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

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

(Stock Code: 01171)

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

References are made to the announcement of the Company dated 28 April 2023 and the circular of the Company dated 9 June 2023 in relation to, among other things, the Existing Mutual Provision of Labour and Services Agreement and the Existing Provision of Insurance Fund Administrative Services Agreement entered into between the Company and Shandong Energy, and the announcement of the Company dated 25 August 2023 and the circular of the Company dated 28 September 2023 in relation to, among other things, the Existing Bulk Commodities Sale and Purchase Agreement entered into between the Company and Shandong Energy.

Taking into account the actual needs of the Group in relation to the transactions with the Shandong Energy Group and its associates, on 30 August 2024, the Board considered and approved (i) the entering into of the Proposed Mutual Provision of Labour and Services Agreement and the Proposed Provision of Insurance Fund Administrative Services Agreement to renew and supersede the Existing Mutual Provision of Labour and Services Agreement and the Existing Provision of Insurance Fund Administrative Services Agreement; and (ii) the proposed amendments to the existing annual caps for the transactions for the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shandong Energy is a controlling Shareholder holding directly and indirectly approximately 52.83% of the issued share capital of the Company, and thus Shandong Energy is a connected person of the Company under the Listing Rules. Accordingly, the Proposed Mutual Provision of Labour and Services Agreement, the Proposed Provision of Insurance Fund Administrative Services Agreement and the Existing Bulk Commodities Sale and Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the highest applicable percentage ratios relating to (i) the annual caps for the transactions contemplated under the Proposed Mutual Provision of Labour and Services Agreement for the two financial years ending 31 December 2024 and 2025; and (ii) the proposed amendments to the annual caps for the transactions for the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates contemplated under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025 exceed 0.1% but are less than 5%, those continuing connected transactions and amendments to the annual caps are subject to reporting, annual review and announcement requirement but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. According to the applicable PRC regulations, the Proposed Mutual Provision of Labour and Services Agreement and the transactions contemplated thereunder and the proposed amendments to the existing annual caps for the transactions for the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates contemplated under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025 are subject to Independent Shareholders' approval.

As the highest applicable percentage ratios relating to the annual caps for the transactions contemplated under the Proposed Provision of Insurance Fund Administrative Services Agreement for the two financial years ending 31 December 2024 and 2025 are less than 0.1%, those continuing connected transactions are exempt from all the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules, and no annual cap is required to be set for the provision of such services. According to the applicable PRC regulations, the Proposed Provision of Insurance Fund Administrative Services Agreement and the transactions contemplated thereunder are subject to Independent Shareholders' approval.

GENERAL

As Mr. Li Wei, Mr. Liu Jian, Mr. Liu Qiang and Mr. Zhang Haijun are regarded as having material interests in the Proposed Continuing Connected Transactions, they have abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the other Directors has a material interest in the Proposed Continuing Connected Transactions.

The Company will convene an extraordinary general meeting for the Independent Shareholders to consider and, if thought fit, approve (i) the Proposed Mutual Provision of Labour and Services Agreement and the Proposed Provision of Insurance Fund Administrative Services Agreement and the respective annual caps for the transactions contemplated thereunder for the two financial years ending 31 December 2024 and 2025; and (ii) the proposed amendments to the existing annual caps for the transactions contemplated under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025. Shandong Energy and its associates will abstain from voting on the resolutions in relation to the above matters at the extraordinary general meeting. To the best of the Directors' knowledge, information and belief, save as disclosed above, no other Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the extraordinary general meeting.

I. INTRODUCTION

References are made to the announcement of the Company dated 28 April 2023 and the circular of the Company dated 9 June 2023 in relation to, among other things, the Existing Mutual Provision of Labour and Services Agreement and the Existing Provision of Insurance Fund Administrative Services Agreement entered into between the Company and Shandong Energy, and the announcement of the Company dated 25 August 2023 and the circular of the Company dated 28 September 2023 in relation to, among other things, the Existing Bulk Commodities Sale and Purchase Agreement entered into between the Company and Shandong Energy.

Taking into account the actual needs of the Group in relation to the transactions with the Shandong Energy Group and its associates, on 30 August 2024, the Board considered and approved (i) the entering into of the Proposed Mutual Provision of Labour and Services Agreement and the Proposed Provision of Insurance Fund Administrative Services Agreement to renew and supersede the Existing Mutual Provision of Labour and Services Agreement and the Existing Provision of Insurance Fund Administrative Services Agreement; and (ii) the proposed amendments to the existing annual caps for the transactions for the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025.

II. PROPOSED MUTUAL PROVISION OF LABOUR AND SERVICES AGREEMENT

On 28 April 2023, the Company entered into the Existing Mutual Provision of Labour and Services Agreement with Shandong Energy for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025. Please refer to the announcement of the Company dated 28 April 2023 and the circular of the Company dated 9 June 2023 for the details of the Existing Mutual Provision of Labour and Services Agreement.

Proposed Mutual Provision of Labour and Services Agreement

On 30 August 2024, the Company entered into the Proposed Mutual Provision of Labour and Services Agreement with Shandong Energy to renew and supersede the Existing Mutual Provision of Labour and Services Agreement on substantially the same terms. In order to better regulate the provision of labour and services between the Group and the Shandong Energy Group and its associates, the Company and Shandong Energy decided to make adjustments to the service scope under the Existing Mutual Supply of Labour and Services Agreement to include the addition of the Group's receipt of the provision of training services, mine rescue services and labour export related services by the Shandong Energy Group and its associates; the expansion of canteen operation services into backup services (including canteen operation, property cleaning and catering and accommodation); and the addition of the provision of mine rescue services, engineering construction services and labour export related services by the Group to the Shandong Energy Group and its associates.

Unless otherwise agreed by the parties in writing, the Proposed Mutual Provision of Labour and Services Agreement shall take effect upon execution by the respective legal representative or the authorised representative of the parties and approval by the Board and Independent Shareholders in accordance with the regulatory requirements of the places where the Shares of the Company are listed, with retrospective effect

commencing from 1 January 2024 and ending on 31 December 2025. When the Proposed Mutual Provision of Labour and Services Agreement becomes effective, (i) the Existing Mutual Provision of Labour and Services Agreement will be superseded with effect from 1 January 2024; and (ii) all transactions performed under the Existing Mutual Provision of Labour and Services Agreement since 1 January 2024 will be classified as the transactions performed under the Proposed Mutual Provision of Labour and Services Agreement.

Date

30 August 2024

Parties

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

Term

Two years commencing from 1 January 2024 and expiring on 31 December 2025

Major terms

Provision of labour and services by the Shandong Energy Group and its associates to the Group:

Pursuant to the Proposed Mutual Provision of Labour and Services Agreement, the Shandong Energy Group and its associates have agreed to provide the Group with labour and services including repair services, construction engineering and management services, individual employee benefits, asset leasing and services, guarantee services, training services, security services (including security guard services and coal train convoy services), labour export, backup services (including canteen operation, property cleaning and catering and accommodation, etc.), informationization and technology services, mine rescue services, maintenance services of the ERP and relevant systems, and medical services (including wellhead emergency services, staff medical check-ups, occupational health record management, epidemic prevention and control, prevention and control of infectious diseases, management of sick and injury leave for staff, public health services, emergency maintenance for major public health incidents, etc.).

Provision of labour and services by the Group to the Shandong Energy Group and its associates:

Pursuant to the Proposed Mutual Provision of Labour and Services Agreement, the Group has agreed to provide the Shandong Energy Group and its associates with labour and services including transportation services, engineering construction and management services, maintenance services, training services, labour export, informationization and technology services, mine rescue services, chemical product sales agency 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 may require 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 instalment in accordance with paragraph (2) below.
- (2) Each party shall record all items payable to or from the other party in a calendar month in relation to the transactions under the Proposed Mutual Provision of Labour and Services Agreement in its accounts on or before the last Working Day of that calendar month. Save for the payments made for non-completed transactions or disputed payments, all payments incurred in a calendar month shall be settled in full by the responsible party within the next calendar month.

Pricing

Provision of maintenance services, construction engineering and management services, asset leasing and services, guarantee services, training services, security guard services in security services, backup services, informationization and technology services by the Shandong Energy Group and its associates to the Group

The consideration shall be determined according to the Market Price (as defined below).

Provision of transportation services, engineering construction and management services, maintenance services, training services, informationization and technology services by the Group to the Shandong Energy Group and its associates

The consideration shall be determined according to the Market Price.

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

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

- (i) the price offered by Independent Third Parties for provision of the same or similar type of services in the same or similar area or in the vicinity under normal commercial terms in the ordinary course of business of such Independent Third Parties; or

- (ii) if paragraph (i) above is not applicable, the price offered by Independent Third Parties in the PRC for provision of the same or similar type of services under normal commercial terms in the ordinary course of business of such Independent Third Parties.

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

With respect to the labour and services provided or received by the Group to or from the Shandong Energy Group and its associates 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.

Provision of individual employee benefits services, coal train convoy services in security services, labour export and mine rescue services by the Shandong Energy Group and its associates to the Group:	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 incurred from providing the subject matter of the transaction by the providing party. For the purpose of computing the actual cost, Shandong Energy shall provide the Company with full account books and records in respect of the costs of such services.
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The individual employee benefits to be paid shall be equal to the actual cost incurred from the provision of such services by the Shandong Energy Group and its associates.

The coal train convoy services in security services involve costs such as salaries, consumption of materials and equipment, and depreciation incurred by the Shandong Energy Group and its associates.

Labour export includes the remuneration and social insurance expenses for employees providing the services.

Mine rescue services involve costs such as salaries, consumption of materials and equipment, and depreciation incurred by the Company's connected subsidiaries.

Provision of maintenance services of the ERP and relevant systems by the Shandong Energy Group and its associates to the Group: The consideration shall be determined based on the general pricing rules of the ERP and relevant systems maintenance market, using the per person per day rate as the pricing basis.

Provision of medical services by the Shandong Energy Group and its associates to the Group: The fees for medical check-ups shall be formulated with strict reference to the fee standards of the Shandong Provincial Price Bureau and the medical fee directory of the Healthcare Security Administration of Shandong Province, and the fees for other medical services shall be measured with reference to the actual workload, the number of staff members engaged in the services, and their wages and the costs of consumables incurred in the three years from 2021 to 2023.

Provision of sales agency service of chemical products, labour export, mine rescue services provided by the Group to the Shandong Energy Group and its associates: The consideration shall be determined based on the Cost Price (as defined above).

Shandong Energy has undertaken that the price of such labour and services provided to the Company would not be higher than the price offered by Shandong Energy to any Independent Third Parties for the same type of labour and services under any circumstances. The Company is not required to obtain such labour and services solely from Shandong Energy. The Company has also undertaken to provide such labour and services to Shandong Energy on normal commercial terms.

In order to ensure that the prices of the relevant labour and services will not be less favourable than those offered to the Group by Independent Third Parties, sales department or purchase department of the Company and its designated staff will, from time to time, collect and review the prices of other Independent Third Parties providing the same types of labour and services in the same or neighbouring areas for comparison. Quotations are generally obtained 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.

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

The existing annual caps for the three years ended/ending 31 December 2023, 2024 and 2025 and the historical transaction amounts for the financial year ended 31 December 2023 and the six months ended 30 June 2024 in respect of the transactions contemplated under the Existing Mutual Provision of Labour and Services Agreement are as follows:

	For the year ended/ending 31 December				For the six months ended
	2023		2024	2025	30 June 2024
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
		Historical			Historical
	Annual cap	amount	Annual cap	Annual cap	amount
Provision of labour and services by the Shandong Energy Group and its associates to the Group	4,830,000	2,910,415	4,475,000	3,529,000	1,077,531
Provision of labour and services by the Group to the Shandong Energy Group and its associates	141,000	56,478	174,000	204,000	104,459

As at the date of this announcement, the transaction amount of continuing connected transactions under the Existing Mutual Provision of Labour and Services Agreement did not exceed the original annual cap for the financial year ending 31 December 2024.

Having considered the existing annual caps, historical transaction amounts and the expanded service scope under the Proposed Mutual Provision of Labour and Services Agreement (the details of which are set out below), the Board proposed that the total amounts of the service fees payable by the Company to Shandong Energy under the Proposed Mutual Provision of Labour and Services Agreement shall not exceed RMB5,662,000,000 and RMB4,809,000,000 for the two financial years ending 31 December 2024 and 2025, respectively, and the total amounts of the service fees payable by Shandong Energy to the Company under the Proposed Mutual Provision of Labour and Services Agreement shall not exceed RMB1,360,000,000 and RMB920,000,000 for the two financial years ending 31 December 2024 and 2025, respectively.

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 labour and services provided by the Shandong Energy Group and its associates to the Group

- (1) The existing annual caps for the transactions in respect of the provision of labour and services by the Shandong Energy Group and its associates to the Group under the Existing Mutual Provision of Labour and Services Agreement for the two financial years ending 31 December 2024 and 2025 are RMB4,475,000,000 and RMB3,529,000,000, respectively. For details of the basis of determining the existing annual caps, please refer to the announcement of the Company dated 28 April 2023 and the circular of the Company dated 9 June 2023;
- (2) The historical transaction amounts of the provision of labour and services by the Shandong Energy Group and its associates to the Group under the Existing Mutual Provision of Labour and Services Agreement for the financial year ended 31 December 2023 and the six months ended 30 June 2024 are RMB2,910,415,000 and RMB1,077,531,000, respectively, with the annual cap utilization rate of 60.26% and 24.08%, respectively. The annual cap utilization rate for the financial year ended 31 December 2023 is only 60.26%, which is mainly due to procedural issues that delayed the commencement of some planned construction projects, resulting in lower demand for engineering construction; and the annual cap utilization rate for the six months ended 30 June 2024 is only 24.08%, which is mainly due to new construction projects requiring the completion of decision-making procedures and design plans before commencement, with the main workload concentrated in the second half of the year;
- (3) Having considered (i) the historical amounts of the canteen operation services, which amounted to RMB105 million and RMB120 million for the financial year ended 31 December 2023 and the six months ended 30 June 2024, respectively; (ii) Luxi Mining and Xinjiang Energy entered into a canteen operation agreement with Shandong Energy, resulting in an increase in the provision of services by Shandong Energy to the Company of approximately RMB186 million; and (iii) the expansion of canteen operation services into backup services (including canteen operation, property cleaning, catering and accommodation, etc.) under the Proposed Mutual Provision of Labour and Services Agreement, it is expected that the annual fees for the Group's backup services (including canteen operation, property cleaning, catering and accommodation, etc.) for the two financial years ending 31 December 2024 and 2025 will be RMB349,880,000 and RMB363,520,000, respectively;
- (4) The Group's receipt of training, mine rescue, labour export and other relevant services from the Shandong Energy Group and its associates is added in the service scope of the Proposed Mutual Provision of Labour and Services Agreement. It is expected that the service fees payable by the Group to the Shandong Energy Group and its associates for such additional services will be RMB301,870,000 and RMB303,250,000, respectively, for the two financial years ending 31 December 2024 and 2025; and

- (5) Luxi Mining has initiated a new big data centre project, while Xinjiang Energy has added new projects including the construction of the Wucaiwan mine, a melamine project, and housing repair projects, and the demand for engineering construction increased. It is expected that the increase in service fees payable by the Group to the Shandong Energy Group and its associates as a result of such increase for the two financial years ending 31 December 2024 and 2025 will be RMB336 million and RMB314 million, respectively.

Basis of the proposed caps for labour and services provided by the Group to the Shandong Energy Group and its associates

- (1) The existing annual caps for the transactions in respect of the provision of labour and services by the Group to the Shandong Energy Group and its associates under the Existing Mutual Provision of Labour and Services Agreement for the two financial years ending 31 December 2024 and 2025 are RMB174,000,000 and RMB204,000,000, respectively. For details of the basis of determining the existing annual caps, please refer to the announcement of the Company dated 28 April 2023 and the circular of the Company dated 9 June 2023;
- (2) The historical transaction amounts for the provision of labour and services by the Group to the Shandong Energy Group and its associates under the Existing Mutual Provision of Labour and Services Agreement for the financial year ended 31 December 2023 and the six months ended 30 June 2024 are RMB56,478,000 and RMB104,459,000, respectively, with the annual cap utilization rate of 40.06% and 60.03%, respectively. The annual cap utilization rate for the financial year ended 31 December 2023 is only 40.06%, which is mainly due to the cooperation of some information technology and technical service projects cannot be reached eventually, and the equipment maintenance services prioritizing internal units of the Company, resulting in less business engagements with Shandong Energy;
- (3) The provision of mine rescue, engineering construction, labour export and other related services by the Group to the Shandong Energy Group and its associates has been added to the scope of the Proposed Mutual Provision of Labour and Services Agreement. It is expected that the service fees payable by the Shandong Energy Group and its associates to the Group for such additional services will be RMB812,230,000 and RMB396,000,000, respectively, for the two financial years ending 31 December 2024 and 2025; and
- (4) The volume of transportation services provided by the Group to the Shandong Energy Group and its associates increased. It is expected that the service fee income of the Group as a result of such increase will be RMB165 million and RMB168 million for the two financial years ending 31 December 2024 and 2025, respectively.

III. PROPOSED PROVISION OF INSURANCE FUND ADMINISTRATIVE SERVICES AGREEMENT

On 28 April 2023, the Company entered into the Existing Provision of Insurance Fund Administrative Services Agreement with Shandong Energy for a term of three years commencing from 1 January 2023 and expiring on 31 December 2025. For details of the Existing Provision of Insurance Fund Administrative Services Agreement, please refer to the announcement of the Company dated 28 April 2023 and the circular of the Company dated 9 June 2023.

Proposed Provision of Insurance Fund Administrative Services Agreement

On 30 August 2024, the Company entered into the Proposed Provision of Insurance Fund Administrative Services Agreement with Shandong Energy to renew and supersede the Existing Provision of Insurance Fund Administrative Services Agreement on substantially the same terms. In order to protect the interests of employees and satisfy the need for social insurance contributions, the Company and Shandong Energy have decided to make adjustments to the Existing Provision of Insurance Fund Administrative Services Agreement by adding the provision of insurance fund administrative and transfer services by the Group to the Shandong Energy Group and its associates to the service scope.

Unless otherwise agreed by the parties in writing, the Proposed Provision of Insurance Fund Administrative Services Agreement shall take effect upon execution by the respective legal representative or the authorised representative of the parties and approval by the Board and Independent Shareholders in accordance with the regulatory requirements of the places where the Shares of the Company are listed, with retrospective effect commencing from 1 January 2024 and ending on 31 December 2025. When the Proposed Provision of Insurance Fund Administrative Services Agreement becomes effective, (i) the Existing Provision of Insurance Fund Administrative Services Agreement will be superseded with effect from 1 January 2024; and (ii) all transactions performed under the Existing Provision of Insurance Fund Administrative Services Agreement since 1 January 2024 will be classified as transactions performed under the Proposed Provision of Insurance Fund Administrative Services Agreement.

Date

30 August 2024

Parties

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

Term

Two years commencing from 1 January 2024 and expiring on 31 December 2025

Major terms

The Group and the Shandong Energy Group and its associates will, in accordance with the provisions of the relevant laws, rules, regulations and other regulatory documents as well as the requirements of the governmental social insurance administration, handle the administration and transfer of insurance fund for each other. In respect of such administration and transfer of insurance fund services, both parties agreed not to charge each other any service fee or advance any funds.

The Group and the Shandong Energy Group and its associates shall calculate the insurance fund payable based on the remuneration level of the relevant employees on a monthly basis in accordance with the relevant national laws and regulations and the relevant internal systems, and remit the full amount of such fund to the respective special account for such fund established up by one party for the other (the “**Special Account for Insurance Fund**”) by the end of the month. The Group and the Shandong Energy Group and its associates shall transfer the insurance fund for the employees of the other party in accordance with the relevant laws and regulations.

The Group and the Shandong Energy Group and its associates shall provide the other party with an annual explanation of the use of the funds in the Special Account for Insurance Fund, and one party shall have the right to supervise and inspect the use of the Special Account for Insurance Fund by the other party.

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 in respect of the insurance fund transferred under the free transfer services provided by Shandong Energy to the Company for the financial year ended 31 December 2023 and the six months ended 30 June 2024 were approximately RMB0 and RMB198,099,000, respectively. As the provision of insurance fund administrative services by Shandong Energy is on a free-of-charge basis under the Existing Provision of Insurance Fund Administrative Services Agreement, no annual cap was required to be set for the provision of such services. There is no historical amount in respect of insurance fund of the free transfer services provided by the Company to Shandong Energy.

According to the relevant requirements of social insurance administration, the social insurance fund of some employees of Luxi Mining and Xinjiang Neng Hua are required to be transferred by Shandong Energy. Accordingly, the Company estimates that the amounts of the insurance fund transferred under the free transfer services provided by Shandong Energy to the Company under the Proposed Provision of Insurance Fund Administrative Services Agreement for the two financial years ending 31 December 2024 and 2025 will be approximately RMB648,000,000 and RMB709,000,000, respectively. Based on the total wages of the relevant personnel for the previous year and the social insurance contribution ratio, the Company estimates that the amounts of insurance fund of the free transfer services provided by the Company to

Shandong Energy under the Proposed Provision of Insurance Fund Administrative Services Agreement for the two financial years ending 31 December 2024 and 2025 will be RMB296,000,000 and RMB315,000,000, respectively.

IV. PROPOSED AMENDMENTS TO THE ANNUAL CAPS UNDER THE EXISTING BULK COMMODITIES SALE AND PURCHASE AGREEMENT

References are made to the announcement of the Company dated 25 August 2023 and the circular of the Company dated 28 September 2023 in relation to, among other things, the Existing Bulk Commodities Sale and Purchase Agreement entered into between the Company and Shandong Energy.

Under the Existing Bulk Commodities Sale and Purchase Agreement, the Group and the Shandong Energy Group and its associates may, from time to time, sell or purchase coal, iron ores, rubber and other bulk commodities from each other for a term of two years commencing from 1 January 2024 and expiring on 31 December 2025, where the annual caps for the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates for the two financial years ending 31 December 2024 and 2025 are RMB2,800 million and RMB2,800 million, respectively. In order to standardize the sales process of subsidiaries, Luxi Mining has carried out purchase and external sales of coal produced by Linyi Mining Group Heze Coal Power Co., Ltd. (“**Heze Coal**”), which is a connected subsidiary of the Company, resulting in a consequential increase in the amount of coal purchased by the Group from its connected subsidiaries. Accordingly, the existing annual caps for the continuing connected transactions of the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates under the Existing Bulk Commodity Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025 are not expected to be sufficient to meet the actual needs of the Group. In view of the above, on 30 August 2024, the Board has considered and approved the amendment to the respective existing annual caps for the transactions in respect of the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025, and the terms of the Existing Bulk Commodities Sale and Purchase Agreement will remain unchanged and shall remain in full force and effect. For details of the principal terms, payment, pricing and the existing annual caps for the transactions in respect of the sales of bulk commodities by the Group to the Shandong Energy Group and its associates for the two financial years ending 31 December 2024 and 2025 and the basis of their determination, please refer to the announcement of the Company dated 25 August 2023 and the circular of the Company dated 28 September 2023.

The existing annual caps, the historical amounts and the revised annual caps

The existing annual caps and, the historical amounts in respect of the transactions contemplated under the Existing Bulk Commodities Sale and Purchase Agreement are as follows:

	For the year ended/ending 31 December				For the six months ended
	2023		2024		30 June
	2025	2024			
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	Historical				Historical
Annual cap	amount	Annual cap	Annual cap	amount	
Purchase of bulk commodities by the Group from the Shandong Energy Group and its associates	2,000,000	214,213	2,800,000	2,800,000	1,665,089
Sales of bulk commodities by the Group to the Shandong Energy Group and its associates	6,000,000	2,404,131	8,000,000	8,000,000	2,670,886

As at the date of this announcement, the transaction amount of continuing connected transactions under the Existing Bulk Commodities Sale and Purchase Agreement did not exceed the original annual cap for the financial year ending 31 December 2024.

Having considered the existing annual caps and the historical transaction amounts under the Existing Bulk Commodities Sale and Purchase Agreement as well as the reasons set out below, the Board proposes to amend the existing annual caps for the transactions for the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates under the Existing Commodity Purchase and Sale Agreement for the two financial years ending 31 December 2024 and 2025, and the revised annual caps are RMB4,439 million and RMB4,937 million, respectively.

The revised annual caps in respect of the transactions of purchase of bulk commodities by the Group from the Shandong Energy Group and its associates contemplated under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025 are determined with reference to:

- (1) The historical transaction amounts for the transactions of the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates under the Existing Bulk Commodities Sale and Purchase Agreement for the financial year ended 31 December 2023 and the six months ended 30 June 2024 were RMB214,213,000 and RMB1,665,089,000, respectively, with an annual cap utilization rate of 10.71% and 59.47%, respectively. The annual cap utilization rate for the financial year ended

31 December 2023 is only 10.71%, which is mainly due to the decline in coal market prices in 2023, increased price volatility of bulk commodities such as iron ore, higher trade business risks, and reduced profit margins, which led to the Company significantly reduced its trade business, resulting a decrease in the purchases and sales of bulk commodities with Shandong Energy; and

- (2) Luxi Mining has established a coal sales company to centralise the purchase and external sales of coal produced by subsidiaries of Luxi Mining (including the connected subsidiaries of the Company), which resulted in a consequential increase in the amount of coal purchased by the Group from its connected subsidiaries.

V. REASONS FOR AND BENEFITS OF ENTERING INTO THE ABOVE TRANSACTIONS

As regards the provision of labour and services by Shandong Energy to the Company, relying on its huge asset volume and internal demand, Shandong Energy has established a strong capacity in providing services such as repair and maintenance services, construction engineering and management services, canteen operations services and security services in Shandong Province, Shaanxi Province and Inner Mongolia Autonomous Region and is an important service provider in the relevant regional market. The Company can obtain timely and stable supply from Shandong Energy, thereby reducing the operating risks, which is favourable to the normal production and operation of the Company. The qualifications and quality of labour and services provided by Shandong Energy have been approved and certified by governmental departments or industries, which can ensure that reliable and quality-assured labour and services are available to the Company.

As regards the provision of labour and services by the Company to Shandong Energy, leveraging on the Company's advantage of centralised and bulk purchasing, the Company is able to purchase labour and services at lower prices and sell them to Shandong Energy at prices no less favourable than the market prices, which will enhance the operating income of the Company. Since the Company has professional qualification of and management experience in providing services such as training services, transportation services, repair and maintenance services and informationization and telecommunication services, the Company can enjoy operating profits by providing such services to Shandong Energy at a fair price. Leveraging on its experience and advantageous technologies, the provision of professional services to Shandong Energy will enable the Company to gain access to a stable sales market and generate revenue.

In accordance with the relevant requirements for the administration of social insurance, the transfer of social insurance fund by Company and Shandong Energy for each other can ensure the continuity and stability of social insurance contributions and standardise the level of social insurance benefits for the employees and fully protect the interests of the employees of the Company.

As the Company has a better understanding in the operation and reputation of Shandong Energy, the Company believes that the risk of trading with Shandong Energy is lower than trading with third parties. By purchasing bulk commodities from Shandong Energy, the Company could secure a long-term and stable source of supply. This could reduce the operational risks of the entire trading business of the Company.

The mutual supply of bulk commodities by the Company and Shandong Energy will help mitigate the impact of fluctuations in economic cycles on the results of the Company, enhance the overall operation scale of the Company and improve profitability. In addition, it will enable the Company and Shandong Energy to complement each other in terms of product structure, logistics channels and business resources, and accelerate the turnover of products and improve economic efficiency through business synergies.

VI. OPINIONS OF THE BOARD

In view of the reasons and benefits set out above, the Directors (including the independent non-executive Directors) consider that (i) the Proposed Mutual Provision of Labour and Services Agreement and the Proposed Provision of Insurance Fund Administrative Services Agreement and the respective annual caps for the transactions contemplated thereunder for the two years ending 31 December 2024 and 2025; and (ii) the proposed amendments to the existing annual caps for the transactions contemplated under the Existing Bulk Commodities Sale and Purchase Agreement for the two years ending 31 December 2024 and 2025 are determined after arm's length negotiations and have been entered into on normal commercial terms or better in the ordinary and usual course of business of the Group, the terms of which and the proposed caps are also fair and reasonable and in the interests of the Company and its Shareholders as a whole.

As Mr. Li Wei, Mr. Liu Jian, Mr. Liu Qiang and Mr. Zhang Haijun, all being the directors of the Company, are regarded as having material interests in the Proposed Continuing Connected Transactions, they have abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the other Directors has a material interest in the Proposed Continuing Connected Transactions.

VII. IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Shandong Energy is a controlling Shareholder holding directly and indirectly approximately 52.83% of the issued share capital of the Company, and thus Shandong Energy is a connected person of the Company under the Listing Rules. Accordingly, the Proposed Mutual Provision of Labour and Services Agreement, the Proposed Provision of Insurance Fund Administrative Services Agreement and the Existing Bulk Commodities Sale and Purchase Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As all the highest applicable percentage ratios relating to (i) the annual caps for the transactions contemplated under the Proposed Mutual Provision of Labour and Services Agreement for the two financial years ending 31 December 2024 and 2025; and (ii) the proposed amendments to the annual caps for the transactions for the purchase of bulk commodities by the Group from the Shandong Energy Group and its associates contemplated under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025 exceed 0.1% but are less than 5%, those continuing connected transactions and amendments to the annual caps are subject to reporting, annual review and announcement requirement but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules. According to the applicable PRC regulations, the Proposed Mutual Provision of Labour and Services Agreement and the transactions contemplated thereunder and the proposed amendments to the

existing annual caps for the transactions for the purchase of bulk commodities by the Group to the Shandong Energy Group and its associates contemplated under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025 are subject to Independent Shareholders' approval.

As the highest applicable percentage ratios relating to the annual caps for the transactions contemplated under the Proposed Provision of Insurance Fund Administrative Services Agreement for the two financial years ending 31 December 2024 and 2025 are less than 0.1%, those continuous connected transactions are exempt from all the reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules, and no annual cap is required to be set for the provision of such services. According to the applicable PRC regulations, the Proposed Provision of Insurance Fund Administrative Services Agreement and the transactions contemplated thereunder are subject to Independent Shareholders' approval.

VIII. INTERNAL CONTROL MEASURES

The Group's sales or procurement departments shall ensure that the terms of all sales and procurement orders comply with the relevant framework agreements, and the relevant departments and personnel shall be satisfied that: (i) all sales or procurement orders have been properly reviewed and approved; (ii) all sales or procurement orders have adopted market prices; and (iii) each relevant transaction is conducted on normal commercial terms;

Prior to the entering into specific implementation agreements, the subsidiaries of the Company are required to fulfill the pre-application procedures in accordance with the Company's internal management system to have the necessity, reasonableness, fairness, and compliance of the transactions reviewed by the departments responsible for listing compliance, financial management, audit, and risk;

The financial management department of the Company will compile the amounts of continuing connected transactions on a quarterly basis to identify any transactions that may have the risk of exceeding the annual caps; and

The auditors and independent non-executive directors of the Company will conduct an annual review of the continuing connected transactions and confirm in the Company's annual report that the transactions have been conducted in accordance with the terms and conditions of the relevant framework agreements and pricing policies, are on normal commercial terms or terms no less favorable than those available from independent third parties, and are in the interests of the Company and its shareholders as a whole.

The Directors (including the independent non-executive Directors) consider that the above internal control measures over continuing connected transactions adopted by the Company are appropriate and that the above procedures and measures provide sufficient assurance to the Shareholders that such continuing connected transactions will be properly overseen by the Company.

IX. INFORMATION ON THE PARTIES

The Company

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

Shandong Energy

Shandong Energy is a state-controlled limited liability company, 90% equity interest of which is held directly and indirectly by the State-owned Assets Supervision and Administration Commission of Shandong Province, and the remaining 10% equity interest of which is indirectly held by the Department of Finance of Shandong Province. Shandong Energy is principally engaged in mining, high-end chemicals, electricity, high-end equipment manufacturing, new energy and materials, and modern trade and logistics. As at the date of this announcement, Shandong Energy is the controlling Shareholder of the Company, holding directly and indirectly approximately 52.83% of the issued share capital of the Company, and is hence a connected person of the Company.

X. GENERAL

As Mr. Li Wei, Mr. Liu Jian, Mr. Liu Qiang and Mr. Zhang Haijun are regarded as having material interests in the Proposed Continuing Connected Transactions, they have abstained from voting on the relevant resolutions of the Board. Save as disclosed above, none of the other Directors has a material interest in the Proposed Continuing Connected Transactions.

The Company will convene an extraordinary general meeting for the Independent Shareholders to consider and, if thought fit, approve (i) the Proposed Mutual Provision of Labour and Services Agreement and the Proposed Provision of Insurance Fund Administrative Services Agreement and the respective annual caps for the transactions contemplated thereunder for the two financial years ending 31 December 2024 and 2025; and (ii) the proposed amendments to the existing annual caps for the transactions contemplated under the Existing Bulk Commodities Sale and Purchase Agreement for the two financial years ending 31 December 2024 and 2025. Shandong Energy and its associates will abstain from voting on the resolutions in relation to the above matters at the extraordinary general meeting. To the best of the Directors' knowledge, information and belief, save as disclosed above, no other Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the extraordinary general meeting.

XI. DEFINITIONS

“A Share(s)”	domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	Yankuang Energy Group Company Limited* (兗礦能源集團股份有限公司), a joint stock limited company incorporated under the laws of the PRC in 1997, and the H Shares and A Shares of which are listed on the Stock Exchange (01171.HK) and the Shanghai Stock Exchange (600188.SH), respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“connected subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Bulk Commodities Sale and Purchase Agreement”	the bulk commodities sale and purchase agreement entered into between the Company and Shandong Energy on 25 August 2023
“Existing Mutual Provision of Labour and Services Agreement”	the mutual provision of labour and services agreement entered into between the Company and Shandong Energy on 28 April 2023
“Existing Provision of Insurance Fund Administrative Services Agreement”	the provision of insurance fund administrative services agreement entered into between the Company and Shandong Energy on 28 April 2023
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Shareholder(s)”	Shareholder(s) other than Shandong Energy and its associates, who are neither involved nor interested in the Proposed Continuing Connected Transactions
“Independent Third Party(ies)”	to the best of the Directors’ knowledge, information and belief having made all reasonable enquiries, any entity or person who is not a connected person of the Company
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Luxi Mining”	Shandong Energy Group Luxi Mining Co., Ltd.* (山東能源集團魯西礦業有限公司), a company established with limited liability in 2021 in accordance with the laws of the PRC, which is principally engaged in coal mining, coal washing, sales of coal and coal products, which is owned as to 51% equity interests by the Company and indirectly owned as to 49% equity interests by Shandong Energy as at the date of this announcement, a connected subsidiary of the Company
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“Proposed Continuing Connected Transactions”	the Proposed Mutual Provision of Labour and Services Agreement, the Proposed Provision of Insurance Fund Administrative Services Agreement and the continuing connected transactions under the Existing Bulk Commodities Sale and Purchase Agreement after the proposed amendments to the existing annual caps for the two financial years ending 31 December 2024 and 2025
“Proposed Mutual Provision of Labour and Services Agreement”	the mutual provision of labour and services agreement entered into between the Company and Shandong Energy on 30 August 2024
“Proposed Provision of Insurance Fund Administrative Services Agreement”	the provision of insurance fund administrative services agreement entered into between the Company and Shandong Energy on 30 August 2024
“RMB”	Renminbi, the lawful currency of the PRC

“Shandong Energy”	Shandong Energy Group Company Limited* (山東能源集團有限公司), a state-controlled limited liability company and the controlling Shareholder of the Company holding directly and indirectly approximately 52.83% of the issued share capital of the Company as at the date of this announcement
“Shandong Energy Group”	Shandong Energy and its subsidiaries (excluding the Group)
“Share(s)”	A Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Working Day(s)”	any day except Saturdays, Sundays and statutory holiday(s) in the PRC
“Xinjiang Energy”	Yankuang Xinjiang Energy & Chemical Co., Ltd.* (兗礦新疆能化有限公司), a company established with limited liability in 2007 in accordance with the laws of the PRC, which is principally engaged in coal mining, coal washing, production of chemical products, sales of coal and coal products, which is owned as to 51% equity interests by the Company and indirectly owned as to 49% equity interests by Shandong Energy as at the date of this announcement, a connected subsidiary of the Company
“%”	per cent

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

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

Zoucheng, Shandong Province, the PRC
30 August 2024

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

* For identification purpose only