenue of the Group for training services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB10,000 thousand, RMB10,000 thousand and RMB10,000 thousand, respectively;
- (2) In accordance with the demands by Yankuang Group, the Railway Transportation Department of the Company and Shandong Duanxin Supply Chain Management Co. Ltd.* (山東端信供應鏈管理有限公司), a subsidiary of the Company, will provide railway transportation and automobile transportation to Yankuang Group respectively. It is expected that the annual revenue s of the Group for transportation services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB80,000 thousand, RMB90,000 thousand and RMB100,000 thousand, respectively;
- (3) Donghua Heavy Industry, a wholly-owned subsidiary of the Company, will provide repair and maintenance services to Yankuang Group based on actual needs. 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 2021, 2022 and 2023 will be RMB60,000 thousand, RMB70,000 thousand and RMB80,000 thousand, respectively; and
- (4) In 2020, the Company acquired the Informationization Center from Yankuang Group, which will provide telephone, broadband digital television and system maintenance services to Yankuang Group from 2021. It is expected that the annual revenue of the Group for informationization and telecommunication services for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB20,000 thousand RMB25,000 thousand and RMB30,000 thousand, respectively.

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

As regards the provision of labour and services by Yankuang Group, since both Yankuang Group and the Company are situated in Zoucheng, Shandong Province, the Company can obtain timely and reliable supply of labour and services from Yankuang Group, thereby reducing the operational costs and risks which helps to enhance the daily operation efficiency of the Company. With respect to canteen operation services, Shandong Yankuang Cinda, has the qualification to provide canteen operation services and extensive operation experience, as such, the Company could enjoy a safe, stable and quality-assured canteen services by obtaining the relevant services from Yankuang Group under normal commercial terms.

LETTER FROM THE BOARD

As regards the provision of labour and services by the Company to Yankuang Group, 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 increase its operating profits by providing such services to Yankuang Group at a fair price.

Implications of the Hong Kong Listing Rules

As the highest of the relevant percentage ratios in respect of the transactions under the Proposed Mutual Provision of Labour and Services Agreement exceeds 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, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

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.

iii. The Proposed Provision of Insurance Fund Administrative Services Agreement

On 27 November 2017, the Company entered into the Existing Provision of Insurance Fund Administrative Services Agreement with Yankuang Group for a term of three years commencing from 1 January 2018 to 31 December 2020. Please refer to the announcement of the Company dated 27 November 2017 and the circular of the Company dated 11 January 2018 for the details of the Existing Provision of Insurance Fund Administrative Services Agreement.

The Proposed Provision of Insurance Fund Administrative Services Agreement

On 9 December 2020, the Company entered into the Proposed Provision of Insurance Fund Administrative Services Agreement with Yankuang Group to renew the Existing Provision of Insurance Fund Administrative Services Agreement on substantially the same terms.

Date

9 December 2020

Parties

- (1) the Company; and
- (2) Yankuang Group

LETTER FROM THE BOARD

Term

Three years commencing from 1 January 2021 and expiring on 31 December 2023

Major terms

Yankuang Group has undertaken to be responsible for the management of basic pension insurance payments and supplementary medical insurance payments 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 Yankuang Group each month an amount equivalent to (1) 18% of the total monthly salaries of the employees of the Group as basic pension payment; and (2) 2% of the total monthly salaries of the employees of the Group as the supplementary medical insurance payments to a designated account maintained by Yankuang Group, which would be transferred by Yankuang Group on behalf of the employees of the Group to the relevant social welfare authorities maintained by the local government on a free-of-charge basis. The respective proportion of the relevant insurance payments will be adjusted from time to time according to the changes of the respective proportion of the payments pursuant to the relevant laws and regulations.

Yankuang Group 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-of-charge transfer services provided by Yankuang Group to the Company for the financial years ended 31 December 2018, 2019 and the six months ended 30 June 2020 were RMB900,552 thousand RMB961,616 thousand and RMB357,237 thousand, respectively. As the provision of insurance fund administrative services by Yankuang Group is on a free-of-charge basis under the Existing Provision of Insurance Fund Administrative Services Agreement, there is no historical amount and no annual cap is required to be set for the provision of such services.

Due to adjustments in social insurance policy, basic medical insurance payments, unemployment fund payments, maternity insurance payments and employment injury insurance payments shall be made by the Company directly to relevant tax authorities. According to the applicable PRC regulations, the Company has to provide an annual estimate of the amounts of the insurance fund payments transferred by Yankuang Group on behalf of the employees of the Group to the relevant social welfare authorities

LETTER FROM THE BOARD

maintained by the local government on a free-of-charge basis. Along with the growing prosperity of the industry and the expansion of business of the Company, the total amount of salaries linked to the performance of employees has been increasing. In addition, the insurance fees will increase by 10% on an annual basis due to corresponding increase in the salary of the employees. Considering the above reasons, pursuant to the Proposed Provision of Insurance Fund Administrative Services Agreement, the Company estimates that the amounts of insurance fund of the free transfer services provided by Yankuang Group to the Company for the three financial years ending 31 December 2021, 2022 and 2023 will be RMB770,000 thousand, RMB847,000 thousand and RMB931,700 thousand, respectively.

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

The Company does not have the resources to provide social services. The social services such as basic pension and supplemental medical insurance under the Proposed Provision of Insurance Fund Administrative Services Agreement are essential to the Group and it would be the most efficient if the transfer services are provided by Yankuang Group on a free-of-charge basis.

Implications of the Hong Kong Listing Rules

As the insurance fund administrative services will be provided by Yankuang Group 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 Hong Kong 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 thereunder for the Independent Shareholders' approval at the EGM.

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.

LETTER FROM THE BOARD

iv. The Proposed Provision of Products, Materials and Asset Leasing Agreement

On 27 November 2017, the Company entered into the Existing Provision of Products, Materials and Equipment Leasing Agreement with Yankuang Group for a term of three years commencing from 1 January 2018 to 31 December 2020. On 7 February 2020, Dongjiang Real Estate and Shanghai Yankuang Cinda entered into the Dongjiang Lease Agreement in relation to the lease of Dongjiang Pearl Plaza. Please refer to the announcements of the Company dated 27 November 2017 and 7 February 2020, and the circular of the Company dated 11 January 2018 for the details of the Existing Provision of Products, Materials and Equipment Leasing Agreement and the Dongjiang Lease Agreement.

The Proposed Provision of Products, Materials and Asset Leasing Agreement

On 9 December 2020, the Company entered into the Proposed Provision of Products, Materials and Asset Leasing Agreement with Yankuang Group to renew the Existing Provision of Products, Materials and Equipment Leasing Agreement on substantially the same terms. To better manage the assets leasing between the Company and Yankuang Group, the Company and Yankuang Group decided to consolidate the currently effective Dongjiang Lease Agreement into the Proposed Provision of Products, Materials and Asset Leasing Agreement.

Date

9 December 2020

Parties

- (1) the Company; and
- (2) Yankuang Group

Term

Three years commencing from 1 January 2021 and expiring on 31 December 2023

Major Terms

Pursuant to the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Company would provide the followings to Yankuang Group: coal products, electricity, 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

LETTER FROM THE BOARD

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 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 Business 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, materials and asset leasing shall be determined according to the Market Price.

The price of electricity shall be determined based on the price approved by the relevant government authorities (including but not limited to Shandong Province Price Bureau and Jining Municipal Price Bureau) and would be settled according to the actual amounts used by Yankuang Group.

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.

LETTER FROM THE BOARD

The historical amount, proposed annual caps and reasons

Set out below are the historical annual amounts of the Existing Provision of Products, Materials and Equipment Leasing Agreement for the two financial years ended 31 December 2019 and the six months ended 30 June 2020:

Category	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	Period from 1 January 2020 to 30 June 2020
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
coal sales	2,272,500	2,269,360	2,638,000	1,244,961	2,771,000	1,035,437
materials supply	1,318,800	1,154,088	1,596,800	805,598	1,809,700	441,584
methanol sales	80,000	1,588	80,000	5,456	100,000	1,891
equipment leasing	30,000	9,202	35,000	29,450	40,000	34,853
electricity supply	110,000	56,318	120,000	28,065	130,000	15,115
heat supply	26,000	17,130	26,000	3,073	26,000	0
Total	3,837,300	3,507,686	4,495,800	2,116,603	4,876,700	1,528,880

As at the Latest Practicable Date, the actual amount for the year 2020 did not exceed the annual cap for the year 2020.

The Board proposed that the annual amount payable by Yankuang Group to the Company under the Proposed Provision of Products, Materials and Asset Leasing Agreement shall not exceed RMB3,320,000 thousand, RMB4,130,000 thousand and RMB4,542,000 thousand for the three financial years ending 31 December 2021, 2022 and 2023, respectively.

LETTER FROM THE BOARD

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 2023:

Category	Annual cap for the year ending 31 December 2021 (RMB'000)	Annual cap for the year ending 31 December 2022 (RMB'000)	Annual cap for the year ending 31 December 2023 (RMB'000)
coal sales	2,500,000	3,200,000	3,500,000
materials supply	700,000	800,000	900,000
asset leasing	100,000	110,000	120,000
electricity supply	<u>20,000</u>	<u>20,000</u>	<u>22,000</u>
total	<u>3,320,000</u>	<u>4,130,000</u>	<u>4,542,000</u>

Notes:

- 1) In 2020, the Company acquired the two subsidiaries from Yankuang Group that are engaged in the methanol acquisition under the Existing Provision of Products, Materials and Equipment Leasing Agreement, and thus the transactions of methanol sales will be terminated.
 - 2) From 2021, relevant governmental agencies will implement a new policy of heat provision, and thus the transactions of heat provision will be terminated.
- (1) Considering (i) changes in the scope of connected transactions after the reorganization between Yankuang Group and Shandong Energy Group, (ii) changes in the scope of connected transactions after the acquisition of shares in Shaanxi Future Energy & Chemicals Co., Ltd., and (iii) the coal sales plan of the Company in the next three years, it is expected that the revenue of coal sales payable by Yankuang Group to the Company for the three financial years ending 31 December 2021, 2022 and 2023 shall be RMB2,500,000 thousand, RMB3,200,000 thousand and RMB3,500,000 thousand, respectively;
 - (2) Considering (i) changes in the scope of connected transactions after the reorganization between Yankuang Group and Shandong Energy Group, and (ii) changes in the scope of connected transactions after the acquisition of shares in Shaanxi Future Energy & Chemicals Co., Ltd., it is expected that the revenue of provision of materials payable by Yankuang Group to the Company for the three financial years ending 31 December 2021, 2022 and 2023 shall be RMB700,000 thousand, RMB800,000 thousand and RMB900,000 thousand, respectively;

LETTER FROM THE BOARD

- (3) Considering (i) the increasing demand for asset leasing of Yankuang Group in the next three financial years, and (ii) the inclusion of property lease business into the Proposed Provision of Products, Materials and Asset Leasing Agreement, it is expected that the revenue of provision of asset leasing payable by Yankuang Group to the Company for the three financial years ending 31 December 2021, 2022 and 2023 shall be RMB100,000 thousand, RMB110,000 thousand and RMB120,000 thousand, respectively;
- (4) Considering the demand for transferring electricity supply of Yankuang Group in the next three years, it is expected that the revenue of sales of electricity payable by Yankuang Group to the Company for the three financial years ending 31 December 2021, 2022 and 2023 shall be RMB20,000 thousand, RMB20,000 thousand and RMB22,000 thousand, respectively.

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

Due to the close proximity between Yankuang Group and the Company, the provision of products and materials by the Company to Yankuang Group at Market Price can reduce management and operational costs of the Group and can achieve a stable sales market for the Company. 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 Yankuang Group at the Market Price, thereby increases the Company's operating profit. Furthermore, the Company, through its equipment management centre provides equipment leasing to Yankuang Group under normal commercial terms based on its operation needs and thus could effectively control the risks of leasing business and achieve economic benefits.

Under the Proposed Provision of Products, Materials and Asset Leasing Agreement, the coal provided by the Company to Yankuang Group are of different sources, batches, types or models from the coal provided by the Company to Yankuang Group under the Proposed Bulk Commodities Sale and Purchase Agreement. No cross selling will be made between the Company and Yankuang Group in terms of the coal sales business.

Implications of the Hong Kong 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 Hong Kong Listing Rules.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) 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.

v. The Proposed Bulk Commodities Sale and Purchase Agreement

On 27 November 2017, the Company entered into the Existing Bulk Commodities Sale and Purchase Agreement with Yankuang Group for a term of three years commencing from 1 January 2018 to 31 December 2020. Please refer to the announcement of the Company dated 27 November 2017 and the circular of the Company dated 11 January 2018 for the details of the Existing Bulk Commodities Sale and Purchase Agreement.

The Proposed Bulk Commodities Sale and Purchase Agreement

On 9 December 2020, the Company entered into the Proposed Bulk Commodities Sale and Purchase Agreement with Yankuang Group to renew the Existing Bulk Commodities Sale and Purchase Agreement on substantially the same terms.

Date

9 December 2020

Parties

(1) the Company; and

(2) Yankuang Group

Term

Three years commencing from 1 January 2021 and expiring on 31 December 2023

Major terms

Pursuant to the Proposed Bulk Commodities Sale and Purchase Agreement, the Company and Yankuang Group may, from time to time, sell or purchase coal, iron ores, rubber and other bulk commodities from each other.

On or before 30 November each year, the requesting party may provide to the supplying party an annual assessment of the supplies 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 Bulk Commodities Sale and Purchase Agreement.

LETTER FROM THE BOARD

Payment

- (1) The payment of consideration of the Proposed Bulk Commodities Sale and Purchase 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 Bulk Commodities Sale and Purchase Agreement in its accounts on or before the last Business 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, iron ores, rubber and other bulk commodities shall be determined according to the Market Price.

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 by obtaining quotation fee 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 to determine the Market Price. The sales department or purchase department of the Company will update the relevant information from time to time based on the procurement demand and will continue to monitor the Market Price to ensure that each transaction is conducted in accordance with the pricing policy set out above.

Yankuang Group has undertaken that the price of such bulk commodities shall not be higher than the price offered by Yankuang Group to any independent third parties for the same type of bulk commodities under any circumstances.

In the event that the terms or conditions of the provision or procurement of any bulk commodities by any third party are better than the terms or conditions offered by Yankuang Group or if the provision of such bulk commodities by Yankuang Group cannot meet the demand of the Company, the Company would be entitled to purchase any such bulk commodities from or sell such bulk commodities to other 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 Bulk Commodities Sale and Purchase Agreement and such transactions will be conducted on normal commercial terms and in the interest of the Company and Shareholders as a whole.

LETTER FROM THE BOARD

The historical amounts, proposed annual caps and reasons

Set out below are the historical annual amounts of the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ended 31 December 2019 and the six months ended 30 June 2020:

Category	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	Period from 1 January 2020 to 30 June 2020
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Sales of bulk commodities from the Company to Yankuang Group	3,641,000	0	3,841,000	1,615,332	4,281,000	55,629
Sales of bulk commodities from Yankuang Group to the Company	<u>4,500,000</u>	<u>160,656</u>	<u>4,700,000</u>	<u>561,565</u>	<u>5,140,000</u>	<u>439,751</u>
Total	<u>8,141,000</u>	<u>160,656</u>	<u>8,541,000</u>	<u>2,176,897</u>	<u>9,421,000</u>	<u>495,380</u>

As at the Latest Practicable Date, the actual amount for the year 2020 did not exceed the annual cap for the year 2020.

Set out below are the proposed annual caps for each transaction category under the Proposed Bulk Commodities Sale and Purchase Agreement for each of the three financial years ending 31 December 2023.

Category	Annual cap for the year ending 31 December 2021 (RMB'000)	Annual cap for the year ending 31 December 2022 (RMB'000)	Annual cap for the year ending 31 December 2023 (RMB'000)
Sales of bulk commodities from the Company to Yankuang Group	2,970,000	3,270,000	3,270,000
Sales of bulk commodities from Yankuang Group to the Company	<u>500,000</u>	<u>550,000</u>	<u>600,000</u>
total	<u>3,470,000</u>	<u>3,820,000</u>	<u>3,870,000</u>

LETTER FROM THE BOARD

In terms of the sales of bulk commodities from the Company to Yankuang Group, taking into account of (i) the average price of the relevant commodities in 2020, (ii) the sales plan of the Group for selling coal, iron ores, rubber and other kinds of bulk commodities to Yankuang Group for the year 2021 which is formulated based on the procurement demand of Yankuang Group and the intended business development plans of the Group (which provides an indication of approximate trading volume for 2021), and (iii) the business plan of Yancoal Australia to develop coal trading business using the marketing network of the subsidiaries of Yankuang Group, it is expected that the annual fees payable by Yankuang Group to the Company under the Proposed Bulk Commodities Sale and Purchase Agreement shall not exceed RMB2,970,000 thousand, RMB3,270,000 thousand and RMB3,270,000 thousand for the three financial years ending 31 December 2021, 2022 and 2023, respectively.

In terms of the purchase of bulk commodities by the Company from Yankuang Group, taking into account of (i) the average price of the relevant commodities in 2020, (ii) the innovation of trade and logistics, the business development and the procurement plans of the Group for purchasing coal, iron ores, rubber and other kinds of bulk commodities from Yankuang Group, it is expected that the annual fees payable by the Company to Yankuang Group under the Proposed Bulk Commodities Sale and Purchase Agreement shall not exceed RMB500,000 thousand RMB550,000 thousand and RMB600,000 thousand for the three financial years ending 31 December 2021, 2022 and 2023, respectively.

The Company refers to the average price of the relevant commodities in 2020 with reference to the quotations set out in several domestic information websites of bulk commodities, including but not limited to Zhuochuang Information (卓創資訊, <http://www.sci99.com/>) and Wind Information (Wind 資訊, <http://www.wind.com.cn/>), when estimating the annual caps for the purchase or sales of the bulk commodities, as this average price is the most recent average price which is available to the Company to provide an indication of the price trend for the next three years. Despite the fluctuation of the average price from time to time, the Company believes that the average price of the relevant bulk commodities for each of the financial year ending 31 December 2021, 2022 and 2023 would not significantly deviate from the average price in 2020. The average price of the relevant bulk commodities under the Proposed Bulk Commodities Sale and Purchase Agreement in the 2020 is (i) RMB534.75 per tonne for coal; (ii) RMB697.00 per tonne for the iron ores; and (iii) RMB9,150.00 per tonne for the rubber.

Reasons and benefits for entering into the Proposed Bulk Commodities Sale and Purchase Agreement

As disclosed above, the entering into of the Proposed Bulk Commodities Sale and Purchase Agreement will help to alleviate the impact of cycle fluctuations on the business performance of the Company, enlarge the overall operating scale and improve the profitability of the Company. Furthermore, the Proposed Bulk Commodities Sale and Purchase Agreement will enable the Company and Yankuang Group to share the suppliers and customers in their respective resourcing and distribution channels which cover different areas, and thus bring the advantages of both the Company and

LETTER FROM THE BOARD

Yankuang Group in their resourcing and distribution channels into full play, thereby creates a synergistic effect that could expand the trading size, improve the sales volume and improve the revenue of both parties.

In addition, as the Company has a better understanding in the operation and reputation of Yankuang Group, the Company believes that the risk of trading with Yankuang Group is lower than trading with third parties. By purchasing bulk commodities from Yankuang Group, the Company could secure a long-term and stable sources of supply. By selling bulk commodities to Yankuang Group, the Company could ensure the safety of the transactions, including payment recoveries. Collectively, this could reduce the operational risks of the entire trading business of the Company.

Under the Proposed Bulk Commodities Sale and Purchase Agreement, the coal, iron ores and rubber purchased by the Company from Yankuang Group are of different sources, batches, types or models from the coal, iron ores and rubber sold by the Company to Yankuang Group. No cross selling will be made under the Proposed Bulk Commodities Sale and Purchase Agreement.

Implications of the Hong Kong Listing Rules

As the highest of the relevant percentage ratios in respect of the transactions under the Proposed Bulk Commodities Sale and Purchase Agreement exceeds 5% on an annual basis, the Proposed Bulk Commodities Sale and Purchase 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 Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Proposed Bulk Commodities Sale and Purchase 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.

LETTER FROM THE BOARD

vi. The Proposed Entrusted Management Agreement

On 5 December 2018, the Company entered into the Existing Entrusted Management Agreement with Yankuang Group, pursuant to which the Company agreed to provide management services to certain subsidiaries of Yankuang Group during the period from 1 January 2019 to 31 December 2020. For details of the Existing Entrusted Management Agreement, please refer to the announcement of the Company dated 5 December 2018.

The Proposed Entrusted Management Agreement

On 9 December 2020, the Company entered into the Proposed Entrusted Management Agreement with Yankuang Group.

Date

9 December 2020

Parties

- (1) the Company; and
- (2) Yankuang Group

Terms

Three year commencing from 1 January 2021 to 31 December 2023.

Major terms

Pursuant to the Proposed Entrusted Management Agreement, the Company will provide management services to 2 subsidiaries of Yankuang Group, namely, Shandong Liyan Power Co., Ltd.* (山東裡彥發電有限公司) and Shandong Luxi Power Co., Ltd.* (山東魯西發電有限公司) (the “**Target Subsidiaries**”). The service scope includes but is not limited to, strategic management, business development, procurement and sales of materials, warehouse and storage services, electricity sales and marketing, supply of heat, and safe production.

During the period of entrusted management, the Target Subsidiaries will remain subsidiaries of Yankuang Group and they will not be consolidated into the financial statements of the Company. Yankuang Group will be entitled to the profits generated from the assets of the Target Subsidiaries during the period of entrusted management.

Pricing

The entrusted management fee will be RMB1,500 thousand each year for each of the Target Companies.

LETTER FROM THE BOARD

Payment

Yankuang Group shall pay annual entrusted management fees to the Company within one month after the audited annual reports of the Target Companies are issued.

The historical amounts, proposed annual caps and reasons

The historical annual amounts of the entrusted management fees under the Existing Entrusted Management Agreement for the financial year ended 31 December 2019 and the six months ended 30 June 2020 are RMB7,300 thousand and null, respectively. As at the Latest Practicable Date, the actual amount for the year 2020 did not exceed the annual cap for the year 2020.

Considering the asset size and business model of the Target Companies, the proposed annual cap of the entrusted management fees for each of the three financial years ending 31 December 2023 is RMB3,000 thousand, RMB3,000 thousand and RMB3,000 thousand, respectively.

Reasons and benefits for entering into the Proposed Entrusted Management Agreement

By entering into the Proposed Entrusted Management Agreement, the Company can (i) avoid competition with Target Companies in relevant industries; (ii) bring the professional management capacity of the Company into full play, boost the development and competitiveness of the power sectors and create synergy effect; and (iii) tap into the scale effect and improve the economic benefits of the Company.

Implications of the Hong Kong Listing Rules

As the highest of the relevant percentage ratios for the transactions under the Proposed Entrusted Management Agreement is lower than 0.1%, the Proposed Entrusted Management Agreement and the transactions contemplated thereunder are exempt from all reporting, announcement and Independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

According to the applicable PRC regulations, the Company will submit the resolution relating to the Proposed Entrusted Management Agreement and the transactions thereunder for the Independent Shareholders' approval at the EGM.

The Directors (including the independent non-executive Directors) consider that the Proposed Entrusted Management 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.

LETTER FROM THE BOARD

vii. The Proposed Finance Lease Agreement

On 30 December 2019, Zhongyin Financial Leasing entered into the Existing Finance Lease Agreement with Yankuang Group, pursuant to which Zhongyin Financial Leasing has agreed to provide Finance Leasing Service to Yankuang Group Members during the period from 1 January 2020 to 31 December 2020. For details of the Existing Finance Lease Agreement, please refer to the announcement of the Company dated 30 December 2019.

The Proposed Finance Lease Agreement

On 9 December 2020, the Company entered into the Proposed Finance Lease Agreement with Yankuang Group to renew the Existing Finance Lease Agreement on substantially the same terms.

Date

9 December 2020

Parties

- (1) the Company (as lessor); and
- (2) Yankuang Group (as lessee)

Terms

Three year commencing from 1 January 2021 to 31 December 2023.

Arrangements of the Finance Leasing Service

Pursuant to the Proposed Finance Lease Agreement, the Company has agreed to provide Finance Leasing Service to Yankuang Group Members by way of direct finance leasing service and sale-leaseback service.

Under the direct finance leasing service, the Company will purchase the Leased Assets based on the demands and requirements of Yankuang Group Members from Independent Third Party suppliers, and will then lease the Leased Assets to Yankuang Group Members for their use in return for periodic lease payments. The ownership of the Leased Assets will be solely vested in the Company during the lease period. Yankuang Group Members could choose to purchase the Leased Assets after expiry of the lease or upon the consent of the Company prior to the expiry of the lease, subject to compliance with the then relevant requirements under the Hong Kong Listing Rules.

Under the sale-leaseback service, Yankuang Group Members will sell the Leased Assets to the Company at a negotiated purchase price with reference to the book value, the appraisal value, and/ or the original acquisition costs of the Leased Assets, and the Company or its subsidiary will then lease the Leased Assets back to Yankuang Group Members for their use in return for periodic lease payments. The ownership of the

LETTER FROM THE BOARD

Leased Assets will be solely vested in the Company during the lease period. Yankuang Group Members could choose to purchase the Leased Assets after expiry of the lease or upon the consent of the Company prior to the expiry of the lease, subject to compliance with the then relevant requirements under the Hong Kong Listing Rules.

The Company intends to pay the purchase price for the Leased Assets by way of its internal funds and financing funds.

The principal amount of each Finance Leasing Service will be equal to the respective purchase price of the Leased Assets. The principal and interest with respect to the provision of Finance Leasing Service will be paid by Yankuang Group Members on a quarterly basis.

The Company will also charge commission fees or consulting fees with respect to the provision of Finance Leasing Service. Such commission fees or consulting fees will be paid by Yankuang Group Members to the Company upon or prior to the Company payment of the purchase price of the Leased Assets.

Separate Individual Agreements

With respect to the provision of each Finance Leasing Service, the Company and Yankuang Group Members will enter into separate Individual Agreements pursuant to the Proposed Finance Lease Agreement and the transactions contemplated thereunder shall be conducted on normal commercial terms or better and no less favourable to the Company than the same offered by Yankuang Group Members to Independent Third Parties for receiving comparable finance leasing service. The term of the Individual Agreements may exceed the term of the Proposed Finance Lease Agreement subject to the domestic and overseas approval procedures for connected transactions.

Interests and fees

The interest rate and relevant fees to be agreed for the Finance Leasing Service shall be fair and reasonable and on normal commercial terms or better. In particular, when determining the effective interest rate, the Company shall make reference to the following non-exhaustive factors:

- (1) not lower than 5% above the lending rates published by the National Interbank Funding Center at the same period, and the highest interest rate will not exceed 7.5%;
- (2) the financing costs of the Company;
- (3) the quotations for similar finance leasing services offered by the Company to Independent Third Parties;
- (4) the risk premium of Yankuang Group Members; and

LETTER FROM THE BOARD

- (5) all other relevant fees, including the annual commission fees and consulting fees not higher than 1% of the principal of the relevant finance lease agreement.

The Company will consider the above factors and ensure that the overall terms and conditions for providing the Finance Leasing Service, including the effective interest rates and fees as well as payment conditions and other material terms, are no less favourable to the Company than the same offered by Yankuang Group Members to Independent Third Parties for receiving comparable finance leasing service.

Leased Assets

The Leased Assets include, among others, buildings, structures and mechanical equipment.

The proposed annual caps and reasons

Set out below are the proposed annual caps under the Proposed Finance Lease Agreement for each of the three financial years ending 31 December 2023.

Category	Annual cap for the year ending 31 December 2021 (RMB'000)	Annual cap for the year ending 31 December 2022 (RMB'000)	Annual cap for the year ending 31 December 2023 (RMB'000)
the maximum transaction amount (i.e., the proposed annual cap for the aggregate outstanding daily balance of the principal amount together with the interests, commission fees and the consulting fees)	6,510,000	7,595,000	8,680,000
the maximum interest and fees payment (i.e., the proposed annual cap for the aggregate outstanding daily balance of the interests, commission fees and the consulting fees)	510,000	595,000	680,000

LETTER FROM THE BOARD

The proposed annual cap was calculated by reference to:

- (1) the intended expansion of finance lease business provided by the Company to Yankuang Group and its subsidiaries; and
- (2) the estimated three-year loan prime rate (“LPR”) of approximately 4.25%, which is calculated based on LPRs announced by the People’s Bank of China in June 2020 (one-year LPR: 3.85%; five-year LPR: 4.65%). The interest rate of the Company will not be lower than the LPR of the corresponding period and is estimated to be within the range of 4.25% and 7.5%, with the annual service fee rate at no higher than 1%.

Reasons and benefits for entering into the Proposed Finance Lease Agreement

The Proposed Finance Lease Agreement will improve the profitability and competitiveness of the Company, and the interest payment generated from the Finance Leasing Service (after deducting the financing costs) will enable the Company to obtain a stable cash flow.

Implications under the Hong Kong Listing Rules

As the highest of the relevant percentage ratios in respect of the transactions under the Proposed Finance Lease Agreement exceeds 5% on an annual basis, the Proposed Finance Lease 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 Hong Kong Listing Rules. Since the highest applicable percentage ratio in respect of the highest annual cap under the Proposed Finance Lease Agreement is more than 5% but less than 25%, the Proposed Finance Lease Agreement also constitutes a discloseable transaction for the Company and is subject to reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) consider that the Finance Lease 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.

LETTER FROM THE BOARD

2. EXISTING GLENCORE CONTINUING CONNECTED TRANSACTIONS

i. The Existing Glencore Framework Coal Sales Agreement

On 29 June 2018, Yancoal Australia and Glencore entered into the Existing Glencore Framework Coal Sales Agreement to govern all existing and future sales of coal by Yancoal Australia Group to Glencore Group, pursuant to which, Yancoal Australia Group may from time to time agree to sell and deliver, and Glencore Group may from time to time agree to purchase and accept coal. The Existing Glencore Framework Coal Sales Agreement expired on 31 December 2020 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the applicable provisions of the Hong Kong Listing Rules. For details of the Existing Glencore Framework Coal Sales Agreement, please refer to the announcement of the Company dated 29 June 2018.

On 9 December 2020, the Board resolved to renew the Existing Glencore Framework Coal Sales Agreement for a further three years commencing from 1 January 2021 and set the annual caps for the three years ending 31 December 2023 for the transactions thereunder.

Parties

(1) Yancoal Australia

(2) Glencore

Major terms

Yancoal Australia Group may from time to time agree to sell and deliver, and Glencore Group may from time to time agree to purchase and accept coal in accordance with the terms of the Existing Glencore Framework Coal Sales Agreement.

Term

The Existing Glencore Framework Coal Sales Agreement shall be renewed on 1 January 2021 and shall expire on 31 December 2023, and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions of the Hong Kong Listing Rules, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Existing Glencore Framework Coal Sales Agreement.

Pricing

All transactions under the Existing Glencore Framework Coal Sales Agreement must be conducted (i) in the ordinary and usual course of business of Yancoal Australia Group and Glencore Group; (ii) on an arm's length basis; (iii) on normal commercial terms with the final sale price being determined with reference to the prevailing market price for the relevant type of coal and the quality of coal; and (iv) in compliance with all applicable laws and regulations (including the rules of the stock exchanges), the

LETTER FROM THE BOARD

Existing Glencore Framework Coal Sales Agreement and the separate agreements or transactions summary confirmations in relation to the transactions under the Existing Glencore Framework Coal Sales Agreement.

Specifically, Yancoal Australia Group will take into account the relevant industry benchmarks and indices when determining the market price based on product types and with reference to the quality of the coal. The market price of thermal coal, based on the quality, will be determined with reference to the NEWC Index, which is the main price reference for physical coal contracts in Asia (published by Global Coal) and the API 5, which is the key price reference used for coal supply agreements in the Australian and Chinese markets (comprising of market assessment from industry published reports namely the Argus Coal Report and Platts Coal Trader International); The market price of metallurgical coal, based on the quality, will be determined with reference to the price indices of the S&P Global Platts, which will be published on a daily basis (by the Platts Coal Trader International) and the JKT (Japan/Korea/Taiwan) Benchmark, which is for Low Volatile PCI Coals (LVPCI) and Semi Soft Coking Coals (SSCC), and is negotiated on a quarterly basis by a major producer of that type of coal (typically either Nippon Steel Corporation or POSCO).

Payment

Each Party shall pay its own costs and expenses relating to the preparation, execution and performance by it of the Existing Glencore Framework Coal Sales Agreement and each document referred to in the Existing Glencore Framework Coal Sales Agreement.

Historical transaction amounts

Set out below are the historical annual amounts of the Existing Glencore Framework Coal Sales Agreement for the two financial years ended 31 December 2019 and the six months ended 30 June 2020:

Category	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	Period from 1 January 2020 to 30 June 2020
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)
aggregate annual transaction amount paid by Glencore Group to Yancoal Australia Group for the purchase of coal	350,000	297,000	350,000	243,000	350,000	113,000

LETTER FROM THE BOARD

Proposed annual caps and basis

The proposed annual caps, i.e., the maximum annual transaction amount to be received by Yancoal Australia Group from Glencore Group for the three years ending 31 December 2021, 2022 and 2023 will not exceed US\$350,000 thousand, US\$350,000 thousand and US\$350,000 thousand.

The proposed annual caps for the transactions under the Existing Glencore Framework Coal Sales Agreement are determined mainly based on: (i) the historical transaction amounts; (ii) the expected demand for coal from Glencore Group for the three years ending 31 December 2021, 2022 and 2023; and (iii) the estimated sale price of coal.

Reasons and benefits for Renewal of the Existing Glencore Framework Coal Sales Agreement

Glencore Group may purchase coal from Yancoal Australia Group from time to time for sale to end customers, in order to maintain customer relationships or to meet specific customer requirements. As such, Yancoal Australia and Glencore renewed the Existing Glencore Framework Coal Sales Agreement to govern all existing and future sales of coal by Yancoal Australia Group to Glencore Group, which is beneficial for Yancoal Australia to continuously develop its coal business. The continuous connected transactions can help realize synergy and reduce transaction costs and business risks.

Implications of the Hong Kong Listing Rules

The highest of the applicable percentage ratios in respect of the transactions under the Existing Glencore Framework Coal Sales Agreement exceeds 1% on an annual basis. As the continuing connected transaction under the Existing Glencore Framework Coal Sales Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Hong Kong Listing Rules, the Existing Glencore Framework Coal Sales Agreement, the transactions contemplated thereunder and the proposed annual caps are subject to reporting and announcement requirements and are exempt from the circular, independent financial advice and shareholders' approval requirements.

The Directors (including the independent non-executive Directors) are of the opinion that the Existing Glencore Framework Coal Sales 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.

LETTER FROM THE BOARD

According to the applicable PRC regulations, the Company will submit the proposal relating to the renewal of the Existing Glencore Framework Coal Sales Agreement, the transactions contemplated thereunder and the proposed annual caps for the Independent Shareholders' approval at the EGM.

ii. The Existing Glencore Framework Coal Purchase Agreement

On 6 August 2018, Yancoal Australia and Glencore entered into the Existing Glencore Framework Coal Purchase Agreement to govern purchase of coal by Yancoal Australia Group from Glencore Group, pursuant to which, Yancoal Australia Group may from time to time agree to purchase and accept, and Glencore Group may from time to time agree to sell and deliver coal. The Existing Glencore Framework Coal Purchase Agreement expired on 31 December 2020 and is automatically renewable for successive periods of three years thereafter, subject to compliance with the applicable provisions of the Hong Kong Listing Rules. For details of the Existing Glencore Framework Coal Purchase Agreement, please refer to the announcement of the Company dated 6 August 2018 and the circular of the Company 8 August 2018.

On 9 December 2020, the Board resolved to renew the Existing Glencore Framework Coal Purchase Agreement for a further three years commencing from 1 January 2021 and to set the annual caps for the three years ending 31 December 2023 for the transactions thereunder.

Parties

- (1) Yancoal Australia
- (2) Glencore

Major terms

Glencore Group may from time to time agree to sell and deliver, and Yancoal Australia Group may from time to time agree to purchase and accept coal in accordance with the terms of the Existing Glencore Framework Coal Purchase Agreement.

Term

The Existing Glencore Framework Coal Purchase Agreement shall be renewed from 1 January 2021 and shall expire on 31 December 2023, and is automatically renewable for successive periods of three years thereafter, subject to compliance with the then applicable provisions and approval procedures of the regulations in the places of listing of the Company, unless terminated earlier by not less than three months' prior notice or otherwise in accordance with the terms of the Existing Glencore Framework Coal Purchase Agreement.

LETTER FROM THE BOARD

Pricing

All transactions under the Existing Glencore Framework Coal Purchase Agreement must be conducted (i) in the ordinary and usual course of business of Yancoal Australia Group and Glencore Group; (ii) on an arm's length basis; (iii) on normal commercial terms with the final sale price being determined with reference to the prevailing market price for the relevant type of coal; and (iv) in compliance with all applicable laws and regulations (including stock exchange rules), the Existing Glencore Framework Coal Purchase Agreement and the separate coal sales and purchase agreements or transactions summary confirmations in relation to the transactions under the Existing Glencore Framework Coal Purchase Agreement.

Payment

Measure of payment: The payment and collection under the Existing Glencore Framework Coal Purchase Agreement shall adopt standard international payment measures, including but not limited to wire transfer and letter of credit.

Term of payment: The parties would stipulate the term of payment in detail in the separate coal sales and purchase agreements in relation to the transactions under the Existing Glencore Framework Coal Purchase Agreement according to the international common practice and applicable laws of the Existing Glencore Framework Coal Purchase Agreement.

Historical transaction amounts

Set out below are the historical annual amounts of the Existing Glencore Framework Coal Purchase Agreement for the two financial years ended 31 December 2019 and the six months ended 30 June 2020:

Category	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	Period from 1 January 2020 to 30 June 2020
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)
aggregate annual transaction amount paid by Yancoal Australia Group to Glencore Group for the purchase of coal	350,000	105,000	350,000	72,000	350,000	45,000

LETTER FROM THE BOARD

Proposed annual caps and basis

The proposed annual caps, i.e., the maximum annual transaction amount to be paid by Yancoal Australia Group to Glencore Group for the three years ending 31 December 2021, 2022 and 2023 will not exceed US\$250,000 thousand, US\$250,000 thousand and US\$250,000 thousand. The proposed annual caps for the transactions under the Existing Glencore Framework Coal Purchase Agreement are determined mainly based on: (i) the historical transaction amounts; (ii) the expected demand for coal from Yancoal Australia Group for the three years ending 31 December 2021, 2022 and 2023; and (iii) the estimated sale price of coal.

Reasons and benefits for renewal of the Existing Glencore Framework Coal Purchase Agreement

Yancoal Australia Group may purchase coal from Glencore Group from time to time for sale to the Yancoal Australia Group's end customers, in order to maintain its customer relationships, meet specific customer requirements and diversify the products of the Yancoal Australia Group. As such, Yancoal Australia and Glencore renewed the Existing Glencore Framework Coal Purchase Agreement to govern sales of coal by Glencore Group to Yancoal Australia Group, which is beneficial for Yancoal Australia to continuously develop its coal business and enlarge the scale of coal blending that may be undertaken by the Yancoal Australia Group in order to increase economic added value to products of the Yancoal Australia Group.

Implications of the Hong Kong Listing Rules

The highest of the applicable percentage ratios in respect of the transactions under the Existing Glencore Framework Coal Purchase Agreement exceeds 1% on an annual basis. As the continuing connected transaction under the Existing Glencore Framework Coal Purchase Agreement is between the Group and a connected person at the subsidiary level, on normal commercial terms or better, the Directors have approved the transaction and the independent non-executive Directors have given the confirmation required under Rule 14A.101 of the Hong Kong Listing Rules, the Existing Glencore Framework Coal Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps are subject to reporting and announcement requirements and are exempt from the circular, independent financial advice and shareholders' approval requirements.

The Directors (including the independent non-executive Directors) consider that the Existing Glencore Framework Coal Purchase 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.

LETTER FROM THE BOARD

According to the applicable PRC regulations, the Company will submit the proposal relating to the renewal of the Existing Glencore Framework Coal Purchase Agreement, the transactions contemplated thereunder and the proposed annual caps for the Independent Shareholders' approval at the EGM.

iii The Existing HVO Services Contract

On 4 May 2018, as part of the joint venture arrangement, Yancoal Australia Group and Glencore Group entered into the Existing HVO Services Contract, pursuant to which, Glencore Coal has agreed to provide services comprising support services and coal sale services in respect of several entities in relation to HVO Joint Venture. The Existing HVO Services Contract shall continue until terminated in accordance with the termination terms set out therein. For details of the Existing HVO Services Contract, please refer to the circular of the Company dated 8 August 2018.

On 9 December 2020, the Board resolved to approve proposed annual caps for the transactions under the Existing HVO Services Contract for the three years ending 31 December 2023. The Company will re-comply with the applicable requirements and approval procedures of the regulations in the places of listing of the Company after the expiry of the three years.

Parties

- (1) HV Ops
- (2) SalesCo
- (3) Glencore Coal

Subject Matter

HV Ops appoints Glencore Coal as its exclusive provider of support services. SalesCo appoints Glencore Coal as its exclusive provider of coal sale services.

The support services, which are provided in respect of HVO Joint Venture include, management of transportation activities, procurement, treasury services, IT services, legal services, land and property management, risk management, finance management, technology support, human resource management, coal blending and transportation management, intellectual property management, prospection arrangement and other logistic support.

The coal sale services, which are provided in respect of SalesCo, include, transportation management, contract management, demurrage charge and tax management, plan management, quality control and other administrative management service.

LETTER FROM THE BOARD

Pricing

- (i) HV Ops will pay Glencore Coal for all costs, charges and expenses which are exclusively incurred by Glencore Coal for HVO Joint Venture or SalesCo in performing the service (the “**Site Charges**”), and
- (ii) HV Ops will pay Glencore Coal for all costs, charges and expenses which are incurred by Glencore Group in providing the services and which are not Site Charges (the “**General Charges**”). In determining the General Charges, Glencore Coal must allocate all costs, expenses and charges incurred by Glencore Group in the performance of similar services, which are not site specific, on an equitable basis.

The parties agree that the total General Charges for each financial year will be estimated by Glencore Coal in advance. Within 30 days after the end of the financial year, Glencore Coal will conduct a reconciliation of the actual General Charges against the estimated General Charges. If estimated General Charges exceeds actual General Charges, Glencore Coal shall charge the actual amount; if actual General Charges exceeds estimated General Charges, HV Ops will be liable for any excess.

Payment

After the end of each month, Glencore Coal will provide HV Ops with a monthly invoice. HV Ops must pay within five business days after receipt of the monthly invoice the full amount set out therein.

Historical transaction amounts

Set out below are the historical annual amounts of the Existing HVO Services Contract for the two financial years ended 31 December 2019 and the six months ended 30 June 2020:

Category	Year ended 31 December 2018		Year ended 31 December 2019		Period from Year ended 31 December 2020 to 1 January 2020 to 30 June 2020	
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)
annual transaction amount paid by Yancoal Australia Group to Glencore Group for the acceptance of services	18,000	6,470	18,000	11,270	18,000	6,470

LETTER FROM THE BOARD

Proposed annual caps and basis

The proposed annual caps under the Existing HVO Services Contract for the three years ending 31 December 2021, 2022 and 2023 will not exceed US\$18,000 thousand, US\$18,000 thousand and US\$18,000 thousand, respectively.

The proposed annual caps were determined based on calculation by reference to the content and charge of the expected services under the Existing HVO Services Contract, which are not expected to change significantly in the three years ending 31 December 2023.

Reasons and benefits for the Existing HVO Services Contract

Glencore Group provides logistic support service to HVO Joint Venture and provides coal sales service to SalesCo, which could enhance the efficiency and realize the synergy between Yancoal Australia Group and Glencore Group.

Implications of the Hong Kong Listing Rules

As the continuing connected transactions under the Existing HVO Services Contract is between the Group and a connected person at the subsidiary level and the highest of the applicable percentage ratios in respect of the transactions thereunder is less than 1% on an annual basis. The transaction contemplated under the Existing HVO Services Contract is fully exempted from shareholders' approval, annual review and all disclosure requirement pursuant to Rule 14A.76 of the Hong Kong Listing Rules.

According to the applicable PRC regulations, the Company will submit the proposal relating to the proposed annual caps under the Existing HVO Services Contract for the Independent Shareholders' approval at the EGM.

The Directors (including the independent non-executive Directors) consider that the Existing HVO Services Contract, 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.

iv. The Existing HVO Sales Contract

On 4 May 2018, as part of the joint venture arrangement, CNAO, Anotero and SalesCo entered into the Existing HVO Sales Contract, pursuant to which, each of CNAO and Anotero agrees to sell its entitled portion of coal product in saleable form that is produced by the tenements held by HVO Joint Venture to SalesCo and SalesCo agrees to purchase each of CNAO and Anotero's entitled portion of coal product, subject to the terms of the Existing HVO Sales Contract. In addition, CNAO and Anotero both agreed that the SalesCo would act as an agent for and on behalf of CNAO and Anotero to sell the coals from HVO. The Existing HVO Sales Contract remains effective until the termination in accordance with its terms. For details of the Existing HVO Sales Contract, please refer to the circular of the Company dated 8 August 2018.

LETTER FROM THE BOARD

On 9 December 2020, the Board resolved to approve annual caps for the transactions under the Existing HVO Sales Contract for the three years ending 31 December 2023. The Company will re-comply with the applicable requirements and approval procedures of the regulations in the places of listing of the Company after the expiry of the three years.

Parties

- (1) CNAO
- (2) Anotero
- (3) SalesCo

Subject Matter

Pursuant to the Existing HVO Sales Contract, (i) each of CNAO and Anotero agrees to sell all of its entitled portion of finished coal product in saleable form that is produced by the tenements held by HVO Joint Venture to SalesCo only and SalesCo agrees to purchase each of CNAO's and Anotero's entitled portion of coal product (other than coal product to be sold to Glencore and/or its subsidiaries); (ii) the amount payable to each of CNAO and Anotero by SalesCo shall be the total amount received by SalesCo for that portion of product under each sales contract entered into between SalesCo and its customers; and (iii) payment by SalesCo to CNAO and Anotero shall be no later than 3 business days after receipt by the SalesCo of payment from its customers. In respect of any sales to Glencore and/or its subsidiaries that fall within the Existing Glencore Framework Coal Sales Agreement, each of CNAO and Anotero agrees that SalesCo will be treated as if it has entered into the sale as agent for and on behalf CNAO and Anotero in proportion to their respective participating interests in the HVO Joint Venture.

Pricing

The amount payable to each of CNAO and Anotero by the SalesCo shall be the total amount received by SalesCo for that party's portion of product under each sales contract entered into between SalesCo and its customers.

Payment

Payment by SalesCo to CNAO and Anotero shall be no later than three business days after receipt by SalesCo of payment from its customers.

LETTER FROM THE BOARD

Historical transaction amounts

Set out below are the historical annual amounts of the Existing HVO Sales Contract for the two financial years ended 31 December 2019 and the six months ended 30 June 2020:

Category	Year ended 31 December 2018		Year ended 31 December 2019		Year ended 31 December 2020	Period from 1 January 2020 to 30 June 2020
	Annual cap	Actual amount	Annual cap	Actual amount	Annual cap	Actual amount
	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)	(USD'000)
annual transaction amount to be distributed by the SalesCo to Anotero	750,000	551,000	750,000	621,000	750,000	218,000

Proposed annual caps and basis

The proposed annual caps to be distributed by the SalesCo to Anotero under the Existing HVO Sales Contract for the three years ending 31 December 2021, 2022 and 2023 will not exceed US\$750,000 thousand, US\$750,000 thousand and US\$750,000 thousand, respectively. The proposed annual caps are determined mainly based on the expected amount (with reference to the amount of coal production of the tenements held by HVO Joint Venture) and the selling price of the coal to be sold (with reference to the price of the coal).

Reasons for and benefits of the Existing HVO Sales Contract

As HVO Joint Venture is an unincorporated joint venture, it does not have the legal capacity to enter into any coal sales contract to realize the economic interest of the coal product in saleable form that is produced by the tenements held by it. SalesCo was incorporated as a limited liability company with legal capacity to enter into sales contracts. The arrangement under the HVO Sales Contract is for the purpose of making the coal products attributable to each of the HVO Joint Venture participants available to the SalesCo, and thereby facilitating the sale of coal produced by the tenements held by HVO Joint Venture by SalesCo to customers and the distribution of such revenue from SalesCo to the respective HVO Joint Venture participants.

Implications of the Hong Kong Listing Rules

As at the Latest Practicable Date, CNAO is a wholly-owned subsidiary of Yancoal Australia. As CNAO holds 51% participating interest in HVO Joint Venture and 51% equity interest in SalesCo, both HVO Joint Venture and SalesCo are therefore indirect subsidiaries of the Company. Glencore, through Anotero, its wholly owned subsidiary, is indirectly interested in more than 10% of participating interest in HVO Joint Venture and more than 10% equity interest in SalesCo. Therefore, Glencore is a connected

LETTER FROM THE BOARD

person of the Company at the subsidiary level by virtue of being a substantial shareholder of the subsidiaries of the Company pursuant to Rule 14A.07 of the Hong Kong Listing Rules.

The highest of the applicable percentage ratios in respect of the transactions under the Existing HVO Sales Contract exceeds 1% on an annual basis. As (i) the continuing connected transaction under the Existing HVO Sales Contract is between the Group and a connected person at the subsidiary level on normal commercial terms or better, (ii) the Board has approved the transaction and (iii) the independent non-executive Directors have given the confirmation as required under Rule 14A.101(2) of the Hong Kong Listing Rules, the HVO Sales Contract, the transactions contemplated thereunder and the proposed annual caps are subject to the reporting and announcement requirements but are exempt from the shareholders' approval requirement pursuant to Rule 14A.101 of the Hong Kong Listing Rules.

According to the applicable PRC regulations, the Company has submitted the proposal relating to the proposed annual caps under the Existing HVO Sales Contract for the independent shareholders' approval at the EGM.

The Directors (including the independent non-executive Directors) are of the opinion that the Existing HVO Sales Contract, 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.

3. GENERAL

As at the Latest Practicable Date, Yankuang Group controlled or was entitled to exercise control over the voting rights in respect of 2,267,169,423 A Shares and 454,989,000 H Shares in the Company, representing, in aggregate, approximately 56.01% of the entire issued share capital of the Company. Yankuang Group and its associates will abstain from voting at the EGM on the ordinary resolution approving the Proposed Yankuang Continuing Connected Transaction Agreements, the transactions contemplated thereunder and their respective proposed annual caps which will be taken by poll as required under the Hong Kong Listing Rules. As at the Latest Practicable Date, so far as the Directors are aware, other than the aforesaid, there is no other associate of Yankuang Group that held shares of the Company and therefore is required to abstain from voting on the ordinary resolutions in relation to the Proposed Yankuang Continuing Connected Transaction and the Existing Glencore Continuing Connected Transaction.

As at the Latest Practicable Date, the 2,267,169,423 A Shares held by Yankuang Group included: (i) 1,875,662,151 A Shares held by Yankuang Group's own account, the voting rights in respect of which are exercisable by Yankuang Group; and (ii) 391,507,272 A Shares held by the guarantees and trust account opened by Yankuang Group and CITIC Securities Co., Ltd., the voting rights in respect of which are exercisable by CITIC Securities Co., Ltd. The aforementioned guarantees and trust account provide guarantees for

LETTER FROM THE BOARD

the exchangeable corporate bonds issued by Yankuang Group. Save as disclosed above, to the extent that the Company is aware, having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon Yankuang Group, whereby they had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of their Shares in the Company to a third party, whether generally or on a case-by-case basis;
- (ii) Yankuang Group was not subject to any obligation or entitlement whereby they had or might have temporarily or permanently passed control over the exercise of the voting right in respect of their Shares in the Company to a third party, whether generally or on a case-by-case basis; and
- (iii) it was not expected that there would be any discrepancy between Yankuang Group's beneficial shareholding interest in the Company and the number of Shares in the Company in respect of which they would control or would be entitled to exercise control over the voting right at the EGM.

The Proposed Yankuang Continuing Connected Transaction Agreements, the transactions contemplated thereunder and the respective proposed annual caps, and the renewal and the proposed annual caps of the Existing Glencore Continuing Connected Transaction Agreements (as the case maybe) were approved at the seventh meeting of the eighth session of the Board held on 9 December 2020.

At the aforesaid Board meeting, two Directors, Mr. Li Xiyong and Mr. Wu Xiangqian, being also directors or senior management of Yankuang Group, were regarded to have a material interest in the Proposed Yankuang Continuing Connected Transactions and therefore, they have abstained from voting at relevant resolutions at the aforesaid Board meeting convened for the purpose of approving such transactions. Save as disclosed above, none of the Directors has a material interest in the Proposed Yankuang Continuing Connected Transactions or the Existing Glencore Continuing Connected Transactions.

The Board has approved (1) the establishment of the Independent Board Committee to consider and advise the Independent Shareholders in respect of 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, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Entrusted Management Agreement, the Proposed Finance Lease Agreement, the Existing Glencore Framework Coal Sales Agreement, the Existing Glencore Framework Coal Purchase Agreement, the transactions contemplated thereunder and their respective proposed annual caps, and the proposed annual caps of the Existing HVO Services Contract and the Existing HVO Sales Contract; and (2) the appointment of an independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Mutual Provision of Labour and Services Agreement, the Proposed Provision of Products,

LETTER FROM THE BOARD

Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Finance Lease Agreement and their respective proposed annual caps.

According to the applicable PRC regulations, the Company also submits the resolutions relating to 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, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Entrust Management Agreement, the Proposed Finance Lease Agreement, the Existing Glencore Framework Coal Sales Agreement, the Existing Glencore Framework Coal Purchase Agreement, the transactions contemplated thereunder and their respective proposed annual caps, and the proposed annual caps of the Existing HVO Services Contract and the Existing HVO Sales Contract, for the Independent Shareholders' approval at the EGM.

The Board hereby confirms that the applicable percentage ratios for the actual transactions occurred in 2021 under each of the Proposed Provision of Materials Supply Agreement, the Proposed Mutual Provision of Labour and Services Agreement, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Entrusted Management Agreement and the Proposed Finance Lease Agreement, are not expected to exceed 5% before the Independent Shareholders' approval at the EGM.

Information of the Parties

The Company

The Company is principally engaged in the business of mining, preparation, processing and sales of coal and coal chemicals. The Company's main products are steam coal for use in large-scale power plants, coking coal for metallurgical production and prime quality low sulphur coal for use in pulverized coal injection.

Yankuang Group

Yankuang Group is a state-controlled limited liability company, with the State-owned Assets Supervision and Administration Commission of Shandong Province as its controlling shareholder. Its registered capital is RMB7.7692 billion and its legal representative is Li Xiyong. The principal business of Yankuang Group includes the exploration, processing, trade and provision of auxiliary services of mining (coal and nonferrous metal), high-end chemical industry, modern logistics, and engineering and technology services. Its domicile is 298 South Fushan Road, Zoucheng City, Shandong Province.

Yancoal Australia

Yancoal Australia is a subsidiary of the Company, through which the Company conducts its investment and coal business in Australia. As at the Latest Practicable Date, Yancoal Australia managed and operated eleven coalmines in Australia.

LETTER FROM THE BOARD

Glencore

Glencore is a member of Glencore plc, which is one of the largest global diversified natural resource companies in the world. The shares of Glencore plc are listed on the London Stock Exchange and the Johannesburg Stock Exchange.

Anotero

Anotero Pty Limited, a wholly-owned subsidiary of Glencore which is incorporated in Australia.

CNAO

Coal & Allied Operations Pty Ltd, a wholly-owned subsidiary of Coal & Allied Industries Limited (a subsidiary of Yancoal Australia) which is incorporated in Australia.

SalesCo

SalesCo is principally engaged in selling coal produced by the HVO Joint Venture on behalf of the participants in the HVO Joint Venture. As at the Latest Practicable Date, SalesCo is a subsidiary of Yancoal Australia.

III. PROPOSED PROVISION OF FINANCIAL GUARANTEE TO THE COMPANY'S CONTROLLED SUBSIDIARIES AND INVESTED COMPANIES

Reference is made to the announcement of the Company dated 9 December 2020 in relation to provision of financial guarantee to the Company's controlled subsidiaries and invested companies.

In order to reduce financing costs of the controlled subsidiaries and invested companies and to ensure that their normal operation funding needs can be satisfied, the Board proposed:

1. the provision of financial guarantee by the Company to its controlled subsidiaries and invested companies for an amount not exceeding RMB20 billion or its equivalents.
2. the granting of authorization to the chairman of the board of directors of the Company to deal with matters in relation to the aforesaid financial guarantees in accordance with the relevant laws and regulations. Such matters include but are not limited to the following:
 - i. to determine the appropriate controlled subsidiaries and invested companies which will be provided with the guarantees based on the financing needs;

LETTER FROM THE BOARD

- ii. to determine the exact terms and conditions of the guarantee agreements, which include but are not limited to the amount, term, scope and method of guarantee; and executing the guarantee agreement(s) involved and other relevant legal documents; and
 - iii. to deal with the filing and reporting of documents and information in respect of the guarantee(s) and other relevant matters.
3. The aforementioned authorization shall become valid after it is approved by the shareholders at the general meeting until the date of convening of the next annual general meeting of the Company, except where the circumstances require the person so authorized to exercise his powers after the expiry of the term of authorization in relation to any contracts, agreements or decisions regarding the financial guarantees that have been made within the term of authorization.

IV. EGM

The notice convening the EGM was published on 13 January 2021.

The following resolutions will be proposed to the Shareholders at the EGM:

As ordinary resolutions:

1. To consider and approve each of the following Proposed Yankuang Continuing Connected Transaction Agreements and their respective annual caps:
 - (1) Approve the entering into of the Proposed Provision of Materials Supply Agreement by the Company with Yankuang Group for a term of three years, the continuing connected transactions contemplated thereunder and the relevant annual caps;
 - (2) Approve the entering into of the Proposed Mutual Provision of Labour and Services Agreement by the Company with Yankuang Group for a term of three years, the continuing connected transactions contemplated thereunder and the relevant annual caps;
 - (3) Approve the entering into of the Proposed Provision of Insurance Fund Administrative Services Agreement by the Company with Yankuang Group for a term of three years, the continuing connected transactions contemplated thereunder and the relevant annual caps;
 - (4) Approve the entering into of the Proposed Provision of Products, Materials and Assets Leasing Agreement by the Company with Yankuang Group for a term of three years, the continuing connected transactions contemplated thereunder and the relevant annual caps;

LETTER FROM THE BOARD

- (5) Approve the entering into of the Proposed Bulk Commodities Sale and Purchase Agreement by the Company with Yankuang Group for a term of three years, the continuing connected transactions contemplated thereunder and the relevant annual caps;
 - (6) Approve the entering into of the Proposed Entrusted Management Agreement by the Company with Yankuang Group for a term of three years, the continuing connected transactions contemplated thereunder and the relevant annual caps;
 - (7) Approve the entering into of the Proposed Finance Lease Agreement by the Company with Yankuang Group for a term of three years, the continuing connected transactions contemplated thereunder and the relevant annual caps;
2. To consider and approve each of each of the following Existing Glencore Continuing Connected Transaction Agreements and their respective annual caps (as the case maybe):
- (1) Approve the renewal of the Existing Glencore Framework Coal Sales Agreement for a term of three years from 1 January 2021, the continuing connected transactions contemplated thereunder and the relevant annual caps;
 - (2) Approve the renewal of the Existing Glencore Framework Coal Purchase Agreement for a term of three years from 1 January 2021, the continuing connected transactions contemplated thereunder and the relevant annual caps;
 - (3) Approve the relevant annual caps of the Existing HVO Services Contract; and
 - (4) Approve the relevant annual caps of the Existing HVO Sales Contract.

As special resolution:

3. To consider and approve the proposal in relation to the provision of financial guarantee to the Company's controlled subsidiaries and invested companies.

LETTER FROM THE BOARD

V. CLOSURE OF H SHARE REGISTER OF MEMBERS OF THE COMPANY

The H Share register of members of the Company will be closed from Thursday, 28 January 2021 to Friday, 5 February 2021, both days inclusive, during which period no transfer of the Company's H Shares will be registered. In order to attend EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share Registrar, Hong Kong Registrars Limited, at 17M, 17/F, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 27 January 2021 for registration. H Shareholders whose names appear on the H Share register of members of the Company maintained by Hong Kong Registrars Limited on or before the above date will be eligible to attend the EGM.

Whether or not you are able to attend the meeting in person, you are strongly advised to complete and sign the form of proxy dated 13 January 2021 in accordance with the instructions printed thereon. For holders of H Shares of the Company, the proxy form shall be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. For holders of A Shares of the Company, the proxy form shall be lodged at the Office of the Secretary to the Board at 298 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC as soon as possible but in any event not later than 24 hours before the time appointed for the holding of the meeting or any adjourned meeting (as the case may be). Completion and return of the proxy form will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

VI. RECOMMENDATION

The Directors consider that the proposals relating to Proposed Yankuang Continuing Connected Transaction Agreements, the Existing Glencore Continuing Connected Transaction Agreements and the proposed provision of financial guarantee to the Company's controlled subsidiaries and invested companies are in the best interests of the Company and its Shareholders and accordingly recommend that all Shareholders to vote in favour of the aforesaid resolutions to be proposed at the EGM.

VII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in Appendix I to this circular.

By order of the Board
Yanzhou Coal Mining Company Limited
Li Xiyong
Chairman of the Board

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



兗州煤業股份有限公司

YANZHOU COAL MINING COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1171)

Registered office:
298 South Fushan Road
Zoucheng
Shandong Province
PRC
Postal Code: 273500

*Principal place of business
in Hong Kong:*
40/F., Sunshine Center
248 Queen's Road East
Wanchai, Hong Kong

13 January 2021

To Independent Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company to the Shareholders dated 13 January 2021 (“**Circular**”), of which this letter forms part. Terms defined therein shall have the same meanings when used in this letter unless the context otherwise requires. We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, 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, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Entrusted Management Agreement, the Proposed Finance Lease Agreement, the Existing Glencore Framework Coal Sales Agreement and their respective proposed annual caps, and the proposed annual caps of the Existing HVO Services Contract and the Existing HVO Sales Contract are fair and reasonable in so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Donvex Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Proposed Mutual Provision of Labour and Services Agreement, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Finance Lease Agreement and their respective proposed annual caps. The letter from Donvex Capital, which contains its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 64 to 109 of this Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 9 to 61 of this Circular and the additional information set out in Appendix II to this Circular. Having taken into account the terms of 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, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Entrusted Management Agreement, the Proposed Finance Lease Agreement, the Existing Glencore Framework Coal Sales Agreement, the Existing Glencore Framework Coal Purchase Agreement and their respective proposed annual caps, and the proposed annual caps of the Existing HVO Services Contract and the Existing HVO Sales Contract, and having considered the interests of the Independent Shareholders and the advice from Donvex Capital, we consider that 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, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Entrusted Management Agreement, the Proposed Finance Lease Agreement, the Existing Glencore Framework Coal Sales Agreement, the Existing Glencore Framework Coal Purchase Agreement and their respective proposed annual caps, and the proposed annual caps of the Existing HVO Services Contract and the Existing HVO Sales Contract are (i) fair and reasonable; (ii) on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (iii) in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution to approve 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, the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Proposed Bulk Commodities Sale and Purchase Agreement, the Proposed Entrusted Management Agreement, the Proposed Finance Lease Agreement, the Existing Glencore Framework Coal Sales Agreement, the Existing Glencore Framework Coal Purchase Agreement and their respective proposed annual caps, and the proposed annual caps of the Existing HVO Services Contract and the Existing HVO Sales Contract.

Yours faithfully,
Yanzhou Coal Mining Company Limited
Tian Hui, Zhu Limin
Cai Chang, Poon Chiu Kwok
Independent Board Committee

LETTER FROM DONVEX CAPITAL

The following is the full text of the letter of advice from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.



Unit 2502, 25/F
Carpo Commercial Building
18-20 Lyndhurst Terrace
Central
Hong Kong

13 January 2021

*The Independent Board Committee and the Independent Shareholders of
Yanzhou Coal Mining Company Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the entering into of (a) the Proposed Mutual Provision of Labor and Services Agreement; (b) the Proposed Provision of Products, Materials and Asset Leasing Agreement; (c) the Proposed Bulk Commodities Sale and Purchase Agreement; (d) the Proposed Financial Lease Agreement (collectively, the “**Agreements**”); and (e) their respective proposed annual caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 13 January 2021 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

As stated in the Letter from the Board, on 9 December 2020, the Company entered into the Proposed Yankuang Continuing Connected Transaction Agreements with Yankuang Group relating to the renewal of certain Existing Yankuang Continuing Connected Transaction Agreements.

As at the Latest Practicable Date, Yankuang Group is a controlling shareholder of the Company holding, directly and indirectly, approximately 56.01% of the total number of shares in issue of the Company, and thus a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the Proposed Yankuang Continuing Connected Transaction Agreements and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM DONVEX CAPITAL

As the respective highest of the relevant percentage ratios in relation to the Agreements exceeds 5% on an annual basis, the continuing connected transactions under the Agreements (the “**Transactions**”) and the relevant proposed annual caps (the “**Proposed Annual Caps**”) are subject to reporting, announcement, and Independent Shareholders’ approval requirement under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang and Mr. Poon Chiu Kwok, has been established to advise the Independent Shareholders on (i) whether the terms of the Agreements are on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole; (ii) whether the Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and (iii) how the Independent Shareholders should vote in respect to the relevant resolution(s) to approve the Agreements and the Proposed Annual Caps. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

As Yankuang Group is a controlling shareholder of the Company, Yankuang Group and its associates will abstain from voting at the EGM on the ordinary resolution(s) for the purpose of approving the Agreements and the Proposed Annual Caps. As at the Latest Practicable Date, so far as the Directors are aware, other than the aforesaid, there is no other associate of Yankuang Group that held shares of the Company and therefore is required to abstain from voting on such ordinary resolution(s).

INDEPENDENCE

We did not act as financial adviser to the Group and its respective connected persons in the past two years immediately preceding the Latest Practicable Date.

In the past two years immediately preceding the Latest Practicable Date, we have acted as the independent financial adviser to independent board committee and independent shareholders of the Company for (a) the major and continuing connected transaction in relation to the provision of financial services to Yankuang Group, details of which are set out in the circular of the Company dated 11 October 2019; (b) the discloseable and connected transaction in relation to the entering into the capital increase agreement with Yankuang Group, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics, details of which are set out in the circular of the Company dated 16 November 2020; and (c) the major and connected transaction in relation to the acquisition of a series of target companies and target assets, details of which are set out in the circular of the Company dated 16 November 2020 (the “**Previous Engagements**”). Under the Previous Engagements, we were required to express our opinion on and give recommendations to the independent board committee and independent shareholders of the Company in relation to (i) the provision of comprehensive credit facility services under the financial services agreement; (ii) the entering into the capital increase agreement and the capital increase contemplated thereunder; and (iii) the acquisition of a series of target companies and target assets. Apart from the independent financial adviser roles in connection with the Previous Engagements and the Transaction, we have not acted in any capacity of the Group in the past two years.

LETTER FROM DONVEX CAPITAL

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders in relation to the Transaction Agreement and the Transaction. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view regarding the Agreements and the Transactions, and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group.

Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any other securities of the Company.

LETTER FROM DONVEX CAPITAL

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transactions, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Agreements including the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

A. Background information on the Group

The Group is principally engaged in the business of mining, preparation, processing and sales of coal and coal chemicals.

B. Background information on Yankuang Group

Yankuang Group is a state-controlled limited liability company, with the State-owned Assets Supervision and Administration Commission of Shandong Province as its controlling shareholder. Its registered capital is RMB7.7692 billion and its legal representative is Li Xiyong. The principal business of Yankuang Group includes the exploration, processing, trade and provision of auxiliary services of mining (coal and nonferrous metal), high-end chemical industry, modern logistics, and engineering and technology services. Its domicile is 298 South Fushan Road, Zoucheng City, Shandong Province.

As at the Latest Practicable Date, Yankuang Group is the controlling shareholder of the Company, holding directly and indirectly 56.01% of the issued share capital of the Company, and is hence a connected person of the Company.

C. Renewal of existing continuing connected transactions

(1) The Proposed Mutual Provision of Labor and Services Agreement

(a) Background

On 27 November 2017, the Company entered into the Existing Mutual Provision of Labor and Services Agreement with Yankuang Group for a term of three years commencing from 1 January 2018 to 31 December 2020.

On 9 December 2020, the Company entered into the Proposed Mutual Provision of Labor and Services Agreement with Yankuang Group to renew the Existing Mutual Provision of Labor and Services Agreement on substantially the same terms.

LETTER FROM DONVEX CAPITAL

(b) *Principal terms of the Proposed Mutual Provision of Labor and Services Agreement*

The following summarized the principal terms of the Proposed Mutual Provision of Labor and Services Agreement:

Date

9 December 2020

Parties

- (a) the Company; and
- (b) Yankuang Group

Term

Three years commencing from 1 January 2021 to 31 December 2023

Major terms

Provision of labor and services by the Company to Yankuang Group

Pursuant to the Proposed Mutual Provision of Labor and Services Agreement, the Company has agreed to provide Yankuang Group with services including transportation services, repair and maintenance services, training services, and informationization and telecommunication services.

Provision of labor and services by Yankuang Group to the Company

Pursuant to the Proposed Mutual Provision of Labor and Services Agreement, Yankuang Group has agreed to provide the Company with services including property management services, repair and maintenance services, construction engineering and management services, individual employee benefits, retiree benefits, asset leasing and relevant services, canteen operation services, guarantee services, security services (including security guard services and coal train convoy services), and technology services.

On or before 30 November each year, the requesting party may provide to the supplying party an annual assessment of the labor 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 Labor and Services Agreement.

LETTER FROM DONVEX CAPITAL

Payment terms

- (I) The payment of consideration under the Proposed Mutual Provision of Labor and Services Agreement shall be settled on the one-off basis or by instalment in accordance with paragraph (II) below; and
- (II) Each party shall record all amounts payable to or from the other party under the Proposed Mutual Provision of Labor and Services Agreement on or before the last Business Day of that calendar month. Save for the on-going transactions or the amount in dispute, all payments of the completed transactions under the Proposed Mutual Provision of Labor and Services Agreement shall be settled in full within the following calendar month.

Pricing

The pricing for the labor or services to be provided by/to the Company under the Proposed Mutual Provision of Labor and Services Agreement shall be determined based on the following pricing methods:

- (I) Market price (the “**Market Price**”)

The Market Price shall be determined according to normal commercial terms based on:

- (i) the price to be 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) is not applicable, the price to be 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.

- (II) Cost price (the “**Cost Price**”)

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

LETTER FROM DONVEX CAPITAL

Set out below is the table illustrating the different pricing methods to be applied for each transaction under the Proposed Mutual Provision of Labor and Services Agreement:

Pricing method	Transactions under the Proposed Mutual Provision of Labor and Services Agreement
(I) Market Price	For the provision of labor and services by Yankuang Group to the Company (a) construction engineering and management services; (b) repair and maintenance services; (c) canteen operation services; (d) guarantee services; (e) security guard services in security services; (f) asset leasing and relevant services; and (g) technology services. For the provision of labor and services by the Company to Yankuang Group (h) training services; (i) transportation services; (j) repair and maintenance services; and (k) informationization and telecommunication services.

LETTER FROM DONVEX CAPITAL

Pricing method

Transactions under the Proposed Mutual Provision of Labor and Services Agreement

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. The sales department or purchase department of the Company will update the relevant information on a monthly basis 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.

(II) Cost Price

(a) Property management services

The price for the provision of property management services by Yankuang Group is shown as follows:

$$\begin{array}{l} \text{Price for the} \\ \text{provision of} \\ \text{property} \\ \text{management} \\ \text{services} \end{array} = \begin{array}{l} \text{Sum of} \\ \text{total costs} \\ \text{providing} \\ \text{such} \\ \text{services} \end{array} \times \frac{\begin{array}{l} \text{Number of employees of} \\ \text{the Company benefiting from} \\ \text{the services} \end{array}}{\begin{array}{l} \text{Total number of employees of} \\ \text{the Company and Yankuang} \\ \text{Group benefiting from the} \\ \text{services} \end{array}}$$

(b) Individual employee benefits services

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

LETTER FROM DONVEX CAPITAL

Pricing method

Transactions under the Proposed Mutual Provision of Labor and Services Agreement

(c) Retiree benefits services

The retiree benefits to be paid shall equal to 18% of the total salaries of the employees of the Group at the relevant time, which is estimated based on the historical amounts of the previous provision of the services by Yankuang Group and after taking into account changes in future. If the actual retiree benefits to be paid exceed the aforementioned estimate, Yankuang Group will pay the excess amount.

(d) Coal train convoy services in security services

The consideration for the provision of coal train convoy services in security services by Yankuang Group 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. If the difference between the delivery weight and the arrival weight is within the range of natural and reasonable losses specified by or agreed on by the Company, the fees will be determined based on the delivery weight of the coal at RMB2.35 per ton.

Yankuang Group has undertaken that the price of such labor and services shall not be higher than the price offered by Yankuang Group to any Independent Third Parties for the same type of labor and services under any circumstances.

LETTER FROM DONVEX CAPITAL

(c) Assessment on internal control procedures of pricing and payment terms

In order to assess the fairness and reasonableness of the pricing policy and payment terms, we have obtained and reviewed the invoices of the transactions under the Existing Mutual Provision of Labor and Services Agreement between the Group and (i) Yankuang Group; and (ii) the Independent Third Parties, respectively, for FY2020.

Pricing

Based on the review of the pricing of the transactions, we note that:

For the labor and services provided by the Company to Yankuang Group

The prices offered to Yankuang Group for the labor and services under the Existing Mutual Provision of Labor and Services Agreement are similar with and no less favorable than those offered to the Independent Third Parties.

For the labor and services provide by Yankuang Group to the Company

The prices offered by Yankuang Group for the labor and services under the Existing Mutual Provision of Labor and Services Agreement are similar with and no more favorable to those offered by the Independent Third Parties.

Pricing policy

To further assess the pricing policy applied for the labor and services to be included in the Proposed Mutual Provision of Labor and Services Agreement, we have further obtained (i) the invoices of the historical transactions in relation to relevant labor and services under the Existing Mutual Provision of Labor and Services Agreement; and (ii) the pricing reference provided by the Company with respect to different pricing methods as stated above. Based on the review, we note that:

(I) Market price

The prices adopted in the provision of (a) construction engineering and management services; (b) repair and maintenance services; (c) canteen operation services; (d) guarantee services; (e) security guard services in security services; (f) asset leasing and relevant services; (g) technology services; (h) training services; (i) transportation services; (j) repair and maintenance services; and (k) informationization and telecommunication services under the Existing Mutual Provision of Labor and Services were similar and in line with the Market Price.

LETTER FROM DONVEX CAPITAL

(II) Cost price

The prices adopted in the provision of (a) property management services; (b) individual employee benefits services; (c) retiree benefits services; and (d) coal train convoy services in security services were equal to the costs provided by Yankuang Group to the Company.

Conclusion on our review

Based on the above, we consider that the pricing under the Existing Mutual Provision of Labor and Services Agreement has been properly conducted and the prices for the labor and services are determined based on the corresponding pricing methods as set out in the Existing Mutual Provision of Labor and Services Agreement.

Payment terms

We have also compared the payment terms under the Existing Mutual Provision of Labor and Services Agreement with those offered by/to the Independent Third Parties for the same or similar type of labor and services. We note that the payments terms under the Existing Mutual Provision of Labor and Services Agreement are in line with those offered by/to the Independent Third Parties.

View

Having considered that:

- (I) the prices offered to Yankuang Group are no less favorable than those offered to the Independent Third Parties;
- (II) the prices offered by Yankuang Group are no more favorable to those offered by the Independent Third Parties;
- (III) the prices adopted for the relevant transactions under the Existing Mutual Provision of Labor and Services Agreement are determined based on the proper pricing methods; and
- (IV) the payment terms under the Existing Mutual Provision of Labor and Services Agreement are in line with those offered by/to the Independent Third Parties;

we consider that the internal control measures have been effectively implemented to ensure that the pricing and payment terms under the Proposed Mutual Provision of Labor and Services Agreement are (i) on normal commercial terms after arms' length negotiation; and (ii) fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM DONVEX CAPITAL

(d) Historical Transaction Amounts

Set out below are the historical annual amounts of the labor and services provided under the Existing Mutual Provision of Labor and Services Agreement for the year ended 31 December 2018 (“FY2018”), 31 December 2019 (“FY2019”) and six months ended 30 June 2020 (“1H2020”):

Provision of labor and services from Yankuang Group to the Company

Category	FY2018 Actual amount RMB'000	FY2018 Annual cap RMB'000	FY2019 Actual amount RMB'000	FY2019 Annual cap RMB'000	1H2020 Actual amount RMB'000	FY2020 Annual cap RMB'000
1 Heat supply services	46,198	85,000	83,554	95,000	44,939	110,000
2 Property management services	137,200	140,000	6,333	140,000	–	140,000
3 Retiree benefits	651,386	887,000	655,438	975,700	349,659	1,073,270
4 Individual employee benefits	20,702	40,000	15,904	45,000	6,365	50,000
5 Informationization and telecommunication services	14,399	90,000	49,132	100,000	3,425	110,000
6 Repair and maintenance services	25,324	120,000	102,834	130,000	1,819	140,000
7 Construction engineering and management services	1,044,908	1,100,000	896,497	900,000	119,166	700,000
8 Asset leasing and relevant services	24,524	50,000	4,708	50,000	1,822	50,000
9 Guarantee services	206,132	325,000	179,315	325,000	82,436	325,000
10 Canteen operation services	12,993	18,000	12,761	18,000	11,896	18,000
11 Security services	51,500	52,000	50,480	52,000	24,567	52,000
Total	2,235,266	2,907,000	2,056,956	2,830,700	646,094	2,768,270
Utilization rate	76.9%		72.7%		23.3%	

LETTER FROM DONVEX CAPITAL

Provision of labor and services from the Company to Yankuang Group

Category	FY2018	FY2018	FY2019	FY2019	1H2020	FY2020
	Actual	Annual	Actual	Annual	Actual	Annual
	amount	cap	amount	cap	amount	cap
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
1 Training services	4,280	10,000	5,553	10,000	1,467	10,000
2 Transportation services	41,408	126,500	74,010	126,500	25,163	126,500
3 Repair and maintenance services	3,220	28,000	17,196	30,000	–	30,000
4 Consultancy services	–	12,600	–	12,600	–	12,600
Total	48,908	177,100	96,759	179,100	26,630	179,100
Utilization rate	27.6%		54.0%		14.9%	

As illustrated in the table above, we have noticed that the utilization rates of the annual caps under the Existing Mutual Provision of Labor and Services Agreement for the two years ended 31 December 2019 and 1H2020 ranged from approximately 14.9% to 76.9%. As discussed with the management of the Company, we understand that the main reasons for the low utilization rates of the annual caps of Existing Mutual Provision of Labor and Services Agreement are as follows:

(I) For the labor and services provided by Yankuang Group to the Company

(i) Property management services

Pursuant to “Minutes of separation of “Three Supplies and Property Management” for staff quarters from state-owned enterprises” (《“三供一業”等國企辦社會職能分離移交工作專題會議紀要》) issued by the government of Shandong Province, state-owned enterprises shall (a) transfer the staff quarters to the government; (b) cease the supply of water, electricity, and heat, and property management services for their respective staff quarters since 2018; and (c) no longer bear the costs of the aforementioned services. In light of the above, the staff quarters leased from Yankuang Group by the Group had been transferred to the government and Yankuang Group no longer provided the aforementioned services since 2019. As such, the actual amount of property management services significantly decreased in FY2019 and 1H2020.

LETTER FROM DONVEX CAPITAL

(ii) Individual employee benefits

The low utilization rate of the annual cap of the individual employee benefits was mainly due to the reason that many staff of the Group did not accept the medication plans and medical check plans provided by Yankuang Group as a result of their personal preference on the medical plans provided by the Independent Third Parties to those provided by Yankuang Group.

(iii) Informationization and telecommunication services

Yankuang Group provided informationization and telecommunication services to the Group's projects. Due to the higher price quoted for the services of most of the projects from Yankuang Group than from the Independent Third Parties, the Group did not accept most of the tenders from Yankuang Group for FY2018, FY2019, and 1H2020. Therefore, the utilization rate of the annual cap of the informationization and telecommunication services remained low in the aforementioned periods.

(iv) Asset leasing and relevant services

Since the staff quarters of Yankuang Group had been transferred to the government, the Group no longer leased staff quarters from Yankuang Group, and the leasing expense of the Group for FY2019 and 1H2020 significantly decreased.

(v) Guarantee services

The Group used its internal resources and issued corporate bonds to operate its business. As such, the amount of guarantee services provided by Yankuang Group remained low for FY2018, FY2019, and 1H2020.

(II) For the labor and services provided by the Company to Yankuang Group

(i) Training services

The Group provided fewer trainings to Yankuang Group for FY2018, FY2019, and 1H2020 since Yankuang Group did not expand its business in the aforementioned periods and they did not demand for many trainings from the Group. As such, the utilization rate of the annual cap of the training services remained low in the aforementioned periods.

LETTER FROM DONVEX CAPITAL

(ii) Transportation services

The Group provided transportation of coal to Yankuang Group for three years ending 31 December 2020. As the sales of coal of the Group increased during the above period, the capacity of the transportation of the Group's coal would be fulfilled on top priority and fewer transportation services were provided to Yankuang Group accordingly. Thus, the utilization rate of the annual cap of the transportation services remained low during the aforementioned periods.

(iii) Repair and maintenance services

No repair and maintenance expenses were incurred for 1H2020 due to the outbreak of the novel coronavirus (“COVID-19”) in the PRC in the first half year of 2020. The Group intended to resume the repair and maintenance services in the second half year of 2020 as at 30 June 2020 in the event that COVID-19 could be controlled during the second half year of 2020.

(iv) Consultancy services

Due to the changes in the business model of Zhongyin International Trade, a wholly owned subsidiary of the Company, Zhongyin International Trade did not provide consultancy services to Shanghai Zhongqi, a subsidiary of Yankuang Group, for three years ending 31 December 2020.

LETTER FROM DONVEX CAPITAL

(e) *Proposed annual cap*

The following table sets forth the proposed annual cap of each category of services under the Proposed Mutual Provision of Labor and Services Agreement for the years ending 31 December 2021 (“FY2021”), 31 December 2022 (“FY2022”), and 31 December 2023 (“FY2023”):

Provision of labor and services from Yankuang Group to the Company:

		FY2021	FY2022	FY2023
		Annual	Annual	Annual
		cap	cap	cap
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1	Property management services	12,000	12,000	13,000
2	Retiree benefits	700,000	700,000	700,000
3	Individual employee benefits	40,000	40,000	40,000
4	Repair and maintenance services	300,000	320,000	350,000
5	Construction engineering and management services	1,200,000	1,500,000	1,500,000
6	Asset leasing and relevant services	80,000	90,000	100,000
7	Guarantee services	300,000	300,000	300,000
8	Canteen operation services	40,000	42,000	45,000
9	Security services	85,000	95,000	105,000
10	Technology services	30,000	40,000	50,000
	Total	2,787,000	3,139,000	3,203,000

Provision of labor and services from the Company to Yankuang Group:

		FY2021	FY2022	FY2023
		Annual	Annual	Annual
		cap	cap	cap
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1	Training services	10,000	10,000	10,000
2	Transportation services	80,000	90,000	100,000
3	Repair and maintenance services	60,000	70,000	80,000
4	Informationization and telecommunication services	20,000	25,000	30,000
	Total	170,000	195,000	220,000

LETTER FROM DONVEX CAPITAL

(I) Basis of determination of the Proposed Annual Caps

In assessing the fairness and reasonableness of the Proposed Annual Caps, we have reviewed a comprehensive summary of estimation for each transaction under the Proposed Mutual Provision of Labor and Services Agreement as follows:

Provision of labor and services from Yankuang Group to the Company

(i) property management services

We are advised by the management of the Company that Yankuang Group will provide property management services to the office buildings of two subsidiaries of the Group for three years ending 31 December 2023, details of which are shown as follows:

Company	For each for three years ending 31 December 2023		
	Annual management fee per gross floor area	Gross floor area	Total amount of the property management services
	<i>RMB</i>	<i>Square meter</i>	<i>RMB</i>
	<i>a</i>	<i>b</i>	<i>c=a*b</i>
Donghua Heavy Industry Wuxi Dingye Energy Company Limited (無錫鼎業能源有限公司)	39 54	210,000 53,400	8,190,000 2,883,600
Total			11,073,600

Due to the transfer of the staff quarters to the government as mentioned in “(d) Historical Transaction Amounts – (I) For the labor and services provided by Yankuang Group to the Company – (i) Property management services” in this section above, the annual cap of the property management services provided by Yankuang Group to the Group significantly decreased from RMB140 million for three years ending 31 December 2020 to RMB12 million for FY2021 and FY2022 and RMB13 million for FY2023.

(ii) retiree benefits

Based on the estimation of the Group, we note that the number of retirees has been increased to approximately 30,000 for FY2021. The retiree expense per head per annum will be RMB22,000 for each of three years ending 31 December 2023.

LETTER FROM DONVEX CAPITAL

(iii) Individual employee benefits

Considering (i) the expansion of the categories of individual employee benefits for the employees; (ii) the expected significant increase of employees since 2021 due to the acquisition of six companies and relevant assets in 2020 as disclosed in the circular dated 16 November 2020; (iii) Yankuang Group has upgraded the medical equipment and provided more services such as health management to attract more employees to participate in the medication plan; and (iv) the number of employees who joined the medication plan and medical check plan for three years ending 31 December 2020 and the expected increase in the number of participants for three years ending 31 December 2023, Yankuang Group will provide (a) a medication plan to approximately 9,300 employees at a cost of approximately RMB3,000 per head for FY2021; (b) personal allowance for lunar new year to approximately 4,500 employees at a cost of RMB1,000 per head; and (c) an employee family assistance program to the Group's employees at a total cost of RMB3 million, totaling RMB35.4 million, for each of the three years ending 31 December 2023.

(iv) Repair and maintenance services for construction and equipment

Due to (a) the increase in the quantity of the ageing equipment or machineries and buildings to be repaired and maintained by virtue of the acquisition of new coal mines from Yankuang Group and Independent Third Parties by the Group in FY2020; and (b) the expected increase in the repair and maintenance cost for the ageing equipment or machines and buildings for three years ending 31 December 2023, the annual service fee of RMB300 million for FY2021 represents a significant increase as compared to the actual repair and maintenance expenses for each of FY2018, FY2019, and FY2020.

Due to the continuous aging of the equipment and machineries, the Company estimates that the cost of maintenance and repair will be increased by approximately 7% and 9% for FY2022 and FY2023, respectively.

(v) Construction engineering and management services

As a result of the further development of the coal mines in FY2021, we note that an annual cap of approximately RMB1.2 billion has been scheduled for the construction of coal preparation plant, coal mine engineering for the coal mines in Ordos City, the PRC, and payment of the industrial water treatment for FY2021, representing a significant increase as compared to the annual cap for FY2020.

LETTER FROM DONVEX CAPITAL

As the Group intended to further develop the coal mines in Shaanxi Future Energy & Chemicals Co., Ltd. (陝西未來能源化工有限公司) and Inner Mongolia Mining, the Company's subsidiaries acquired in the second half year of 2020, the estimated costs of construction engineering and management services will be increased to approximately RMB1.5 billion for each of FY2022 and FY2023.

(vi) Asset leasing and relevant services

The assets to be leased by the Company include equipment and machineries and vehicles. We note that the fixed annual rentals for the equipment and machineries and vehicles amounted to approximately RMB34.7 million and RMB38.4 million, respectively, for FY2021, representing a significant increase as compared to the annualized amount for FY2020 due to the reason that the underground transportation work will no longer be subcontracted to Independent Third Parties and Yankuang Group will start to provide asset leasing and relevant services to the Group since FY2021 given that Yankuang Group can provide the Group with quality asset leasing and relevant services required according to the operating conditions of the Group's coal mines.

Taking into account the expansion of the coal mines and the increase in the demand for the equipment and machineries and vehicles, the Company estimates that the cost of asset leasing and relevant services will be increased by approximately 13% and 11% for FY2022 and FY2023, respectively.

LETTER FROM DONVEX CAPITAL

(vii) Guarantee services

The following table sets forth the basis of the annual cap for the guarantee services for three years ending 31 December 2023:

Subsidiaries of the Group	Estimated amount of guarantee for each of three years ending 31 December 2023 <i>RMB million</i> <i>a</i>	Guarantee fee rate <i>(Note)</i> %	Annual cap of annual guarantee service for each of three years ending 31 December 2023 <i>RMB million</i> <i>c=a*b</i>
		<i>b</i>	
The Company	13,474	1.5	202
Yankuang Lunan Chemicals Co., Ltd. (兗礦魯南化工有限公司)	1,700	1.5	26
Shaanxi Future Energy & Chemicals Co., Ltd. (陝西未來能源化工有限公司)	4,600	1.5	69
Total			297

Note: The guarantee rate was determined with reference to the market price of the similar guarantee services offered by other parties and the credit rating of the company of “AAA”.

LETTER FROM DONVEX CAPITAL

(viii) Canteen operation services

We understand that Yankuang Group will provide the canteen operation services to four subsidiaries of the Group and two branches of the Company, details of which are set forth in the table below:

Subsidiaries of the Group/Branches of the Company	Estimated canteen operation for FY2021 RMB'000
Yanzhou Coal Mining Company, Yangcun Coal Mine Branch (兗州煤業股份有限公司楊村煤礦)*	908
Yanzhou Coal Mining Company, Military Mine Rescue Crew Branch (兗州煤業股份有限公司軍事化礦山救護大隊)*	60
Ordos Neng Hua	25,020
Heze Neng Hua	3,592
Yulin Neng Hua	3,000
Donghua Heavy Industry	60
Total	32,641

The annual cap of canteen operation services provided by Yankuang Group for each of three years ending 31 December 2023 has significantly increased as compared to that for each of three years ending 31 December 2020 due to the increase of coal mine workers as a result of the expansion of the coal mines under Ordos Neng Hua.

With the expected continuing expansion of coal mining in FY2022 and FY2023, an increase of approximately 5% and 7% in the annual canteen operation expenses has been applied for FY2022 and FY2023, respectively.

(ix) Security guard services

The annual cap of the security guard services consists of (a) the expense to hire security staff from Yankuang Group by the Group; and (b) the expense of coal train convoy services.

In relation to the expense on hiring security staff, to satisfy the increase in the demand of security guard services from the coal mines of the Group for three years ending 31 December 2023 due to (a) the acquisition of subsidiaries in the second half year of 2020; and (b) the expansion of the coal mines of the Group, 681 security staffs would be appointed by Yankuang Group for the security guard services. Having considered that costs of relevant security equipment and the salary

LETTER FROM DONVEX CAPITAL

standards for security staffs stipulated by the local government, the estimation on the monthly security services fees ranged from approximately RMB4,200 per head to RMB6,300 per head, in an aggregate of RMB43.0 million for FY2021.

In relation to the expense of coal train convoy services, we note that the annual expense is estimated based on the volume of the coal to be convoyed. The Company estimates that the total volume of coal to be convoyed amounted to approximately 13 million tons for FY2021. With the unit price of RMB2.35 per ton, the total annual expense would amount to approximately RMB31 million for FY2021.

With the expected (a) continuing expansion of the coal mines; (b) the increase in the coal train convoy services; and (c) the increase of the salaries of the security staff in FY2022 and FY2023, an increase of approximately 12% and 11% in the annual security guard expenses has been applied for FY2022 and FY2023, respectively.

(x) Technology services

We are advised by the management of the Company that Yankuang Group would provide the following technology services to the Company and the subsidiaries of the Group:

Company	Detail of the technology service	Annual cap of technology services for FY2021 RMB'000
(i) Yulin Neng Hua; (ii) Ordos Neng Hua; and (iii) Shaanxi Future Energy & Chemicals Co., Ltd. (陝西未來能源化工有限公司)	Technology service on the unattended monitoring system for the coal mines	21,000
The Company	Technology service on coal mines dispatching command system	8,630
Total		29,630

Considering Yankuang Group will provide technology services, including (a) 5G transfer network; (b) coal mine intelligent transfer system; (c) underground personnel positioning system; and (d) coal mine management platform, to the coal mines under (i) Bao Dian coal

LETTER FROM DONVEX CAPITAL

mine and Dong Tan coal mine of the Company; and (ii) Zhao Lou coal mine under Heze Neng Hua, an increase of approximately 33% and 25% in the annual technology services expense has been applied for FY2022 and FY2023, respectively.

Provision of labor and services by the Company to Yankuang Group

(i) Training services

We note that the Group will provide training the staff of Yankuang Group, details of which are set forth below:

Staff	For each of three years ending 31 December 2023		
	Budgeted	Number of staff	Total
	training cost		budgeted
	for each		training cost
	staff RMB <i>a</i>		staff training cost RMB <i>c=a*b</i>
Management under non-coal division of Yankuang Group	1,600	1,600	2,560,000
Special operations staff under non-coal division of Yankuang Group	2,700	900	2,430,000
Coal mine workers of Yankuang Group	2,200	1,980	4,356,000
Total			9,346,000

The annual cap for each of three years ending 31 December 2023 remained the same as that for each of three years ending 31 December 2020 and is significantly higher than the actual amount of training services for three years ending 31 December 2020 since Yankuang Group would highly demand for the trainings for its coal mine workers due to the expansion of coal mining business of Yankuang Group by virtue of its merger with Shandong Energy Company Limited (山東能源集團有限公司) (“**Shandong Energy**”) as disclosed in the announcement dated 30 November 2020.

LETTER FROM DONVEX CAPITAL

(ii) Transportation services

We note that the Group will provide transportation services of coals and labor safety products to Yankuang Group, including railway transportation and automobile transportation, to the subsidiaries of Yankuang Group in the PRC, details of which are set forth below:

Transportation service	Unit price <i>RMB</i> <i>a</i>	Unit <i>b</i>	Total amount for FY2021 <i>RMB</i> <i>c=a*b</i>
Automobile transportation of goods from the logistics park by the Group to the subsidiaries of Yankuang Group	Approximate 18,000	37 times	666,000
Railway transportation of coal by the Group to the subsidiaries of Yankuang Group	Approximate 40	Approximate 1,503,000 tons	60,120,000
Railway transportation of coal by the Group to the subsidiaries of Yankuang Group	Approximate 35	Approximate 273,000 square meters	9,555,000
Total			70,341,000

With the expected increase in the transportation services of coal and labor safety products to Yankuang Group in FY2022 and FY2023, an increase of approximately 13% and 11% in the annual security guard expenses has been applied for FY2022 and FY2023, respectively.

(iii) Repair and maintenance services

We have noticed that Donghua Heavy Industry, a wholly owned subsidiary of the Company, is responsible for providing the repair and maintenance services for the hydraulic supports of equipment and machineries to Yankuang Group as needed.

The estimated annual expense of the repair and maintenance services of RMB60.0 million for FY2021 is determined with reference to the expense of repair and maintenance services, including (a) the repair and maintenance of the hydraulic supports of the underground equipment and machineries for the coal mines; and (b) the repairment of conveyor belt, scraper machines, and electrical enclosure boxes of the coal mines under (i) Linyi Mine Group Heze Coal and Electricity

LETTER FROM DONVEX CAPITAL

Company Limited (臨沂礦業集團荷澤煤電有限公司); (ii) Yankuang Xinjiang Mine Company Limited (兗礦新疆礦業有限公司); and (iii) Guizhou Jin Sha Long Feng Coal Company Limited (貴州金沙龍鳳煤業有限公司), the subsidiaries under Yankuang Group.

The annual cap will subsequently be increased to RMB70.0 million and RMB80.0 million for FY2022 and FY2023, respectively, after taking into account the repair and maintenance services provided to more coal mines under Yankuang Group such as the coal mines under Xinwen Mining Group Company Limited (新汶礦業(集團)有限責任公司) and Zaozhuang Mining Group Company Limited (棗莊礦業(集團)有限責任公司), including but not limited to the repairment and upgrade of hydraulic supports, as a result of the expansion of the coal mining business of Yankuang Group in the aforementioned periods.

(II) View

Having considered all the factors as mentioned above, we are of the view that the Proposed Annual Caps for the continuing connected transactions under the Proposed Mutual Provision of Labor and Services Agreement are justifiable, fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

(f) *Reasons for and benefits of entering into the Proposed Mutual Provision of Labor and Services Agreement*

To justify the reasons for and benefits of entering into the Proposed Mutual Provision of Labor and Services Agreement, we have considered the factors as below:

- (I) Due to the close proximity between Yankuang Group and the Company, the Company could obtain a reliable response in sourcing the labor and services from Yankuang Group, reducing the operational risks of any default in delivering labor and services in a timely manner; and
- (II) As a subsidiary of Yankuang Group, the Company has been familiar with the operation requirements or demands of Yankuang Group. Accordingly, Yankuang Group could provide the labor and services based on different demands from Group in a cost-effective manner or vice versa.

In view of the above, we concur with the Directors that the entering into of the Proposed Mutual Provision of Labor and Services Agreement will help strengthen the Group's ability to carry out stable and sustainable business and therefore it is in the interest of the Company and the Independent Shareholders as a whole.

LETTER FROM DONVEX CAPITAL

(2) The Proposed Provision of Products, Materials and Asset Leasing Agreement

(a) Background

On 27 November 2017, the Company entered into the Existing Provision of Products, Materials and Equipment Leasing Agreement with Yankuang Group for a term of three years commencing from 1 January 2018 to 31 December 2020.

On 9 December 2020, the Company entered into the Proposed Provision of Products, Materials and Asset Leasing Agreement with Yankuang Group to renew the Existing Provision of Products, Materials and Equipment Leasing Agreement on substantially the same terms.

(b) Principal terms of the Proposed Provision of Products, Materials and Asset Leasing Agreement

The table below summarizes the principal terms of the Proposed Provision of Products, Materials and Asset Leasing Agreement.

Date

9 December 2020

Parties

- (a) the Company; and
- (b) Yankuang Group

Term

Three years commencing from 1 January 2021 to 31 December 2023

Major terms

Pursuant to the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Company would provide the followings to Yankuang Group: coal products, electricity, materials (including 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.

LETTER FROM DONVEX CAPITAL

Payment terms

- (I) The payment of consideration under the Proposed Provision of Products, Materials and Asset Leasing Agreement shall be settled on the one-off basis or by instalment in accordance with paragraph (II) below; and
- (II) Each party shall record all amounts payable to or from the other party under the Proposed Provision of Products, Materials and Asset Leasing Agreement on or before the last Business Day of that calendar month. Save for the on-going transactions or the amount in dispute, all payments of the completed transactions under the Proposed Provision of Products, Materials and Asset Leasing Agreement shall be settled in full within the following calendar month.

Pricing

Set out below is the table illustrating the different pricing methods to be applied for each transaction under the Proposed Provision of Products, Materials and Asset Leasing Agreement:

Pricing Method	Transactions under the Proposed Provision of Products, Materials and Asset Leasing Agreement
(I) Market Price:	(i) Coal products; (ii) Materials; and (iii) Asset leasing

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. The sales department of the Company will update the relevant information on a monthly basis 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.

LETTER FROM DONVEX CAPITAL

Pricing Method	Transactions under the Proposed Provision of Products, Materials and Asset Leasing Agreement
(II) Price approved by the relevant government authorities	(i) Electricity The price of electricity shall be determined based on the price approved by the relevant government authorities (including but not limited to Shandong Province Price Bureau and Jining Municipal Price Bureau) and would be settled according to the actual amounts used by Yankuang Group.

(c) Assessment on internal control procedures of pricing and payment terms

In order to assess the fairness and reasonableness of the pricing policy and payment terms, we have obtained and reviewed the invoices of the historical sales transactions in relation to the coal sales, materials supply, asset leasing, and electricity supply sold to or provided to (i) Yankuang Group under the Existing Provision of Products, Materials and Equipment Leasing Agreement; and (ii) the Independent Third Parties in FY2020, respectively.

Pricing

Based on the review, we note that the prices of coal products, materials, and asset leasing provided to Yankuang Group under the Existing Provision of Products, Materials and Equipment Leasing Agreement (i) were determined with reference to the Market Price; and (ii) were similar with and no less favorable than those offered to the Independent Third Parties.

We also noted that the price of electricity offered to Yankuang Group under the Existing Provision of Products, Materials and Equipment Leasing Agreement is based on the price approved by State Grid Shandong Electric Power Company Jining Branch (國網山東省電力公司濟寧供電公司).

Payment terms

We have also compared the payment terms under the Existing Provision of Products, Materials and Equipment Leasing Agreement with those offered to the Independent Third Parties for the same or similar type of products. We note that the payments terms under the Existing Provision of Products, Materials and Equipment Leasing Agreement are in line with and no less favorable than those offered to the Comparable Products.

LETTER FROM DONVEX CAPITAL

View

Having considered the above, we are of the view that the internal control measures have been effectively implemented to ensure that the pricing and payment terms under the Proposed Provision of Products, Materials and Asset Leasing Agreement are (i) on normal commercial terms after arms' length negotiation; and (ii) fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(d) Historical Transaction Amounts

Set out below are the historical annual amounts of the Existing Provision of Products, Materials and Equipment Leasing Agreement for the two financial years ended 31 December 2019 and 1H2020:

Category		FY2018	FY2018	FY2019	FY2019	1H2020	FY2020
		Actual	Annual	Actual	Annual	Actual	Annual
		amount	cap	amount	cap	amount	cap
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1	Coal sales	2,269,360	2,272,500	1,244,961	2,638,000	1,035,437	2,771,000
2	Materials supply	1,154,088	1,318,800	805,598	1,596,800	441,584	1,809,700
3	Methanol sales	1,588	80,000	5,456	80,000	1,891	100,000
4	Equipment leasing	9,202	30,000	29,450	35,000	34,853	40,000
5	Electricity supply	56,318	110,000	28,065	120,000	15,115	130,000
6	Heat supply	17,130	26,000	3,073	26,000	–	26,000
Total		3,507,686	3,837,300	2,116,603	4,495,800	1,528,880	4,876,700
Utilization rate		91.4%		47.1%		31.4%	

As illustrated in the above table, we have noticed that the utilization rates of the annual caps under the Existing Provision of Products, Materials and Equipment Leasing Agreement ranged from 31.4% to 91.4% for FY2018, FY2019, and 1H2020, respectively. As confirmed with the management of the Company, we understand that the reasons for the low utilization rates are as follows:

(i) Coal sales

Due to the growing demand for coal for FY2019 and FY2020 in the coal market, the raw coal was sold to Independent Third Parties on top priority and less raw coal was sold to Yankuang Group. As such, the utilization rate of the annual cap of coal sales remained low for FY2019.

LETTER FROM DONVEX CAPITAL

(ii) Materials supply

The low utilization rate of the annual cap of material supply in FY2019 and 1H2020 was mainly due to the lower demand for the materials from Yankuang Group for the said periods.

(iii) Methanol sales

The low utilization rate of the annual cap of methanol sales from the Group to Yankuang Group for three years ending 31 December 2020 was mainly attributable to the following reasons: (a) the then subsidiaries of Yankuang Group were able to massively produce methanol; and (b) due to the low demand for methanol in the market during the aforesaid periods, Yankuang Group did not purchase much methanol from the Group for its further sales.

(iv) Electricity supply

The low utilization rate of the annual cap of electricity supply for FY2019 and FY2020 was mainly due to the shutdown of the power stations integrated with the coal mines as a result of the fulfilment of pollution control standards required by the government.

(v) Heat supply

The low utilization rate of the annual cap of heat supply for FY2019 and FY2020 was mainly due to the shutdown of the heating plants integrated with the coal mines as a result of the fulfilment of pollution control standards required by the government.

(e) *Proposed Annual Caps*

The following table sets forth the proposed annual cap of each category of services under the Proposed Provision of Products, Materials and Asset Leasing Agreement for three years ending 31 December 2023:

		FY2021	FY2022	FY2023
	Category	Annual	Annual	Annual
		cap	cap	cap
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
1	Coal sales	2,500,000	3,200,000	3,500,000
2	Materials supply	700,000	800,000	900,000
3	Asset leasing	100,000	110,000	120,000
4	Electricity supply	20,000	20,000	22,000
	Total	3,320,000	4,130,000	4,542,000

LETTER FROM DONVEX CAPITAL

(I) Basis of determination of the Proposed Annual Caps

In assessing the fairness and reasonableness of the Proposed Annual Caps under the Proposed Provision of Products, Materials and Asset Leasing Agreement, we have reviewed a comprehensive summary of estimation for each transaction under the Proposed Provision of Products, Materials and Asset Leasing Agreement as follows:

(i) Coal sales

Considering the expansion of the coal mines of the Group and the purchase plan of coal from Yankuang Group, the total volumes of the different types of coal to be sold to Yankuang Group for FY2021, FY2022, and FY2023 amounted to approximately 5.2 million tons, 6.7 million tons, and 7.3 million tons, respectively, at the average price of approximately RMB440 per ton which have been estimated with reference to the average prices of different types of coal for eleven months ended 30 November 2020 based on the coal sales records of the Company, representing the total revenue of approximately RMB2.3 billion, RMB2.9 billion, and RMB3.3 billion for the aforementioned periods.

(ii) Materials supply

The Group will provide approximately 14 types of materials, mainly consisting of parts and components for machineries, steels, and rubbers for different projects under Yankuang Group for each of three years ending 31 December 2023. The annual caps of approximately RMB700 million, RMB800 million, and RMB900 million for each of three years ending 31 December 2023, respectively, are determined with reference to the estimated unit price and estimated quantity of materials to be used under different projects of Yankuang Group.

The annual cap of materials supply for each of three years ending 31 December 2023 represents a significant decrease as compared to that for each of three years ending 31 December 2020 and is close to the actual amount of materials supply for three years ending 31 December 2020.

(iii) Asset leasing

Shanghai Yankuang Cinda Hotel Management Co., Ltd. (上海兗礦信達酒店管理有限公司), a subsidiary of Yankuang Group, leased a building for its hotel operation with a gross floor area of approximately 28,700 square meters from the Group. With the annual unit price of approximately RMB514 per square meter, the total lease amounted to approximately RMB14.8 million for FY2021.

LETTER FROM DONVEX CAPITAL

The machineries for the construction of the mining projects, including but not limited to coal shearer and underground supports, will be leased by five coal mines under Yankuang Group at the total amount of RMB26.5 million, RMB7.0 million, RMB15.7 million, RMB4.9 million, and RMB14.4 million, respectively, totaling RMB68.5 million, for FY2021.

As an increase of approximately 10% and 9% in the rental of the building and machineries is expected to be applied in FY2022 and FY2023, respectively, the annual rental to be received from equipment leasing would amount to RMB110 million and RMB120 million for FY2022 and FY2023, respectively.

(iv) Electricity supply

The management of the Company advised that the expected annual consumption of electricity by the office buildings of all the subsidiaries of Yankuang Group would amount to 23.0 million kilowatt-hours for each of the three years ending 31 December 2023. With the estimated unit price of electricity of RMB0.85 per kilowatt-hour for each year, the total amount charged to Yankuang Group for electricity supply would amount to RMB19.6 million for each of the three years ending 31 December 2023.

Due to the shutdown of the power stations integrated with the coal mines as mentioned under the paragraph headed “(d) Historical Transaction Amounts – (iv) Electricity supply” in this section above, the annual cap for three years ending 31 December 2023 represents a significant decrease as compared to that for three years ending 31 December 2020.

(II) View

Having considered all the factors as mentioned above, we are of the view that the Proposed Annual Caps for the continuing connected transactions under the Proposed Provision of Products, Materials and Asset Leasing Agreement are justifiable, fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

LETTER FROM DONVEX CAPITAL

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

To justify the reasons for and benefits of entering into the Proposed Provision of Products, Materials and Asset Leasing Agreement, we have considered the factors as below:

- (I) Yankuang Group has substantial and stable demand for the coal, mining materials, electricity, and lease of equipment, and the considerations of the aforementioned products and service are no less favorable to Yankuang Group than those offered to Independent Third Parties; and
- (II) As the Group has provided products, materials, and equipment lease services to Yankuang Group for several years, the Group fully understands the business and operation needs of Yankuang Group and has provided Yankuang Group with quality products and services required.

In view of the above, we concur with the Directors that the entering into the Proposed Provision of Products, Materials and Asset Leasing Agreement is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

(3) The Proposed Bulk Commodities Sale and Purchase Agreement

(a) Background

On 27 November 2017, the Company entered into the Existing Bulk Commodities Sale and Purchase Agreement with Yankuang Group for a term of three years commencing from 1 January 2018 to 31 December 2020.

On 9 December 2020, the Company entered into the Proposed Bulk Commodities Sale and Purchase Agreement with Yankuang Group to renew the Existing Bulk Commodities Sale and Purchase Agreement on substantially the same terms.

LETTER FROM DONVEX CAPITAL

(b) Principal terms of the Proposed Bulk Commodities Sale and Purchase Agreement

The following summarized the principal terms of the Proposed Bulk Commodities Sale and Purchase Agreement.

Date

9 December 2020

Parties

- (a) the Company; and
- (b) Yankuang Group

Term

Three years commencing from 1 January 2021 to 31 December 2023

Major terms

Pursuant to the Proposed Bulk Commodities Sale and Purchase Agreement, the Company and Yankuang Group may, from time to time, sell or purchase coal, iron ores, rubber, and other bulk commodities from each other.

On or before 30 November each year, the requesting party may provide to the supplying party an annual assessment of the supplies 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 Bulk Commodities Sale and Purchase Agreement.

Payment terms

- (I) The payment of consideration under the Proposed Bulk Commodities Sale and Purchase Agreement shall be settled on the one-off basis or by instalment in accordance with paragraph (II) below; and
- (II) Each party shall record all amounts payable to or from the other party under the Proposed Bulk Commodities Sale and Purchase Agreement on or before the last Business Day of that calendar month. Save for the on-going transactions or the amount in dispute, all payments of the completed transactions under the Proposed Bulk Commodities Sale and Purchase Agreement shall be settled in full within the next calendar month.

LETTER FROM DONVEX CAPITAL

Pricing

The price of coal, iron ores, and rubber shall be determined according to the Market Price.

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 by obtaining quotation fee 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 to determine the Market Price. The sales department or purchase department of the Company will update the relevant information from time to time based on the procurement demand and will continue to monitor the Market Price to ensure that each transaction is conducted in accordance with the pricing policy set out above.

Yankuang Group has undertaken that the price of such bulk commodities shall not be higher than the price offered by Yankuang Group to any Independent Third Parties for the same type of bulk commodities under any circumstances.

(c) Assessment on internal control procedures of pricing and payment terms

In order to assess the fairness and reasonableness of the pricing policy and payment terms, we have obtained and reviewed the invoices of the transactions under the Existing Bulk Commodities Sale and Purchase Agreement between the Group and (i) Yankuang Group; and (ii) the Independent Third Parties, respectively, for FY2020.

Pricing

Based on the review, we note that:

For the sales of bulk commodities by the Company to Yankuang Group

The prices offered to Yankuang Group for the bulk commodities under the Existing Bulk Commodities Sale and Purchase Agreement are similar with and no less favorable than those offered to the Independent Third Parties.

For the sales of bulk commodities by Yankuang Group to the Company

The prices offered by Yankuang Group for the bulk commodities under the Existing Bulk Commodities Sale and Purchase Agreement are similar with and no more favorable to those offered by the Independent Third Parties.

LETTER FROM DONVEX CAPITAL

Pricing policy

To further assess the pricing policy applied for the bulk commodities to be included in the Existing Bulk Commodities Sale and Purchase Agreement, we have further obtained the invoices of the historical transactions for FY2020. Based on the review, we note that the prices of the bulk commodities are in line with the Market Price.

Conclusion on our review

In view of the above, we consider that the pricing under the Existing Bulk Commodities Sale and Purchase Agreement has been properly conducted and the prices for the bulk commodities are determined based on the corresponding pricing methods as set out in the Existing Bulk Commodities Sale and Purchase Agreement.

Payment terms

We have also compared the payment terms under the Existing Bulk Commodities Sale and Purchase Agreement with those offered by/to the Independent Third Parties for the same or similar type of bulk commodities. We note that the payments terms under the Existing Bulk Commodities Sale and Purchase Agreement are in line with those offered by/to the Independent Third Parties.

View

Having considered the above, we are of the view that the internal control measures have been effectively implemented to ensure that the pricing and payment terms under the Proposed Bulk Commodities Sale and Purchase Agreement are (i) on normal commercial terms after arms' length negotiation; and (ii) fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM DONVEX CAPITAL

(d) *Historical Transaction Amounts*

Set out below are the historical annual amounts of the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ended 31 December 2019 and 1H2020:

Sales of bulk commodities by the Company to Yankuang Group:

Category	FY2018 Actual amount RMB'000	FY2018 Annual cap RMB'000	FY2019 Actual amount RMB'000	FY2019 Annual cap RMB'000	1H2020 Actual amount RMB'000	FY2020 Annual cap RMB'000
Sales of bulk commodities	–	3,641,000	1,615,332	3,841,000	55,629	4,281,000
Utilization rate	–		42.1%		1.3%	

Sales of bulk commodities by Yankuang Group to the Company:

Category	FY2018 Actual amount RMB'000	FY2018 Annual cap RMB'000	FY2019 Actual amount RMB'000	FY2019 Annual cap RMB'000	1H2020 Actual amount RMB'000	FY2020 Annual cap RMB'000
Sales of bulk commodities	160,656	4,500,000	561,565	4,700,000	439,751	5,140,000
Utilization rate	3.6%		11.9%		8.7%	

As illustrated in the above table, we have noticed that the utilization rates of the annual caps under the Existing Bulk Commodities Sale and Purchase Agreement ranged from nil to 42.1% for FY2018, FY2019, and 1H2020. As confirmed with the management of the Company, we understand that the reasons for the low utilization rates are as follows:

- (i) For the sales of bulk commodities by Yankuang Group to the Company

The Group considered to operate the hedging business of bulk commodities with Yankuang Group for three years ending 31 December 2020. However, due to the high financial risk of hedging to the Group, the Group ceased the hedging business and remained a small bulk commodities trading business on a back-to-back basis with Yankuang Group. Therefore, the utilization rate of the annual cap on the sales of bulk commodities from Yankuang Group to the Company remained low for FY2018, FY2019, and 1H2020.

LETTER FROM DONVEX CAPITAL

- (ii) For the sales of bulk commodities by the Company to Yankuang Group

The low utilization rate of the annual cap on the sales of bulk commodities from the Company to Yankuang Group was mainly due to (a) high financial risk of hedging business to the Group; and (b) low demand for iron ore and rubber from Yankuang Group.

(e) Proposed Annual Caps

The following table sets forth the proposed annual cap of each categories under the Proposed Bulk Commodities Sale and Purchase Agreement:

Sales of bulk commodities by the Company to Yankuang Group:

	FY2021	FY2022	FY2023
	Annual	Annual	Annual
	cap	cap	cap
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of bulk commodities	2,970,000	3,270,000	3,270,000

Sales of bulk commodities by Yankuang Group to the Company:

	FY2021	FY2022	FY2023
	Annual	Annual	Annual
	cap	cap	cap
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Sales of bulk commodities	500,000	550,000	600,000

(I) Basis of determination of the Proposed Annual Caps

- (i) For the sales of bulk commodities by the Company to Yankuang Group

The sales volumes of coal, rubber, and iron ore to Yankuang Group are approximately 2.0 million tons, 20,000 tons and 300,000 million tons, at the average price of RMB535 per ton, RMB9,200 per ton and RMB700 per ton for FY2021, respectively, which have been determined with reference to the average price of relevant commodities for eleven months ended 30 November 2020. In addition, the Group estimated that the trading amount of non-ferrous metal, including copper, aluminum, and nickel, would amount to approximately RMB27 million.

LETTER FROM DONVEX CAPITAL

Due to the anticipated expansion of the business of Yankuang Group in FY2022 as a result of its merger with Shandong Energy, the Group estimates that the sales amount of the bulk commodities will be increased by approximately 10% in FY2022 and remained stable in FY2023. As such, the annual cap for FY2022 and FY2023 amounted to RMB3,270 million.

- (ii) For the sales of bulk commodities by Yankuang Group to the Company

The sales volumes of trading coal from Yankuang Group to the Group would be approximately 410,000 tons at the average price of RMB980 per ton for FY2021, which have been determined with reference to the average price of relevant commodities for eleven months ended 30 November 2020.

Due to the anticipated increase in demand for the trading coal in 2022 and 2023, the Group estimates that the sales volumes of trading coal will be increased by approximately 10% and 9% in 2022 and 2023 respectively, representing an annual cap of approximately RMB550 million and RMB600 million for FY2022 and FY2023, respectively. The annual cap for each of three years ending 31 December 2023 represents a significant decrease as compared to that for each of three years ending 31 December 2020 mainly due to the cease of hedging business as mentioned above.

(II) View

Having considered all the factors as mentioned above, we are of the view that the Proposed Annual Caps for the continuing connected transactions under the Proposed Bulk Commodities Sale and Purchase Agreement are justifiable, fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

- (f) *Reasons for and benefits of entering into the Proposed Bulk Commodities Sale and Purchase Agreement*

Having considered that the Company and Yankuang Group have been familiar with each other in particular for specifications of the bulk commodities required by either party, the entering into of the Proposed Bulk Commodities Sale and Purchase Agreement could (a) reduce the operational risks in any default in payment terms of the transactions; and (b) expand the Group's trading scale of bulk commodities by sharing Yankuang Group's extensive distribution networks in different areas of the PRC.

LETTER FROM DONVEX CAPITAL

In view of the above, we concur with the Directors that the entering into of the Proposed Bulk Commodities Sale and Purchase Agreement will help strengthen the Group's ability to carry out stable and sustainable business and therefore it is the interest of the Company and the Independent Shareholders as a whole.

(4) *The Proposed Finance Lease Agreement*

(a) Background

On 30 December 2019, Zhongyin Financial Leasing, a subsidiary of the Company, entered into the Existing Finance Lease Agreement with Yankuang Group, pursuant to which Zhongyin Financial Leasing has agreed to provide Finance Leasing Service to Yankuang Group Members during the period from 1 January 2020 to 31 December 2020.

On 9 December 2020, the Company entered into the Proposed Financial Lease Agreement with Yankuang Group to renew the Existing Finance Lease Agreement on substantially the same terms.

(b) Principal terms of the Proposed Finance Lease Agreement

The following summarized the principal terms of the Proposed Finance Lease Agreement:

Date

9 December 2020

Parties

- (a) The Company (as lessor); and
- (b) Yankuang Group (as lessee)

Term

Three years commencing from 1 January 2021 to 31 December 2023

Leased assets

The Leased Assets include, among others, buildings, structures, and mechanical equipment.

LETTER FROM DONVEX CAPITAL

Arrangement of the Finance Leasing Service

Pursuant to the Proposed Finance Lease Agreement, the Company has agreed to provide Finance Leasing Service to Yankuang Group Members by way of direct finance leasing service and sale-leaseback service.

Under the direct finance leasing service, the Company will purchase the Leased Assets based on the demands and requirements of Yankuang Group Members from Independent Third Party suppliers and will then lease the Leased Assets to Yankuang Group Members for their use in return for periodic lease payments. The ownership of the Leased Assets will be solely vested in the Company during the lease period. Yankuang Group Members could choose to purchase the Leased Assets after expiry of the lease or upon the consent of the Company or its subsidiary prior to the expiry of the lease, subject to compliance with the then relevant requirements under the Hong Kong Listing Rules.

Under the sale-leaseback service, Yankuang Group Members will sell the Leased Assets to the Company at a negotiated purchase price with reference to the book value, the appraisal value, and/or the original acquisition costs of the Leased Assets, and the Company or its subsidiary will then lease the Leased Assets back to Yankuang Group Members for their use in return for periodic lease payments. The ownership of the Leased Assets will be solely vested in the Company during the lease period. Yankuang Group Members could choose to purchase the Leased Assets after expiry of the lease or upon the consent of the Company or its subsidiary prior to the expiry of the lease, subject to compliance with the then relevant requirements under the Hong Kong Listing Rules.

The Company intends to pay the purchase price for the Leased Assets by way of its internal funds and financing funds.

Principal amount

The principal amount of each Finance Leasing Service will be equal to the respective purchase price of the Leased Assets.

Interests and fees

The interest rate and relevant fees to be agreed for the Finance Leasing Service shall be fair and reasonable and on normal commercial terms or better. In particular, when determining the effective interest rate, the Company shall make reference to the following non-exhaustive factors:

- (a) not lower than 5% above the lending rates published by the National Interbank Funding Center at the same period, and not higher than 7.5%;

LETTER FROM DONVEX CAPITAL

- (b) the financing costs of the Company;
- (c) the quotations for similar finance leasing services offered by the Company to Independent Third Parties;
- (d) the risk premium of Yankuang Group Members; and
- (e) all other relevant fees, including the annual commission fees and consulting fees not higher than 1% of the principal of the relevant financial lease agreement.

The Company will consider the above factors and ensure that the overall terms and conditions for providing the Finance Leasing Service, including the effective interest rates and fees as well as payment conditions and other material terms, are no less favorable to the Company than the same offered by Yankuang Group Members to Independent Third Parties for receiving comparable finance leasing service.

Method of payment

The principal and interest with respect to the provision of Finance Leasing Service will be paid by Yankuang Group Members on a quarterly basis.

Such commission fees or consulting fees will be paid by Yankuang Group Members to the Company upon or prior to the Company's payment of the purchase price of the Leased Assets.

(c) Assessment on internal control procedures of pricing

In order to assess the fairness and reasonableness of the pricing policy and payment terms, we have obtained and reviewed the invoices of a finance lease transaction between the Group and (i) Yankuang Group Members; and (ii) the Independent Third Parties, respectively, for FY2020.

Pricing

Based on the review, we note that the interest rate offered to Yankuang Group for the finance lease was similar to and no less favorable than those offered to the Independent Third Parties.

View

Having considered the above, we consider that the internal control measures have been effectively implemented to ensure that the pricing policy under the Proposed Finance Lease Agreement is (i) on normal commercial terms after arms' length negotiation; and (ii) fair and reasonable so far as the Company and the Independent Shareholders are concerned.

LETTER FROM DONVEX CAPITAL

(d) Historical Transaction Amounts

Set out below are the historical annual amounts of the Existing Finance Lease Agreement for 1H2020:

	1H2020	FY2020
	Actual	Annual
	amount	cap
	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease:		
– Principal amount	–	814,000
– Interests	–	64,000
Utilization rate of the principal amount	–	

As illustrated in the above table, we have noticed that the utilization rate of the annual cap in relation to the principal amount under the Existing Finance Lease Agreement amounted to nil for 1H2020, which was mainly attributable to low-level operation of the coal mines under Yankuang Group Members by virtue of the outbreak of COVID-19 for 1H2020.

(e) Proposed annual cap

The following table sets forth the proposed annual cap of each categories under the Proposed Finance Lease Agreement:

	FY2021	FY2022	FY2023
	Annual	Annual	Annual
	cap	cap	cap
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Finance lease			
– Principal amount	6,000,000	7,000,000	8,000,000
– Interests and fees	510,000	595,000	680,000

LETTER FROM DONVEX CAPITAL

(I) Basis of determination of the Proposed Annual Caps

(i) Principal amount

We understand that the Group will provide the finance lease on machineries and equipment for the operation of the projects to four subsidiaries of Yankuang Group in FY2021, details of which are set forth in the table below:

	Finance lease as at 31 December 2021 RMB million
Yankuang Group	2,800
Yankuang Xinjiang Neng Hua Company Limited (兗礦新疆能化有限公司)	1,500
Shaanxi Zaokuang Hongdunjie Coal and Electricity Power Company Limited (陝西棗礦紅墩界煤電有限公司)	1,500
Yankuang Xinjiang Mine Company Limited (兗礦新疆礦業有限公司)	200
Total	6,000

With the expected renewal of machineries and equipment for the coal mines under Xinwen Mining Group Company Limited (新汶礦業(集團)有限責任公司) and Zaozhuang Mining Group Company Limited (棗莊礦業(集團)有限責任公司), the subsidiaries of Yankuang Group, in FY2022 and FY2023, an annual increase of approximately 17% and 14% in the principal amount has been applied for the aforementioned periods, respectively.

(ii) Interests and fees

The annual interests are calculated based on the principal amount multiplied by the interest rate of 4.25%, the estimated PRC three-year loan prime rate, which is determined with reference to the average of PRC one-year loan prime rate of 3.85% and PRC five-year loan prime rate of 4.65% announced by the People's Bank of China in June 2020.

The annual fees are calculated based on the principal amount multiplied by fee charge rate of 1% as stated in "Principal terms of the Proposed Finance Lease Agreement – Interests and fees" in this section above.

LETTER FROM DONVEX CAPITAL

(II) View

Having considered all the factors as mentioned above, we are of the view that the Proposed Annual Caps for the continuing connected transactions under the Proposed Finance Lease Agreement are justifiable, fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

(f) *Reasons for and benefits of entering into the Proposed Finance Lease Agreement*

To justify the reasons for and benefits of entering into the Proposed Finance Lease Agreement, we have considered the factors as below:

- (I) Yankuang Group Members are principally engaged in mining, preparation, processing and sales of coal. As advised by the management of the Company, Yankuang Group Members are in large demand for the mechanical equipment, such as underground mining equipment and hydraulic support, for the operation of all the coal mines due to the renewal and upgrade of mechanical machineries;
- (II) as the Group has a business relationship with Yankuang Group for years, both parties have been familiar with the requirements of each other. Therefore, the Company could effectively manage the risks of any default in finance lease business and achieve economic benefits through the provision of equipment leasing to Yankuang Group based on its operation needs;
- (III) the lease payments, including the principal amount, interests, and fee, charged by the Company are no less favorable to Yankuang Group Members than those offered to Independent Third Parties; and
- (IV) as a result of the aforementioned demand from Yankuang Group Members, the cash inflow and the profitability of the Group would be enhanced.

In view of the above, considering (i) the demand for the mechanical equipment from Yankuang Group Members; (ii) the lease payments, including the principal amount, interests, and fee, charged by the Company are no less favorable to Yankuang Group Members than those offered to Independent Third Parties; and (iii) the improvement in the cash inflow and the profitability of the Group, we concur with the Directors that the entering into of the Proposed Finance Lease Agreement is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

LETTER FROM DONVEX CAPITAL

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the terms under the Agreements and the Transactions are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and in the ordinary and usual course of business of the Group.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favor of the ordinary resolution(s) to be proposed at the EGM to approve the Transactions and the Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Donvex Capital Limited
Doris Sy
Director

Ms. Doris Sy is a person licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and is a responsible officer of Donvex Capital Limited who has around 18 years of experience in corporate finance advisory.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTEREST**Shareholding of Directors, chief executive and Supervisors**

As at the Latest Practicable Date, save as disclosed below, none of the Directors, chief executive or Supervisors had any interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which are required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Companies to be notified to the Company and the Hong Kong Stock Exchange.

Name	Title	Number of A Shares held as at the Latest Practicable Date
		<i>(Shares)</i>
Li Xiyong	Director, Chairman of the Board	10,000
Wu Xiangqian	Director	10,000
Gu Shisheng	Supervisor, Chairman of the Supervisory Committee	12,800

All the interests disclosed above represent long position in the A Shares.

Share Incentive Mechanism to the Directors, Supervisors and Senior Management

Name	Title	Number of options held
Wu Xiangqian	Director	320,000
Liu Jian	Director	260,000
Zhao Qingchun	Director	260,000
He Jing	Director	260,000
Wang Ruolin	Director	150,000
Qi Yanpo	Supervisor	120,000
Su Li	Supervisor	150,000
Xiao Yaomeng	Senior Management	150,000
Gong Zhijie	Senior Management	260,000
Wang Peng	Senior Management	150,000
Li Wei	Senior Management	150,000
Wang Chunyao	Senior Management	150,000
Jin Qingbin	Senior Management	260,000
Total	/	2,640,000

Note: As Mr. Qin Yanpo and Mr. Su Li are now the Supervisors of the Company, the Company will forfeit and cancel the share options held by them in due course according to the share option incentive scheme.

As at the Latest Practicable Date, Mr. Li Xiyong, Mr. Wu Xiangqian and Mr. Gu Shisheng are Directors/employees of Yankuang Group. Yankuang Group fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

3. MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest published audited consolidated financial statements of the Group were made up.

4. CONSENT AND QUALIFICATION OF EXPERT

The following expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or statements and references to its name in the form and context in which it appear:

Name	Qualifications
Donvex Capital Limited	a corporation licensed under the SFO to engage in type 6 (advising on corporate finance) regulated activity

As at the Latest Practicable Date, the above expert was not beneficially interested in the share capital of any member of the Group nor did it has any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, the above expert did not have any direct or indirect interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any existing or proposed service contract with any member of the Group which will not expire or is not determinable by the Group within one year without payment of compensation (other than statutory compensation).

6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group.

7. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined under the Hong Kong Listing Rules) had any interests in the businesses, other than being a Director, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Hong Kong Listing Rules if each of them were a controlling shareholder).

8. LITIGATION

As at the Latest Practicable Date, the Group was involved in 13 litigation cases and 1 arbitration case, among which 12 were contractual disputes (4 cases as plaintiff, 6 cases as defendant, 1 case as jointly liable party and 1 case as third party) and 2 were in relation to commercial instruments (1 case as plaintiff and 1 case as defendant). Please refer to page 35 to page 44 of the 2020 interim report of the Company for further details.

As far as the Directors are aware, save as disclosed above (details of which can be found on pages 35 to 44 of the 2020 interim report of the Company), none of the members of the Group was at present engaged in any other litigation or claim or arbitration of material importance and there was no other litigation or claim of material importance known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

9. MISCELLANEOUS

- (a) As at the Latest Practicable Date, the Directors of the Company are Mr. Li Xiyong, Mr. Wu Xiangqian, Mr. Liu Jian, Mr. Zhao Qingchun, Mr. He Jing and Mr. Wang Ruolin, and the independent non-executive Directors of the Company are Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang and Mr. Poon Chiu Kwok.
- (b) The registered office of the Company is 298 South Fushan Road, Zoucheng, Shandong Province, PRC, Postal Code: 273500.
- (c) The H Share registrar of the Company in Hong Kong is Hong Kong Registrars Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) As at the Latest Practicable Date, Mr. Jin Qingbin is the company secretary of the Company and Ms. Leung Wing Han Sharon is the joint company secretary of the Company.

Mr. Jin Qingbin, a senior accountant, a senior economist and MBA. He obtained the qualification of board secretary for listed companies in Shanghai Stock Exchange in November 2008. Mr. Jin Qingbin graduated from Missouri State University.

Ms. Leung Wing Han Sharon is a senior member of the Hong Kong Institute of Chartered Secretaries, a senior member of the Chartered Corporate Governance Institute (previously known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom, a senior member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. She holds a bachelor's degree majoring in law, a bachelor's degree in business administration majoring in accounting and a master's degree in international corporate and finance law.

- (e) Unless otherwise specified, all references to times in this circular refer to Hong Kong times.
- (f) In the case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

10. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Baker & McKenzie at 14th Floor, One Taikoo Place, 979 King's Road, Quarry Bay Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including the date of the EGM:

- (a) the Proposed Yankuang Continuing Connected Transaction Agreements;
- (b) the Existing Glencore Continuing Connected Transaction Agreements;
- (c) this circular;
- (d) the letter of recommendation from the Independent Board Committee of the Company to the Independent Shareholders as set out in this circular;
- (e) the letter of advice from Donvex Capital to the Independent Board Committee and the Independent Shareholders as set out in this circular;
- (f) the written consent from Donvex Capital referred to in paragraph 4 of this appendix; and
- (g) the articles of association of the Company.