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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 professional adviser.

If you have sold or transferred all your shares in Yankuang Energy Group Company Limited*, you should at once hand this circular 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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兗礦能源集團股份有限公司

YANKUANG ENERGY GROUP COMPANY LIMITED*

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

(Stock Code: 01171)

- (1) PROPOSED RENEWAL OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR OFFICERS;
 - (2) PROPOSAL FOR APPOINTMENT OF EXTERNAL AUDITING FIRM FOR THE YEAR 2022;
 - (3) PROPOSAL TO AUTHORIZE THE COMPANY TO CARRY OUT DOMESTIC AND OVERSEAS FINANCING ACTIVITIES;
 - (4) PROPOSAL FOR THE PROVISION OF FINANCIAL GUARANTEES TO THE CONTROLLED SUBSIDIARIES AND INVESTED COMPANIES AND GRANTING OF AUTHORIZATION TO YANCOAL AUSTRALIA AND ITS SUBSIDIARIES TO PROVIDE GUARANTEES FOR THE DAILY OPERATION OF THE SUBSIDIARIES OF THE COMPANY IN AUSTRALIA;
 - (5) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND RELEVANT RULES OF PROCEDURE;
 - (6) PROPOSAL FOR THE GENERAL MANDATES TO ISSUE H SHARES AND REPURCHASE H SHARES;
 - (7) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION – PROVISION OF FINANCIAL SERVICES TO SHANDONG ENERGY;
- AND
- (8) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS

Independent Financial Adviser to the Independent Board Committee and
the Independent Shareholders



The notices convening the AGM and the H Shareholders' Class Meeting to be held at the headquarters of the Company at 949 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC at 9:00 a.m. and 11:00 a.m. respectively on Thursday, 30 June 2022 were published on 31 May 2022.

Whether or not you are able to attend the respective meetings in person, you are strongly advised to complete and sign the form of proxy in accordance with the instructions printed thereon. The form of proxy 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 H Shares) or the Office of the Secretary to the Board at 949 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC (for holders of A Shares) as soon as possible but in any event not later than 24 hours before the time appointed for the holding of the relevant meeting(s) or any adjourned meeting(s) (as the case may be).

Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting(s) or any adjourned meeting(s) should you so wish.

* For identification purposes only

10 June 2022

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DEFINITIONS

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

“2020 Financial Services Agreement”	the financial services agreement entered into between Yankuang Finance Company and Shandong Energy on 30 August 2019;
“2023 Financial Services Agreement”	the financial services agreement entered into between Yankuang Finance Company and Shandong Energy on 29 April 2022;
“A Shareholders”	holders of A Shares;
“A Shareholders’ Class Meeting”	the 2022 second class meeting of A Shareholders to be held at the headquarters of the Company at 949 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC at 10:30 a.m. on Thursday, 30 June 2022;
“A Shares”	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;
“AGM”	the 2021 annual general meeting of the Company to be held at the headquarters of the Company, 949 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC at 9:00 a.m. on Thursday, 30 June 2022;
“Articles of Association”	the articles of association of the Company;
“associate(s)”	has the same meaning ascribed thereto under the Listing Rules;
“AUD”	Australian dollars, the lawful currency of Australia;
“Audit Committee”	the audit committee of the Company;
“Board”	the board of Directors of the Company;
“Bulk Commodities Sale and Purchase Agreement”	the bulk commodities sale and purchase agreement entered into between the Company and Shandong Energy on 9 December 2020;
“CBIRC”	China Banking and Insurance Regulatory Commission;

DEFINITIONS

“Company” or “Yankuang Energy”	Yankuang Energy Group Company Limited* (兗礦能源集團股份有限公司), 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;
“Company Law”	Company Law of the People’s Republic of China, as revised from time to time;
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules;
“connected transaction”	has the meaning ascribed thereto under the Listing Rules;
“CSRC”	China Securities Regulatory Commission;
“Director(s)”	the director(s) of the Company;
“General Commercial Banks”	general commercial banks which provide deposit services, comprehensive credit facility services and miscellaneous financial services;
“Group”	the Company and its subsidiaries;
“H Shareholders”	holders of H Shares;
“H Shareholders’ Class Meeting”	the 2022 second class meeting of H Shareholders to be held at the headquarters of the Company at 949 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC at 11:00 a.m. on Thursday, 30 June 2022;
“H Shares”	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;
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC;
“Hong Kong Listing Rules” or “Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as revised from time to time;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;

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“Independent Board Committee”	a committee of the Board comprising all independent non-executive Directors established for the purpose of considering (i) the transactions contemplated under the 2023 Financial Services Agreement and the proposed annual caps; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement;
“Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the provision of comprehensive credit facility services under the 2023 Financial Services Agreement and the proposed annual caps; and (ii) the revised annual caps in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement;
“Independent Shareholders”	Shareholders other than Shandong Energy and its associates, and who are not involved in, or interested in (i) the transactions contemplated under the 2023 Financial Services Agreement; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement;
“Latest Practicable Date”	2 June 2022, being the latest practicable date of ascertaining certain information contained in this circular before the issuing of this circular;
“Market Price”	a price 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

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(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.

“PBOC”	People’s Bank of China;
“PRC”	The People’s Republic of China excluding, for the purpose of this circular only, Hong Kong, Macau Special Administrative Region of the PRC and Taiwan;
“Provision of Materials Supply Agreement”	the provision of materials supply agreement entered into between the Company and Shandong Energy on 9 December 2020;
“Provision of Products, Materials and Asset Leasing Agreement”	the provision of products, materials and asset leasing agreement entered into between the Company and Shandong Energy on 9 December 2020;
“Remuneration Committee”	the remuneration committee of the Company;
“Repurchase Mandate”	subject to the conditions set out in each of the proposed special resolution approving the Repurchase Mandate at the AGM, the A Shareholders’ Class Meeting and the H Shareholders’ Class Meeting, the general mandate given to the Board to exercise the power to repurchase H Shares not exceeding 10% of the aggregate nominal value of H Shares of the Company in issue as at the date of the passing of the resolution;
“RMB”	Renminbi, the lawful currency of the PRC;
“SAFE”	the State Administration of Foreign Exchange of the People’s Republic of China;
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time;

DEFINITIONS

“Shandong Energy”	Shandong Energy Group Company Limited* (山東能源集團有限公司), previously known as Yankuang Group Company Limited (兗礦集團有限公司) a state-controlled limited liability company, which is the controlling shareholder of the Company holding directly and indirectly approximately 54.92% of the total issued share capital of the Company as at the Latest Practicable Date;
“Shandong Energy Group”	Shandong Energy and its subsidiaries;
“Shandong Energy Members”	Shandong Energy, its subsidiaries and associates (excluding the Company and its subsidiaries);
“Share(s)”	the ordinary shares in the share capital of the Company with par value of RMB1.00 each, including A Share(s) and H Share(s);
“Shareholders”	the shareholders of the Company;
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules;
“Supervisor(s)”	the supervisor(s) of the Company;
“Supervisory Committee”	the supervisory committee of the Company;
“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: 03668);
“Yankuang Finance Company”	Yankuang Group Finance Co., Ltd., a limited liability company incorporated in the PRC, which is owned as to 95% by the Company and 5% by Shandong Energy respectively as at the Latest Practicable Date. Yankuang Finance Company is a non-banking financial institution legally established with the approval of the CBIRC and is a professional institution engaging in corporate financial services;
“%”	per cent.

* For identification purposes only.

LETTER FROM THE BOARD



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)

Directors:

Li wei
Liu Jian
Xiao Yaomeng
Zhu Qingrui
Zhao Qingchun
Wang Ruolin
Huang Xiaolong

Independent non-executive Directors:

Tian Hui
Zhu Limin
Cai Chang
Poon Chiu Kwok

Registered office:

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

*Principal place of business
in Hong Kong:*

40th Floor, Dah Sing Financial Center
248 Queen's Road East
Wanchai
Hong Kong

10 June 2022

To the Shareholders

Dear Sir or Madam,

- (1) PROPOSED RENEWAL OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR OFFICERS;**
- (2) PROPOSAL FOR APPOINTMENT OF EXTERNAL AUDITING FIRM FOR THE YEAR 2022;**
- (3) PROPOSAL TO AUTHORIZE THE COMPANY TO CARRY OUT DOMESTIC AND OVERSEAS FINANCING ACTIVITIES;**
- (4) PROPOSAL FOR THE PROVISION OF FINANCIAL GUARANTEES TO THE CONTROLLED SUBSIDIARIES AND INVESTED COMPANIES AND GRANTING OF AUTHORIZATION TO YANCOAL AUSTRALIA AND ITS SUBSIDIARIES TO PROVIDE GUARANTEES FOR THE DAILY OPERATION OF THE SUBSIDIARIES OF THE COMPANY IN AUSTRALIA;**
- (5) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND RELEVANT RULES OF PROCEDURE;**
- (6) PROPOSAL FOR THE GENERAL MANDATES TO ISSUE H SHARES AND REPURCHASE H SHARES;**
- (7) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION – PROVISION OF FINANCIAL SERVICES TO SHANDONG ENERGY; AND**
- (8) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

* For identification purposes only

LETTER FROM THE BOARD

I. INTRODUCTION

The purpose of this circular is to provide you with information relating to (1) the proposed renewal of liability insurance for Directors, Supervisors and senior officers of the Company; (2) the proposal for appointment of external auditing firm for the year 2022; (3) the proposal to authorize the Company to carry out domestic and overseas financing activities; (4) the proposal for the provision of financial guarantees to the controlled subsidiaries and invested companies and granting of authorization to Yancoal Australia and its subsidiaries to provide guarantees for the daily operation of the subsidiaries of the Company in Australia; (5) the proposed amendments to the Articles of Association and Relevant Rules of Procedure; (6) the proposal for the general mandates to issue H Shares and repurchase H Shares; (7) the discloseable and continuing connected transaction - provision of financial services to Shandong Energy; and (8) the proposal in respect of the revision of the respective annual caps for the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement.

II. PROPOSED RENEWAL OF LIABILITY INSURANCE FOR DIRECTORS, SUPERVISORS AND SENIOR OFFICERS

It is proposed that the Company will renew the liability insurance for the Directors, Supervisors and senior officers of the Company for a maximum insured amount of USD15 million.

III. PROPOSAL FOR APPOINTMENT OF EXTERNAL AUDITING FIRM FOR THE YEAR 2022

It is proposed that ShineWing Certified Public Accountants (special general partnership) and SHINEWING (HK) CPA Limited be appointed as the Company's domestic and international auditors and internal control auditor for the year 2022, respectively, until the conclusion of the next annual general meeting of the Company, and arrangements in respect of their remuneration be approved.

It is proposed that the remuneration to be paid to the auditors in 2022 is as follows:

1. the auditing fees for the domestic and overseas operations in 2022 will be RMB9.9 million. The Company will reimburse the accountants with accommodation and catering expense during their on-site auditing in the Company, excluding the travel expense and other expenses.
2. to authorize the Board to decide the payment for increased follow-up auditing, internal control audit and other services resulted from the Company's new subsidiaries or changes of regulations.

LETTER FROM THE BOARD

IV. PROPOSAL TO AUTHORIZE THE COMPANY TO CARRY OUT DOMESTIC AND OVERSEAS FINANCING ACTIVITIES

In order to optimise the Company's debt structure, and satisfy the capital demands of the Company's daily operations, projects construction and external investment, subject to the relevant laws, regulations as well as listing rules in places where the Company's securities are listed, the Board proposed:

1. To approve the Company or its controlled subsidiaries to carry out financing activities of aggregate amount not exceeding the equivalent of RMB70 billion and to determine the financing currency and methods based on merits of market conditions, which includes the following financing methods only: bank loans, corporate bonds, medium-term notes, short-term bonds, super short-term bonds, renewable bonds, perpetual bonds, perpetual medium-term notes, private placement bonds, operating lease, financing lease, asset securitization, asset-backed notes, financing on transfer of right of return over assets, debt-to-equity funds, private placement of industry funds, acceptance of the equity investment and bonds investment in the controlled subsidiaries by the subsidiaries of insurance companies, trust and public offering funds and other financing methods approved by regulatory authorities.

When the financing businesses are to be implemented, the necessary approval procedures and information disclosure obligations shall be performed in accordance with the relevant regulations of the places where the shares of the Company are listed.

2. To authorize any one of the Directors to deal with all matters in respect of the abovementioned financing businesses in accordance with the relevant laws and regulations, which include but are not limited to the followings:
 - (1) in light of the Company's situation and the market conditions, and according to the relevant laws, rules and the requirements of regulatory authorities, to formulate and adjust specific plan in relation to such financing activities, including but not limited to the determination of the suitable entity to carry out the financing activities, the amounts, methods, terms and other matters related to financing activities;
 - (2) to determine the engagement of intermediaries and to sign and implement all agreements and documents in respect of the financing activities and to disclose the relevant information;
 - (3) to deal with the reporting, registration, approval of the materials in respect of the financing activities provided to the domestic and overseas regulatory authorities and other relevant authorities, and other relevant matters.

LETTER FROM THE BOARD

3. the aforementioned authorization shall become valid after the date of conclusion of the AGM at which this proposal is considered until the date of conclusion of the next annual general meeting of the Company, except where the circumstances require the person(s) 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.

V. PROPOSAL FOR THE PROVISION OF FINANCIAL GUARANTEES TO THE CONTROLLED SUBSIDIARIES AND INVESTED COMPANIES AND GRANTING OF AUTHORIZATION TO YANCOAL AUSTRALIA AND ITS SUBSIDIARIES TO PROVIDE GUARANTEES FOR THE DAILY OPERATION OF THE SUBSIDIARIES OF THE COMPANY IN AUSTRALIA

The Board proposed:

1. in order to reduce financing costs of the controlled subsidiaries and invested companies and ensure their normal operation funding needs, to approve the provision of financial guarantee(s) of an aggregate amount not exceeding the equivalent of USD5 billion by the Company to its controlled subsidiaries and invested companies;
2. in order to satisfy the requirements of daily operations of the Company's subsidiaries in Australia and further reduce the operating cost, in accordance with the Australian Corporate Law and relevant laws and regulations, to approve the provision of guarantees by Yancoal Australia and its subsidiaries for an amount not exceeding AUD1.2 billion to the subsidiaries of the Company in Australia for their daily operations;
3. to approve and authorize any one of the Directors to deal with matters in relation to the aforesaid financial guarantees in accordance with the relevant laws, regulations and rules, such matters include but are not limited to the following:
 - (1) to determine the appropriate controlled subsidiaries and invested companies which will be provided with the guarantees based on their financing needs;
 - (2) 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 to execute the guarantee agreement(s) involved and other relevant legal documents; and
 - (3) to deal with the filing and reporting of documents in respect of the guarantee(s) and other relevant matters.

LETTER FROM THE BOARD

4. that the aforementioned authorization shall become valid from the date of conclusion of the AGM at which this resolution is considered until the date on which the next annual general meeting of the Company is concluded, except where the circumstances require the person(s) 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.

In terms of the specific guarantee contracts, the Company will comply with the obligations under the Hong Kong Listing Rules and other applicable laws and regulations (if applicable).

VI. PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION AND RELEVANT RULES OF PROCEDURE

The proposals in relation to the proposed amendments to the Articles of Association and Relevant Rules of Procedure were approved at the 21st meeting of the eighth session of the Board, and the Board agreed to submit the same to the AGM for consideration and approval.

In accordance with the latest amendments on the Guidelines on the Articles of Association of Listed Companies (Revision 2022) (CSRC Announcement [2022] No. 2)* (《上市公司章程指引(2022年修訂)》(證監會公告[2022]2號)) issued by the CSRC, the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (January 2022 Amendment) (Shang zheng fa [2022] No. 1)* (《上海證券交易所股票上市規則(2022年1月修訂)》(上證發[2022]1號)) and other relevant regulations, and taking into consideration the actual operational needs of the Company, the Company proposed to amend the Articles of Association, and proposed to amend the Rules of Procedure for Shareholders' General Meeting and the Rules of Procedure of the Board of the Company respectively.

The details of the proposed amendments are set out in Appendix II to this circular.

VII. PROPOSAL FOR THE GENERAL MANDATES TO ISSUE H SHARES AND REPURCHASE H SHARES

To ensure flexibility and to grant discretion to the Board to issue H Shares, the Company will put forward a special resolution at the AGM to grant a general mandate to the Board to allot, issue and deal with H Shares of up to a maximum of 20% of the aggregate nominal value of H Shares of the Company in issue as at the date of passing of the resolution.

The mandate to issue H shares would expire on the earlier of (a) the conclusion of the next annual general meeting of the Company following the passing of the relevant special resolution at the AGM; or (b) the date on which the authority conferred by the relevant resolutions is revoked or varied by a special resolution of the Shareholders at a general meeting.

LETTER FROM THE BOARD

To ensure flexibility and to grant discretion to the Board to repurchase any H Shares under appropriate circumstances (including where such repurchase may lead to an enhancement of the net asset value per Share and/or the earnings per Share), the Company will put forward a special resolution at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting, respectively, to grant the Repurchase Mandate to the Board to repurchase H Shares not exceeding 10% of the aggregate nominal value of H Shares of the Company in issue as at the date of passing of the resolution approving the Repurchase Mandate, and to approve the Board to authorize any one of the Directors to act on behalf of the Board to make timely decision about the specific matters of the repurchase of H shares after the Board has been granted the general mandate to repurchase up to 10% of the total issued H shares, and carries out the relevant approval and disclosure procedures, including but not limited to, determinate the timing, quantity and price of the repurchase and open overseas securities account and carry out the corresponding change of foreign exchange registration procedures, inform creditors and make public announcements, cancel the shares repurchased, decrease the registered capital, amend the Articles of Association, and carry out the corresponding change of registration procedures and execute and handle other documents and matters related to the repurchase.

The Company Law of the PRC (to which the Company is subject) provides that a joint stock limited company incorporated in the PRC may not repurchase its shares unless such repurchase is effected for (a) reducing its share capital; (b) a merger with another entity that holds the shares of the Company; (c) granting shares for the employee stock ownership plan or share incentive; (d) the repurchase is made at the request of its shareholders who disagree with shareholders' resolutions in connection with merger or division of the company; (e) the repurchased shares are used for the corporate bonds convertible into shares of the listed company; or (f) the repurchase is necessary for maintaining the value of the listed company and the interests of its shareholders. The Articles of Association provides that, subject to obtaining the approval of the relevant regulatory authorities and complying with the Articles of Association, share repurchase may be effected by the Company for the reduction of its share capital, a merger between itself and another entity that holds its shares, the employee stock ownership plan or share incentive, the request of its shareholders who disagree with shareholders' resolutions in connection with merger or division of the company, the conversion of convertible corporate bonds issued by the listed company, maintenance of the value of the company and the interests of its shareholders, or in circumstances permitted by law or administrative regulations.

The Hong Kong Listing Rules permits shareholders of a PRC joint stock limited company to grant a general mandate to the board of directors to repurchase H shares of such company that is listed on the Hong Kong Stock Exchange. Such mandate is required to be given by way of a special resolution passed by shareholders at the AGM and special resolutions passed by holders of A shares and holders of H shares in separate class meetings.

As the H Shares are traded on the Hong Kong Stock Exchange in Hong Kong dollars and the price payable by the Company for any repurchase of H Shares will, therefore, be paid in Hong Kong dollars, the approvals of SAFE and other relevant government authorities are required for any repurchase of H shares.

LETTER FROM THE BOARD

In accordance with the requirements of the Articles of Association applicable to capital reduction, prior to exercising the Repurchase Mandate, the Company will have to notify its creditors in writing of the passing of such special resolutions and the possible reduction of the registered capital of the Company. The Company shall notify its creditors within 10 days after the passing of such special resolutions and also by way of publication of announcements in newspaper for three times within 30 days after the passing of such special resolutions. Creditors then have a period of up to 30 days after the Company's written notification or if no such notification has been received, up to 45 days after the first publication of the newspaper announcement to require the Company to repay amounts due to them or to provide guarantees in respect of such amounts.

The Repurchase Mandate will be conditional upon (a) the special resolution for the grant of the Repurchase Mandate being approved at the AGM; (b) the special resolution for the grant of the Repurchase Mandate being approved at the H Shareholders' Class Meeting and the A Shareholders' Class Meeting; (c) the approvals of the SAFE and/or any other regulatory authorities (if applicable) as required by the laws, rules and regulations of the PRC being obtained; and (d) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the provisions of the Articles of Association. If the Company determines to repay any amount to any of its creditors in circumstances described under condition (d) above, it expects to do so out of its internal resources. If the above conditions are not fulfilled, the Repurchase Mandate will not be exercised by the Board.

The Repurchase Mandate would expire on the earlier of (a) the conclusion of the next annual general meeting of the Company following the passing of the relevant special resolutions at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting; or (b) the date on which the authorization conferred by the relevant resolutions is revoked or varied by a special resolution of the Shareholders at a general meeting or by H Shareholders or A Shareholders at their respective class meetings.

The total number of H Shares which may be repurchased pursuant to the Repurchase Mandate shall not exceed 10% of the aggregate nominal value of H Shares in issue as at the date of passing of the resolution approving the Repurchase Mandate.

Details of the special resolutions to be proposed at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting in relation to the granting of the Repurchase Mandate to the Board are set out respectively in the notice of the AGM, the notice of the A Shareholders' Class Meeting and the notice of the H Shareholders' Class Meeting.

LETTER FROM THE BOARD

Explanatory statement

An explanatory statement containing all relevant information relating to the Repurchase Mandate is set out in Appendix I to this circular. The information in the explanatory statement is to provide you with the information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolution to grant to the Board the Repurchase Mandate.

VIII. CONTINUING CONNECTED TRANSACTIONS

References are made to the announcement of the Company dated 29 April 2022 in relation to (1) the entering into of the 2023 Financial Services Agreement between Yankuang Finance Company and Shandong Energy; and (2) the revision of the respective annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement.

A. PROVISION OF FINANCIAL SERVICES TO SHANDONG ENERGY

References are made to the announcement of the Company dated 30 August 2019 and the circular of the Company dated 11 October 2019 in relation to the 2020 Financial Services Agreement entered into between Yankuang Finance Company, a subsidiary of the Company, and Shandong Energy.

As the 2020 Financial Services Agreement will expire on 31 December 2022 and the parties thereto expect that the continuing connected transactions contemplated thereunder will continue on an ongoing basis, the twenty-second meeting of the eighth session of the Board held on 29 April 2022 considered and approved the “Proposal in relation to the Renewal of the Financial Services Agreement between Yankuang Group Finance Co., Ltd and Shandong Energy Group Company Limited”, approving Yankuang Finance Company to enter into the 2023 Financial Services Agreement with Shandong Energy to provide deposit services, comprehensive credit facility services and miscellaneous financial services to Shandong Energy Members, and approving the annual caps of the respective services within the term of the 2023 Financial Services Agreement. The major terms of the 2023 Financial Services Agreement are set out below:

Date

29 April 2022

Parties

- (1) Yankuang Finance Company; and
- (2) Shandong Energy

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Effective Date and Term

The 2023 Financial Services Agreement shall become effective upon (1) execution by the legal representatives or authorized representatives of the parties with the official seals of the respective parties; and (2) the approval from the Independent Shareholders at the AGM, with effect from 1 January 2023 and will expire on 31 December 2025.

Major Terms and Pricing Policy

Pursuant to the 2023 Financial Services Agreement, Yankuang Finance Company shall provide the following financial services to Shandong Energy Members:

(i) *Deposit services*

Yankuang Finance Company shall provide deposit services to Shandong Energy Members in accordance with normal commercial terms with a maximum daily balance (including accrued interests) of not exceeding RMB35.8 billion during the term of the 2023 Financial Services Agreement.

The interest rate for Shandong Energy Members' deposit with Yankuang Finance Company shall comply with relevant regulations of the PBOC and be determined on normal commercial terms with reference to the deposits benchmark interest rate promulgated by the PBOC periodically (if any), and the interest rate offered by the General Commercial Banks for the provision of same type of deposit services.

(ii) *Comprehensive credit facility services*

Yankuang Finance Company shall provide comprehensive credit facilities (including but not limited to loans, trade financing, bill acceptance and discounting, overdraft, factoring, guarantee, loan commitment, opening of letter of credit, etc.) to Shandong Energy Members with a maximum daily balance (including accrued interests) of not exceeding RMB15 billion, RMB16 billion and RMB17 billion for each of the three years from 2023 to 2025 during the term of the 2023 Financial Services Agreement.

The interest rate for the loan to be provided by Yankuang Finance Company to Shandong Energy Members shall comply with relevant regulations of the PBOC and be determined on normal commercial terms with reference to the loan benchmark interest rate promulgated by the PBOC periodically (if any), and the interest rate offered by General Commercial Banks for the provision of same type of loan services.

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(iii) Miscellaneous financial services

Yankuang Finance Company shall provide miscellaneous financial services (including but not limited to bill acceptance and discounting services, financial and financing consultation services, credit certification and related consultation services, agency services, settlement services including payment and receipt, entrusted loans services, guarantee business services and other ancillary services in relation to settlement services) to Shandong Energy Members. The total annual fees charged by Yankuang Finance Company for the provision of miscellaneous financial services to Shandong Energy Members shall not exceed RMB4 million for each of the three years from 2023 to 2025 during the term of the 2023 Financial Services Agreement.

The fees for the provision of miscellaneous financial services to Shandong Energy Members shall be charged by Yankuang Finance Company according to the prescribed rates determined by the PBOC or the CBIRC. If no such prescribed rates are available, the services fees shall be determined on normal commercial terms with reference to the fees charged by General Commercial Banks for the provision of the same type of financial services.

Yankuang Finance Company will (i) directly collect the information about the relevant rates set by the PBOC and/or the General Commercial Banks for relevant deposit and comprehensive credit facility services and the policy promulgated by the PBOC; (ii) directly collect the information about the standard fees and charges for relevant financial services as specified by the PBOC or the CBIRC (if applicable) and fees and charges provided by the General Commercial Banks so as to ensure that each transaction is conducted in accordance with the above pricing policy of the 2023 Financial Services Agreement.

In addition, according to the provisions of the 2023 Financial Services Agreement, if Shandong Energy Members have not repaid a loan and/or its interest upon the expiry of term of such loan, Yankuang Finance Company can convert the corresponding amounts of deposits of such Shandong Energy Members which is placed with Yankuang Finance Company as repayment of principal of such loan together with interest. If Shandong Energy Members have funding difficulty and cannot repay the principal of the loan from Yankuang Finance Company or its interest, Shandong Energy shall assume the joint liability for repayment of the principal of such loan together with interest.

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Internal Control Measures

The following procedures have been adopted by the Group to ensure that the relevant continuing connected transactions will proceed according to the terms (including the pricing policy) required by the 2023 Financial Services Agreement, and such transactions will proceed on normal commercial terms and are in the interests of the Company and the Shareholders as a whole:

In terms of credit risks management, the credit review committee of Yankuang Finance Company will conduct prior review over the proposed comprehensive credit facilities amount and terms of the credit agreement before granting credit facilities to Shandong Energy Members. The senior management of Yankuang Finance Company will re-examine the decision making and approval procedure of the credit review committee of Yankuang Finance Company before providing comprehensive credit facility services to Shandong Energy Members. The audit committee of the Company will conduct quarterly review over the approval procedure and provision of the comprehensive credit facility services between Yankuang Finance Company and Shandong Energy Members. To evaluate the financial position and credit records of Shandong Energy Members, the business department of Yankuang Finance Company will require Shandong Energy Members to provide financial statements on a quarterly basis and to provide monthly management accounts immediately before granting any loan to Shandong Energy Members.

In terms of information transparency, according to the requirements of China National Association of Finance Companies, Yankuang Finance Company will report data of key operating indicators and the financial statements to the association on monthly, quarterly and annual basis. China National Association of Finance Companies publishes periodically the basic operating data for finance companies' sector on its official website, announces periodically the operating data and indicator ranking of finance companies with member units. Furthermore, under regulatory requirements of the CBIRC and the PBOC, Yankuang Finance Company reports and sends its financial statements to the regulators on a monthly basis. The Company will disclose the quarterly balance sheet and income statement of Yankuang Finance Company separately and disclose the operating information of Yankuang Finance Company and the provision of continuing connected transactions under the 2023 Financial Services Agreement in its interim and annual reports.

As such, the Directors consider that the above methodologies and procedures could ensure that the relevant continuing connected transactions will proceed according to the terms (including the pricing policy) required by the 2023 Financial Services Agreement, and such transactions will proceed on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

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Capital Risk Control Measures

To protect the interests of the Shareholders, Yankuang Finance Company has implemented the following capital risk control measures in relation to the control of the Group's capital risk exposure:

- (i) Yankuang Finance Company has formulated its business management system and internal risk control system based on its needs in business operation and risk management.
- (ii) Yankuang Finance Company has implemented capital budget control and planning management. It has tightened its centralized control over payments to monitor capital flow.
- (iii) Yankuang Finance Company has set up the risk indicators monitoring mechanism. The mechanism will raise monthly alert based on calculations of twenty indicators in seven aspects, such as capital adequacy, liquidity, credit risks and market risks, to ensure the risks are measurable and manageable. Yankuang Finance Company will track and manage the entire process of credit facilities to ensure that the risks before, amidst and after credit grant are measurable, and that the credit assets are financially secure.
- (iv) Yankuang Finance Company has upgraded its capital management system to ensure the safe operation of its capital management network. Since its inception in 2010, Yankuang Finance Company has maintained a zero-mistake record in its capital settlement.

The Directors consider that the above capital risk control measures adopted by the Group in respect of the continuing connected transactions contemplated under the 2023 Financial Services Agreement are appropriate and that such procedures and measures will give sufficient assurance to the Shareholders that such continuing connected transactions will be appropriately monitored by the Company.

Payment

The payment of the relevant interests, expenses and service fees for the above services can be settled by the parties on a one-off basis or by installment in accordance with specific circumstances. Yankuang Finance Company will use internal resources to pay the relevant interests to Shandong Energy Members for the provision of deposit services.

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Historical Amount, Proposed Annual Caps and Reasons

The historical transaction amounts of the 2020 Financial Services Agreement for the year ended 31 December 2020, for the year ended 31 December 2021 and for the three months ended 31 March 2022 are set out as follows:

Item	Unit	For the year ended 31 December 2020 Actual amount	For the year ended 31 December 2021 Actual amount	For the three months ended 31 March 2022 Actual amount
Maximum daily balance of deposit	RMB billion	17.700	35.800	15.090
Maximum daily balance of comprehensive credit facility	RMB billion	9.335	9.700	9.721
Aggregate miscellaneous financial services fees	RMB million	1.636	1.109	0.408

Having considered the historical maximum daily balance of deposit for the year ended 31 December 2021 under the 2020 Financial Services Agreement, the Board proposed that the maximum daily balance of deposit (including accrued interests) under the 2023 Financial Services Agreement shall not exceed RMB35.8 billion for each of the three years ending 31 December 2023, 31 December 2024 and 31 December 2025.

Having considered (i) the historical balances of comprehensive credit facility provided by Yankuang Finance Company to Shandong Energy Members for the year ended 31 December 2020, for the year ended 31 December 2021 and for the three months ended 31 March 2022; (ii) the increasing funding needs of Shandong Energy Members for investment in new projects, trade financing and procurement of materials in 2023; and (iii) a reasonable annual growth expectation of the funding needs of Shandong Energy Members from 2023 to 2025, the Board proposed that the maximum daily balance (including accrued interests) of comprehensive credit facility to be provided by Yankuang Finance Company to Shandong Energy Members under the 2023 Financial Services Agreement shall not exceed RMB15 billion, RMB16 billion and RMB17 billion for each of the three years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively.

Having considered Shandong Energy Members' demand for the miscellaneous financial services, the Board proposed that the maximum annual fees payable for such miscellaneous financial services under the 2023 Financial Services Agreement shall not exceed RMB4 million for each of the three years ending 31 December 2023, 31 December 2024 and 31 December 2025.

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The above annual caps are made on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

Reasons for and benefits of entering into the 2023 Financial Services Agreement

Through the provision of financial services to Shandong Energy, Yankuang Finance Company can expand its source of capital through absorbing capitals from Shandong Energy Members, enlarge its business scope, improve its profitability through providing loan and settlement services to Shandong Energy Members by means of charging loan interests and other service fees. At the same time, the Company can integrate financial resources and replace external high-interest loans through the platform of Yankuang Finance Company, thereby lowering its financing costs and improving its competitive edge.

The Directors (including the independent non-executive Directors) consider that the transactions under the 2023 Financial Services Agreement are entered into after arm's length negotiations and based on normal commercial terms, and therefore the terms of such transactions and the proposed caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

Shandong Energy is a controlling Shareholder holding directly and indirectly approximately 54.92% of the issued share capital of the Company as at the Latest Practicable Date, and thus Shandong Energy constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2023 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

(i) Deposit services

As the deposit services to be provided by Yankuang Finance Company to Shandong Energy Members under the 2023 Financial Agreement are on normal commercial terms, and no security over the assets of the Group is or will be granted in respect of such services, the deposit services to be provided by Yankuang Finance Company to Shandong Energy Members are fully exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

In accordance with the applicable PRC regulations, a resolution in relation to the Deposit Services and Annual Caps under the Financial Services Agreement will be submitted by the Company at the AGM for Independent Shareholders' approval.

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(ii) Comprehensive credit facility services

As the highest applicable percentage ratio with respect to the proposed annual caps in relation to the provision of comprehensive credit facility services under the 2023 Financial Services Agreement is more than 5% but less than 25%, such transactions, together with the proposed annual caps are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Such transactions also constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

(iii) Miscellaneous financial services

As all of the relevant applicable percentage ratios with respect to the proposed annual caps in relation to the provision of miscellaneous financial services under the 2023 Financial Services Agreement are less than 0.1%, such transactions are fully exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

In accordance with the applicable PRC regulations, a resolution in relation to the Other Financial Services and Annual Caps under the Financial Services Agreement will be submitted by the Company at the AGM for Independent Shareholders' approval.

B. REVISION OF ANNUAL CAPS UNDER CONTINUING CONNECTED TRANSACTIONS

1. Provision of Materials Supply Agreement

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

Due to the anticipated increase in the procurement demand of methanol and primary chemical raw materials by the Group from Shandong Energy Group, and the increase in market price of methanol, the aggregate value of the continuing connected transactions contemplated under the Provision of Materials Supply Agreement are expected to be higher than as envisaged at the time of entering into of the Provision of Materials Supply Agreement, and the existing annual caps under the Provision of Materials Supply Agreement for the two years ending 31

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December 2023 will no longer be sufficient to meet the business needs of the Group. In view of the aforesaid, on 29 April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Provision of Materials Supply Agreement, while the terms of the Provision of Materials Supply Agreement shall remain unchanged and be in force and effect.

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

The existing annual caps, the historical amounts and the revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement are as follows:

For the year ended 31 December 2021		For the year ending 31 December 2022		For the three months ended 31 March 2022	For the year ending 31 December 2023	
Annual cap (RMB'000)	Actual amount (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)	Actual amount (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)
900,000	640,228	1,000,000	2,400,000	353,217	1,100,000	2,600,000

The revised annual caps in respect of the transactions under the Provision of Materials Supply Agreement are determined with reference to (i) the historical amounts in respect of the transactions under the Provision of Materials Supply Agreement; (ii) the expected increase in the Group's demand for primary chemical raw materials and methanol for the two years ending 31 December 2022 and 2023; and (iii) the increase in the market price of methanol.

The above revised annual caps are made on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

Reasons for and benefits of the revision of annual caps

The Board has been closely monitoring the historical transacted amounts of the continuing connected transactions under the Provision of Materials Supply Agreement. In order to improve profitability, the Group has further increased the existing production capacity of its chemical assets and invested in the expansion of high value-added downstream products. The Group's caprolactam project has achieved up-to-standard output and efficiency since 2022 and the demand for raw materials for production has increased accordingly. As a result, the amount payable by the Group to Shandong Energy for procurement of materials is expected to increase. Besides, the market price of methanol has increased as a result of the increase in market price of crude oil and coal. Certain materials supplied by Shandong Energy Group are better in quality than those supplied by external suppliers and it is rather difficult for the Group to source materials with

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comparable quality, specifications and value from other external suppliers. Furthermore, since Shandong Energy Group's production sites are close to the Group's coal mines, the transportation of materials is convenient and at a relatively lower cost. Taking into account of the increase in the procurement demand of materials by the Group from Shandong Energy Group, the increased market price of methanol and Shandong Energy Group's competitive advantage in the supply of mining production materials, the Board believes that the revised annual caps are in line with the Group's actual business needs.

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

Implications under the Listing Rules

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

According to Rule 14A.54 of the Listing Rules, as the Company has proposed to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. As the highest of the relevant percentage ratios relating to the revised annual caps for the transactions contemplated under the Provision of Materials Supply Agreement exceeds 0.1% but is less than 5% on an annual basis, the revised annual caps are subject to reporting and announcement requirements but are exempt from circular (including Independent Financial Adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to the applicable PRC regulations, the Company will submit the resolution relating to the revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement for the Independent Shareholders' approval at the AGM.

2. Provision of Products, Materials and Asset Leasing Agreement

On 9 December 2020, the Company entered into the Provision of Products, Materials and Asset Leasing Agreement with Shandong Energy, pursuant to which the Company would provide the followings to Shandong Energy: coal products, electricity, materials (including but not limited to steel, non-ferrous metal, timber, grease and oil products, bearings, mining equipment and machineries such as hydraulic support and rubber conveyors, and other similar materials) and asset leasing, for a term of three years commencing from 1 January 2021 and expiring

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on 31 December 2023. Please refer to the announcement of the Company dated 9 December 2020 and the circular of the Company dated 13 January 2021 for the details of the Provision of Products, Materials and Asset Leasing Agreement.

Due to the expected increase in the demand for coal and equipment leasing by Shandong Energy Group from the Group, and the increased market price of coal, the aggregate value of the continuing connected transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement are expected to be higher than as envisaged at the time of entering into of the Provision of Products, Materials and Asset Leasing Agreement, and the existing annual caps under the Provision of Products, Materials and Asset Leasing Agreement for the two years ending 31 December 2023 will not be sufficient to meet the business needs of the Group. In view of the aforesaid, on 29 April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Provision of Products, Materials and Asset Leasing Agreement, while the terms of the Provision of Products, Materials and Asset Leasing Agreement shall remain unchanged and be in force and effect.

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

The existing annual caps, the historical amounts and the revised annual caps in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement are as follows:

Category	For the year ended 31 December 2021		For the year ending 31 December 2022		For the three months ended 31 March 2022	For the year ending 31 December 2023	
	Annual cap	Actual amount	Existing annual cap	Revised annual cap	Actual amount	Existing annual cap	Revised annual cap
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Coal sales	2,500,000	2,362,057	3,200,000	6,600,000	492,152	3,500,000	7,900,000
Materials supply	700,000	699,873	800,000	800,000	19,625	900,000	900,000
Asset leasing	100,000	26,295	110,000	200,000	8,694	120,000	250,000
Electricity supply	20,000	14,300	20,000	20,000	4,291	22,000	22,000
Total	3,320,000	3,102,525	4,130,000	7,620,000	524,762	4,542,000	9,072,000

Due to the seasonal impact of the Chinese New Year holiday, Shandong Energy Group's demand for coal in the first quarter of 2022 was lower, resulting in a low utilization rate of the existing annual cap in respect of coal sales for the three months ended 31 March 2022. However, considering that the Group has reached new cooperation intentions with Shandong Energy Group in respect of coal sales, the Board considers it necessary to revise the respective annual caps for the two years ending 31 December 2022 and 2023, and the increase in transaction amounts will be reflected in subsequent quarters of 2022 and 2023.

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Since Shanghai Dongjiang Real Estate Development Co., Ltd., a wholly-owned subsidiary of the Company, ceased to lease a building to Shanghai Yankuang Xinda Hotel Management Co., Ltd., a subsidiary of Shandong Energy, and the upgrade plan of machineries of three mining projects of Shandong Energy Group was postponed which originally required leasing of machineries from the Group, the utilization rates of the existing annual caps in respect of asset leasing for the year ended 31 December 2021 and for the three months ended 31 March 2022 were lower. However, considering that the Group has reached new cooperation intentions with Shandong Energy Group in respect of leasing of machineries for their mining projects, the Board considers it necessary to revise the respective annual caps for the two years ending 31 December 2022 and 2023, and the increase in transaction amounts will be reflected in subsequent quarters of 2022 and 2023.

The revised annual caps in respect of coal sales under the Provision of Products, Materials and Asset Leasing Agreement are determined with reference to:

- (i) the historical transaction amounts in respect of the coal sold to Shandong Energy Group under the Provision of Products, Materials and Asset Leasing Agreement; and
- (ii) given that (a) the newly constructed power supply and thermal supply projects of Shandong Energy Group are expected to be put into operation in mid-2022; (b) the Group has reached new cooperation intentions with Shandong Energy Group for coal supply to Shandong Energy Group for the year ending 31 December 2022 and has also entered into some new coal sales contracts with Shandong Energy Group; and (c) the selling price of coal has increased significantly in recent years, it is expected that Shandong Energy Group's demand for coal will increase for the two years ending 31 December 2022 and 2023 respectively and the average selling price of coal will also increase at the same time, resulting in a total additional transaction amount of approximately RMB3,336 million and RMB4,376 million for the two years ending 31 December 2022 and 2023 respectively.

The revised annual caps in respect of asset leasing under the Provision of Products, Materials and Asset Leasing Agreement are determined with reference to:

- (i) the historical transaction amounts in respect of asset leasing to Shandong Energy Group under the Provision of Products, Materials and Asset Leasing Agreement;
- (ii) the estimated increase in the revenue for provision of asset leasing to Shandong Energy Group for the two years ending 31 December 2022 and 2023 of approximately RMB100 million and RMB140 million respectively since it is expected that the Group will lease machineries

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for mining projects to four additional coal mines under Shandong Energy Group, based on the increased demand from Shandong Energy Group for asset leasing services; and

- (iii) the cessation of the provision of asset leasing services to Shanghai Yankuang Xinda Hotel Management Co., Ltd. of approximately RMB14.8 million for each of the two years ending 31 December 2022 and 2023.

The above revised annual caps are made on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

Reasons for and benefits of the revision of annual caps

It is anticipated that the revenue of coal sales payable by Shandong Energy Group to the Group will increase as (i) the sales price of coal has increased significantly in recent years, which has led to a significant increase in the sales amount of coal; and (ii) Shandong Energy Group's newly commissioned power supply and thermal supply projects require additional coal from the Group, which has led to an increase in the Group's sales amount of coal to Shandong Energy Group. The revenue of provision of asset leasing payable by Shandong Energy Group to the Company is also expected to be higher since the Group intends to utilise its equipment (including its existing idle equipment) and equipment management capacity to undertake Shandong Energy Group's demand for equipment leasing in 2022 and 2023 pursuant to its mine equipment renewal plan. Due to the close proximity between Shandong Energy Group and the Group, the provision of products and materials by the Group to Shandong Energy Group at Market Price can reduce management and operational costs of the Group and can achieve a stable sales market for the Group. Meanwhile, the Group's materials supply centre has the qualification for materials and equipment distribution. Hence, it is able to purchase materials and equipment at a lower wholesale price, and subsequently resell to Shandong Energy Group at the Market Price, thereby increases the Group's operating profit. Furthermore, the Group, through its equipment management centre provides equipment leasing to Shandong Energy Group under normal commercial terms based on its operation needs and thus could effectively control the risks of leasing business and achieve economic benefits.

Different source of supply and types of coal are provided by the Group to Shandong Energy Group under the Provision of Products, Materials and Asset Leasing Agreement and by the Group to Shandong Energy Group under the Bulk Commodities Sale and Purchase Agreement. The coal products provided by the Group to Shandong Energy Group under the Provision of Products, Materials and Asset Leasing Agreement are self-produced coal of the Group, while the coal provided by the Group to Shandong Energy Group under the Bulk Commodities

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Sale and Purchase Agreement are trade coal sourced by the Group from the market. Please refer to the section headed “The Bulk Commodities Sale and Purchase Agreement” in the “Letter from the Board” of this circular.

The Directors (including the independent non-executive Directors) consider that the revised annual caps in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement are: (i) on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

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

According to Rule 14A.54 of the Listing Rules, as the Company has proposed to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. As the highest of the relevant percentage ratios relating to the revised annual caps for the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement exceeds 5% on an annual basis, the revised annual caps are subject to reporting, announcement, annual review and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

3. *Bulk Commodities Sale and Purchase Agreement*

On 9 December 2020, the Company entered into the Bulk Commodities Sale and Purchase Agreement with Shandong Energy, pursuant to which the Company and Shandong Energy may, from time to time, sell or purchase coal, iron ores, rubber and other bulk commodities from each other, for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023. Please refer to the announcement of the Company dated 9 December 2020 and the circular of the Company dated 13 January 2021 for the details of the Bulk Commodities Sale and Purchase Agreement.

Due to the expected increase in the procurement demand of coal by the Group from Shandong Energy Group and the increased market price of coal, the aggregate value of the continuing connected transactions contemplated under the Bulk Commodities Sale and Purchase Agreement are expected to be higher than as envisaged at the time of entering into of the Bulk Commodities Sale and Purchase Agreement, and the existing annual caps under the Bulk Commodities Sale and Purchase Agreement for the two years ending 31 December 2023 will not be sufficient to meet the business needs of the Group. In view of the aforesaid, on 29

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April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Bulk Commodities Sale and Purchase Agreement, while the terms of the Bulk Commodities Sale and Purchase Agreement shall remain unchanged and be in force and effect.

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

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

Category	For the year ended 31 December 2021		For the year ending 31 December 2022		For the three months ended 31 March 2022	For the year ending 31 December 2023	
	Annual cap	Actual amount	Existing annual cap	Revised annual cap	Actual amount	Existing annual cap	Revised annual cap
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
Sales of bulk commodities from the Company to Shandong Energy	2,970,000	2,303,620	3,270,000	3,270,000	385,896	3,270,000	3,270,000
Sales of bulk commodities from Shandong Energy to the Company	500,000	296,280	550,000	2,000,000	106	600,000	2,000,000
Total	3,470,000	2,599,900	3,820,000	5,270,000	386,002	3,870,000	5,270,000

Since 2021, the supply of coal in China's domestic coal market has continued to be tight. In support of the Chinese government's coal supply guarantee policy, Shandong Energy Group has given priority to supply coal to thermal power plants, which has reduced the amount of coal available for sale by Shandong Energy Group to the Group, resulting in low utilization rates of the existing annual caps in respect of the sales of bulk commodities from Shandong Energy to the Company for the year ended 31 December 2021 and for the three months ended 31 March 2022. However, considering that the Group has reached new cooperation intentions with Shandong Energy Group in respect of coal procurement, the Board considers it necessary to revise the respective annual caps for the two years ending 31 December 2022 and 2023, and the increase in transaction amounts will be reflected in subsequent quarters of 2022 and 2023.

The revised annual caps in respect of the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement are determined with reference to (i) the historical amounts in respect of the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement; (ii) the expected increase in the Group's procurement demand for coal from Shandong Energy Group in the amount of approximately 1 million tons for each of the two years ending 31 December 2022 and 2023, at the estimated average selling price for each of the two years ending 31 December 2022 and 2023, based on the current cooperation intentions reached by the Group with upstream and downstream coal

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and coking industries, representing an additional transaction amount of approximately RMB1.4 billion for each of the two years ending 31 December 2022 and 2023 as the Group has newly engaged in coal and coke exchange business since October 2021 which requires additional coal from Shandong Energy Group in order to supply to third party coking industries in exchange for their coke products and the Group plans to expand such business in the coming months of 2022; and (iii) the increase in the market price of coal.

The above revised annual caps are made on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

Reasons for and benefits of the revision of annual caps

In order to enlarge the sales scale, maintain business relationship with customers, and to further improve profitability, the Group has newly engaged in the coal and coke exchange business. As the Group does not produce main coking coal, it needs to purchase relevant types of coal from Shandong Energy to supply to third party coking enterprises in exchange for their coke products, which has led to an increase in the amount of coal purchased from Shandong Energy. Therefore, the annual fees payable by the Company to Shandong Energy for purchasing bulk commodities under the Bulk Commodities Sale and Purchase Agreement are expected to increase. 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 Group is lower than trading with third parties. By purchasing bulk commodities from Shandong Energy Group, the Company could secure a long-term and stable sources of supply. This could reduce the operational risks of the entire trading business of the Group.

The Directors (including the independent non-executive Directors) consider that the revised annual caps in respect of the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement are (i) on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

Implications under the Listing Rules

As stated above, Shandong Energy is a controlling Shareholder and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, as the Company has proposed to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the

LETTER FROM THE BOARD

Listing Rules in relation to the relevant continuing connected transactions. As the highest of the relevant percentage ratios relating to the revised annual caps for the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement exceeds 0.1% but is less than 5% on an annual basis, the revised annual caps are subject to reporting and announcement requirements but are exempt from circular (including Independent Financial Adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to the applicable PRC regulations, the Company will submit the resolution relating to the revised annual caps in respect of the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement for the Independent Shareholders' approval at the AGM.

C. INFORMATION OF THE PARTIES

The Company

The Company is principally engaged in the business of mining, preparation, processing and sale 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, prime quality low sulphur coal for use in pulverized coal injection, and chemical products such as methanol and acetic acid.

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 rest 10% equity interest of which is indirectly held by the Department of Finance of Shandong Province. As at the Latest Practicable Date, its registered capital is RMB24.7 billion and its legal representative is Li Wei. The principal business of Shandong Energy includes coal, thermal power generation, coal chemicals, high-end equipment manufacturing, new energy and materials, and modern trade and logistics.

As at the Latest Practicable Date, Shandong Energy is the controlling Shareholder, holding directly and indirectly approximately 54.92% of the issued share capital of the Company, and is hence a connected person of the Company.

Yankuang Finance Company

Yankuang Finance Company is a subsidiary of the Company registered and established in Shandong Province on 13 September 2010. As at the Latest Practicable Date, Yankuang Finance Company is held as to 95% by the Company and 5% by Shandong Energy. The principal business of Yankuang Finance Company includes provision of accounting and financing consultancy services, credit certification and related consultancy and agency services to member companies; provision of entrusted loan services among member companies; and

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provision of loans and finance leasing services to member companies. Yankuang Finance Company is a non-banking financial institution established with the approval of CBIRC. Yankuang Finance Company holds a finance license granted by the CBIRC.

D. GENERAL INFORMATION

On 29 April 2022, the twenty-second meeting of the eighth session of the Board considered and approved (i) the 2023 Financial Services Agreement, the transactions contemplated thereunder and the respective proposed annual caps; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement.

As Mr. Li Wei, Mr. Liu Jian, Mr. Zhu Qingrui are regarded as having material interests in the transactions contemplated under the 2023 Financial Services Agreement, the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement, they have abstained from voting on the relevant resolutions of the Board for approving (i) the 2023 Financial Services Agreement, the transactions contemplated thereunder and the respective proposed annual caps; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement. Save as disclosed above, none of the other Directors has a material interest in such transactions.

The Board has formed the Independent Board Committee to advise the Independent Shareholders in respect of (i) the transactions contemplated under the 2023 Financial Services Agreement and the proposed annual caps for the three years ending 31 December 2023, 31 December 2024 and 31 December 2025; and (ii) the respective revised annual caps for the two years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement. The Board has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions under the comprehensive credit facility services under the 2023 Financial Services Agreement and the proposed annual caps for the three years ending 31 December 2023, 31 December 2024 and 31 December 2025; and (ii) the revised annual caps for the two years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement.

According to the applicable PRC regulations, the Company also submits the resolutions relating to the revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement, for the Independent Shareholders' approval at the AGM.

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IX. AGM, A SHAREHOLDERS' CLASS MEETING AND H SHAREHOLDERS' CLASS MEETING

The notices convening the AGM, the A Shareholders' Class Meeting and the H Shareholders' Meeting were published on 31 May 2022.

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

As ordinary resolutions:

1. To consider and approve the working report of the Board for the year ended 31 December 2021, details of which are set out in the section headed "Board of Directors' Report" in the 2021 annual report of the Company;
2. To consider and approve the working report of the Supervisory Committee for the year ended 31 December 2021, details of which are set out in the notice of the AGM dated 31 May 2022;
3. To consider and approve the audited financial statements of the Company and its subsidiaries for the year ended 31 December 2021, details of which are set out in the 2021 annual report of the Company;
4. To consider and approve the proposed profit distribution plan of the Company for the year ended 31 December 2021 and to authorize the Board to distribute a cash dividend of RMB1.60 (tax inclusive) per share for the year 2021 and a special cash dividend of RMB0.40 (tax inclusive) per share to the Shareholders based on the number of shares on the dividend distribution record date;
5. To consider and approve the remuneration of the Directors and Supervisors for the year ending 31 December 2022;
6. To consider and approve the "Proposal in relation to the renewal of the liability insurance of the Directors, Supervisors and senior officers";
7. To consider and approve the "Proposal in relation to the appointment and remuneration of external auditing firm for the year 2022";
8. To consider and approve the entering into of the 2023 Financial Services Agreement between Yankuang Finance Company and Shandong Energy and to approve the discloseable and continuing connected transactions contemplated thereunder and their annual caps; and
9. To consider and approve the respective revised annual caps in respect of the transactions contemplated under each of the following agreements:
 - (a) the Provision of Materials Supply Agreement;
 - (b) the Provision of Products, Materials and Assets Leasing Agreement; and

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(c) the Bulk Commodities Sale and Purchase Agreement.

As special resolutions:

10. To consider and approve the “Proposal in respect of the provision of financial guarantee(s) to the Company’s controlled subsidiaries and invested companies and the granting of authorization to Yancoal Australia Limited and its subsidiaries to provide guarantee(s) in relation to daily operations to the subsidiaries of the Company in Australia”;
11. To consider and approve the “Proposal to authorize the Company to carry out domestic and overseas financing businesses”;
12. To consider and approve the amendments to the Articles of Association of Yankuang Energy Group Company Limited*;
13. To consider and approve the “Proposal regarding the general mandate authorizing the Board to issue additional H shares”; and
14. To consider and approve the “Proposal regarding the general mandate authorizing the Board to repurchase H shares”.

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The following resolutions will be proposed to the Shareholders at the A Shareholders' Class Meeting and the H Shareholders' Class Meeting:

As special resolutions:

1. To consider and approve the proposal regarding the general mandate authorizing the Board to repurchase H Shares.

Whether or not you are able to attend the respective meetings in person, you are strongly advised to complete and sign the form of proxy dated 31 May 2022 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 949 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 relevant meeting(s) or any adjourned meeting(s) (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(s) or any adjourned meeting(s) should you so wish.

As at the Latest Practicable Date, Shandong Energy controlled or was entitled to exercise control over the voting rights in respect of 2,263,047,288 A Shares and 454,989,000 H Shares in the Company, representing, in aggregate, approximately 54.92% of the entire issued share capital of the Company. Shandong Energy and its associates will abstain from voting at the AGM on the ordinary resolutions approving (i) the 2023 Financial Services Agreement, the transactions contemplated thereunder and the respective proposed annual caps; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement, which will be taken by poll as required under the 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 Shandong Energy that held shares of the Company and therefore is required to abstain from voting on the aforesaid ordinary resolutions at the AGM.

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 Shandong Energy or its associates, 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) Shandong Energy and its associates were 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

LETTER FROM THE BOARD

- (iii) it was not expected that there would be any discrepancy between the beneficial shareholding interest of Shandong Energy or its associates 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 AGM.

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

1. Attending the AGM and H Shareholders' Class Meeting

The H Share register of members of the Company will be closed from Wednesday, 22 June 2022 to Thursday, 30 June 2022 (both days inclusive), during which period no transfer of the Company's H Shares will be registered for the purpose of ascertaining the eligibility of Shareholders to attend the AGM and the H Shareholders' Class Meeting. In order to attend the AGM and the H Shareholders' Class Meeting, 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 Shops 1712 – 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Tuesday, 21 June 2022 for registration. H Shareholders whose names appear on the H Share register of members of the Company maintained by Hong Kong Registrars Limited at the close of business on Tuesday, 21 June 2022 will be eligible to attend the AGM and the H Shareholders' Class Meeting.

2. Receipt of final dividend and special dividend

The Company will put forward an ordinary resolution at the AGM to approve the distribution of a cash dividend of RMB1.60 (tax inclusive) per share for the year 2021 and a special cash dividend of RMB0.40 (tax inclusive) per share to the Shareholders based on the number of shares on the dividend distribution record date.

To determine the identity of the Shareholders entitled to receive the final dividend and the special dividend, the Company's H Share register of members will be closed from Thursday, 7 July 2022 to Wednesday, 13 July 2022 (both days inclusive), during which period no transfer of H Shares will be registered. In order to be entitled to the final dividend and the special dividend, H Shareholders who have not registered the transfer documents are required to deposit the transfer documents together with the relevant Share certificates with the H Share Registrar of the Company, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on Wednesday, 6 July 2022.

Details in relation to profit distribution to investors who invest in the shares of the Company listed on the Hong Kong Stock Exchange through the SSE or vice versa under the Shanghai – Hong Kong Stock Connect program will be disclosed in the AGM poll results announcement of the Company.

LETTER FROM THE BOARD

XI. RECOMMENDATION OF THE BOARD

The Directors believe that the resolutions set out in the notices of the AGM, the H Shareholders' Class Meeting and the A Shareholders' Class Meeting are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all Shareholders should vote in favour of the resolutions to be proposed at the AGM, the H Shareholders' Class Meeting and the A Shareholders' Class Meeting.

XII. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the other sections in and the Appendices to this circular.

XIII. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

Registered office:

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

Principal place of business in Hong Kong:

40th Floor, Dah Sing Financial Center
248 Queen's Road East
Wanchai
Hong Kong

10 June 2022

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION –
PROVISION OF FINANCIAL SERVICES TO SHANDONG ENERGY;
AND
(2) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED
TRANSACTIONS**

We refer to the circular of the Company dated 10 June 2022 (“**Circular**”) to the Shareholders, 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, (i) the services contemplated under the 2023 Financial Services Agreement and the proposed annual caps for the three financial years ending 31 December 2023, 2024 and 2025; and (ii) the revised annual caps for the two financial years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement, are fair and reasonable in so far as the Independent Shareholders are concerned.

* For identification purposes only

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of (i) the provision of comprehensive credit facility services under the 2023 Financial Services Agreement and the proposed annual caps for the three financial years ending 31 December 2023, 2024 and 2025; and (ii) the revised annual caps for the two financial years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement. The letter from the Independent Financial Adviser, which contains its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 38 to 57 of this Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 6 to 35 of this Circular and the additional information set out in Appendix III to this Circular. Having taken into account (i) the terms of the 2023 Financial Services Agreement in relation to provision of comprehensive credit facility services; and (ii) the revised annual caps for the two financial years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement and having considered the interests of the Independent Shareholders and the advice from the Independent Financial Adviser, we consider that (i) the services contemplated under the 2023 Financial Services Agreement and the proposed annual caps for the three financial years ending 31 December 2023, 2024 and 2025; and (ii) the revised annual caps for the two financial years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement are (i) fair and reasonable; (ii) on normal commercial terms and in the ordinary and usual course of business; 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 resolutions to approve (i) the services contemplated under the 2023 Financial Services Agreement and the proposed annual caps for the three financial years ending 31 December 2023, 2024 and 2025; and (ii) the revised annual caps for the two financial years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement.

Yours faithfully,

Yankuang Energy Group Company Limited*

Tian Hui, Zhu Limin

Cai Chang, Poon Chiu Kwok

Independent Board Committee

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

10 June 2022

*The Independent Board Committee and the Independent Shareholders of
Yankuang Energy Group Company Limited**

Dear Sir/Madam,

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION –
PROVISION OF FINANCIAL SERVICES TO SHANDONG ENERGY;
AND
(2) REVISION OF ANNUAL CAPS FOR 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 (i) the provision of the comprehensive credit facility services under the 2023 Financial Services Agreement to Shandong Energy (the “**Provision of Comprehensive Credit Facility Services**”); and (ii) the provision of products, materials, and asset leasing under the Provision of Products, Materials and Asset Leasing Agreement to Shandong Energy (the “**Provision of Products, Materials and Asset Leasing**”), 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 10 June 2022 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 disclosed in the Letter from the Board, on 29 April 2022, (i) Yankuang Finance Company entered into the 2023 Financial Services Agreement with Shandong Energy to provide, among other things, comprehensive credit facility services for the three years ending 31 December 2025, and the annual caps of the respective services within the term of the 2023 Financial Services Agreement have been approved by the Board; and (ii) the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Provision of Products, Materials and Asset Leasing Agreement.

* For identification purpose only

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, Shandong Energy is a controlling shareholder of the Company holding, directly and indirectly, approximately 54.92% of the issued share capital of the Company, and thus Shandong Energy constitutes a connected person of the Company under the Listing Rules. Accordingly, the Provision of Comprehensive Credit Facility Services and the Provision of Products, Materials and Asset Leasing (collectively, the “**Transactions**”) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the respective highest percentage ratios in relation to the Transactions exceed 5% on an annual basis, the Transactions and the relevant proposed annual caps (the “**Proposed Annual Cap(s)**”) 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 Transactions are in the ordinary and usual course of business, 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 Transactions 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 Shandong Energy is a controlling shareholder of the Company, Shandong Energy and its associates will abstain from voting at the AGM on the ordinary resolution(s) for the purpose of approving the Transactions and the Proposed Annual Caps. As at the Latest Practicable Date, so far as the Directors are aware, other than the aforesaid, no other associate of Shandong Energy holds 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 discloseable and connected transaction in relation to the entering into of the capital increase agreement with Shandong Energy, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics, details of which are set out in the circular of the Company dated 16 November 2020;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) 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;
- (c) the continuing connected transaction regarding the entering into of the Proposed Yankuang Continuing Connected Transaction Agreements with Shandong Energy relating to the renewal of certain Existing Yankuang Continuing Connected Transaction Agreements dated 13 January 2021; and
- (d) the connected transaction in relation to the grant of restricted A Shares to the connected participants under the incentive scheme dated 12 January 2022 (collectively, 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 entering into of the capital increase agreement and the capital increase contemplated thereunder; (ii) the acquisition of a series of target companies and target assets; (iii) the continuing connected transactions between the Group and Shandong Energy; and (iv) the grant of restricted A Shares to the connected participants. Apart from the independent financial adviser roles in connection with the Previous Engagements and the Transactions, we have not acted in any capacity of the Group in the past two years immediately preceding the Latest Practicable Date.

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 Transactions. 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 consider that we have received sufficient information to enable us to reach an informed view, and have performed all the necessary steps as required under Rule 13.80(2) of the Listing Rules to justify our reliance on the information, opinions and representations provided or made to us so as to form a reasonable basis for our opinion and recommendation, including, among other things:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (i) reviewing the annual report for the year ended 31 December 2021 (“**FY2021**”) of the Company (the “**2021 Annual Report**”) as published on the website of the Stock Exchange and Shanghai Stock Exchange;
- (ii) reviewing the (a) unaudited balance sheets as at 31 March 2021, 30 June 2021, and 30 September 2021 of Yankuang Finance Company as published on the website of Shanghai Stock Exchange; (b) unaudited profits or loss statement for the three months ended 31 March 2021, the six months ended 30 June 2021, and the nine months ended 30 September 2021 of Yankuang Finance Company as published on the website of Shanghai Stock Exchange; and (c) audited financial statements for FY2021 of Yankuang Finance Company; and
- (iii) discussing with the Directors and management of the Company in respect of, among other things, the reasons for and benefits of revising the existing annual cap of the Provision of Products, Materials and Asset Leasing and entering into the 2023 Financial Services Agreement.

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 AGM.

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 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 THE INDEPENDENT FINANCIAL ADVISER

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 Transactions including the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

A. Background information of the parties

1. *The Company*

The Company is principally engaged in the business of mining, preparation, processing and sale 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, prime quality low sulphur coal for use in pulverized coal injection, and chemical products such as methanol and acetic acid.

2. *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 rest 10% equity interest of which is indirectly held by the Department of Finance of Shandong Province. As at the Latest Practicable Date, its registered capital is RMB24.7 billion and its legal representative is Li Wei. The principal business of Shandong Energy includes coal, thermal power generation, coal chemicals, high-end equipment manufacturing, new energy and materials, and modern trade and logistics.

As at the Latest Practicable Date, Shandong Energy is the controlling Shareholder of the Company, holding directly and indirectly approximately 54.92% of the issued share capital of the Company, and is hence a connected person of the Company.

3. *Yankuang Finance Company*

Yankuang Finance Company is a subsidiary of the Company registered and established in Shandong Province on 13 September 2010. As at the Latest Practicable Date, Yankuang Finance Company is held as to 95% by the Company and 5% by Shandong Energy. The principal business of Yankuang Finance Company includes provision of accounting and financing consultancy services, credit certification and related consultancy and agency services to member companies; provision of entrusted loan services among member companies; and provision of loans and finance leasing services to member companies. Yankuang Finance Company is a non-banking financial institution established with the approval of CBIRC. Yankuang Finance Company holds a finance license granted by the CBIRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table sets out the key financial information of Yankuang Finance Company, as extracted from its audited financial statements for the year ended 31 December 2020 (“FY2020”) and FY2021 respectively, both of which were prepared in accordance with the generally accepted accounting principles in the PRC:

	31 December 2021	31 December 2020
	<i>RMB million</i>	<i>RMB million</i>
Total assets	43,602	25,513
Less: Total liabilities	(37,900)	(22,160)
Net assets	5,702	3,353
	FY2021	FY2020
	<i>RMB million</i>	<i>RMB million</i>
Net interest income	520	387
Net profit for the year	336	204

The total assets of Yankuang Finance Company increased from approximately RMB25,513 million as at 31 December 2020 to approximately RMB43,602 million as at 31 December 2021, which is mainly due to the increase in the deposits with banks and other financial institutions. The deposits with banks and other financial institutions were mainly derived from the deposits received from Shandong Energy Members and the Company as stated below.

The total liabilities of Yankuang Finance Company increased from approximately RMB22,160 million as at 31 December 2020 to approximately RMB37,900 million as at 31 December 2021, which is mainly due to the increase in the deposits from Shandong Energy Members and the Company as a result of the increase in the net profit and cashflow of the above companies in FY2021. Such increase was mainly attributable to the increase in the price of the coal during FY2021.

The net interest income of Yankuang Finance Company increased from approximately RMB387 million for FY2020 to RMB520 million for FY2021, which is mainly attributable to the increase in the interest income derived from deposits with banks and other financial institutions.

The net profit of Yankuang Finance Company increased from approximately RMB204 million for FY2020 to RMB336 million for FY2021, which is mainly attributable to the increase in the net interest income.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

B. The Provision of Comprehensive Credit Facility Services

1. Background

As the 2020 Financial Services Agreement will expire on 31 December 2022, on 29 April 2022, Yankuang Finance Company entered into the 2023 Financial Services Agreement with Shandong Energy, pursuant to which Yankuang Finance Company will provide financial services to Shandong Energy Members, including but not limited to comprehensive credit facility services, for the three years ending 31 December 2025.

2. Reasons for and benefits of the Provision of Comprehensive Credit Facility Services

Yankuang Finance Company was approved by CBIRC to provide loan services to member companies. As such, Yankuang Finance Company can utilize the idle funds to carry out loan services to member companies to earn loan interests, thus improving the profitability of the Group.

Due to the long-term business relationship between the Group and Shandong Energy, Yankuang Finance Company has a thorough understanding on the business operation of Shandong Energy Members and is able to evaluate the financial performance of Shandong Energy Members based on the business and financial information obtained from and its understanding on Shandong Energy Members during the credit assessment before granting loan services to applicants.

In addition, based on the credit rating report issued by Golden Credit Rating International Co., Ltd, one of the major credit rating agencies approved by CBIRC, on 10 August 2021, the corporate credit rating of Shandong Energy is “AAA”, indicating Shandong Energy has a strong capacity to meet financial commitments with a remote risk of default.

3. Principal terms of the Provision of Comprehensive Credit Facility Services

(a) Principal terms

The principal terms of the Provision of Comprehensive Credit Facility Services are set out below:

Date

29 April 2022

Parties

- (1) Yankuang Finance Company; and
- (2) Shandong Energy

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Effective Date and Term

The 2023 Financial Services Agreement shall become effective upon (1) the execution by the legal representatives or authorized representatives of the parties with the official seals of the respective parties; and (2) the approval from the Independent Shareholders at the AGM, with effect from 1 January 2023 and will expire on 31 December 2025.

Major terms and pricing policy of the Provision of Comprehensive Credit Facility Services

Yankuang Finance Company shall provide comprehensive credit facilities (including but not limited to loans, trade financing, bill acceptance and discounting, overdraft, factoring, guarantee, loan commitment, opening of letter of credit, etc.) to Shandong Energy Members with a maximum daily balance (including accrued interests) of not exceeding RMB15 billion, RMB16 billion and RMB17 billion for each of the three years from 2023 to 2025 during the term of the 2023 Financial Services Agreement.

The interest rate for the loan to be provided by Yankuang Finance Company to Shandong Energy Members shall comply with relevant regulations of the PBOC and be determined on normal commercial terms with reference to the loan benchmark interest rate promulgated by the PBOC periodically (if any), and the interest rate offered by General Commercial Banks for the provision of same type of loan services.

Undertaking by Shandong Energy

If Shandong Energy Members have not repaid a loan and / or its interest upon the expiry of term of such loan, Yankuang Finance Company can convert the corresponding amounts of deposits of Shandong Energy Members which is deposited in Yankuang Finance Company as repayment of principal of such loan together with interest.

If Shandong Energy Members have funding difficulty and cannot repay the principal of the loan to Yankuang Finance Company or its interest, Shandong Energy shall assume the joint liability for repayment of the principal of such loan together with interest.

(b) Our assessment on the pricing policy of the Provision of Comprehensive Credit Facility Services

We have reviewed the pricing policy of the Provision of Comprehensive Credit Facility Services and noted that the interest rate for the loans will be determined in compliance with the requirements of PBOC and based on the interest rate offered by General Commercial Banks for the provision of same type of loan services. As such, we are of the view that the pricing policy of the Provision of Comprehensive Credit Facility Services is fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

4. *Historical maximum daily balance of the Provision of Comprehensive Credit Facility Services and its Proposed Annual Cap*

The table below sets out (i) the historical maximum daily balance of the Provision of Comprehensive Credit Facility Services for the two years ended 31 December 2021 and the three months ended 31 March 2022; and (ii) the proposed annual cap for the Provision of Comprehensive Credit Facility Services for the three years ending 31 December 2025:

		For the year ended / ending 31 December					
		2020	2021	2022	2023	2024	2025
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Annual cap	a	9,400	9,800	10,100	15,000	16,000	17,000
Maximum daily balance	b	9,335	9,700	9,721 <i>(Note 1)</i>			
Utilization rate	c=b/a	99.3%	99.0%	96.2% <i>(Note 2)</i>			

Notes:

1. The amount of approximately RMB9,721 million represents the maximum daily balance for the three months ended 31 March 2022.
2. The rate of approximately 96.2% represents the utilization rate for the three months ended 31 March 2022.

(a) Historical maximum daily balance

As shown in the table above, the maximum daily balance of the Provision of Comprehensive Credit Facility Services for FY2020, FY2021, and the three months ended 31 March 2022 ranged from approximately RMB9,335 million to approximately RMB9,721 million, with utilization rates ranging from approximately 96.2% to 99.3%.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Our assessment on the basis of the determination of the Proposed Annual Cap

The management of Yankuang Finance Company advised us that the Proposed Annual Cap for the year ending 31 December 2023 (“FY2023”) is determined with reference to (i) the existing annual cap of the Provision of Comprehensive Credit Facility Services for the year ending 31 December 2022 (“FY2022”) of RMB10,100 million; (ii) the intended use of proceeds for the development of three projects of approximately RMB4,400 million as stated below; and (iii) a buffer of credit facilities on trade financing for Shandong Energy Members of approximately RMB500 million to ensure the flexibility of Shandong Energy Members in dealing with any unforeseeable increase in the purchase price or the purchase quantity of materials under the Proposed Annual Cap.

In order to assess the fairness and reasonableness of the Proposed Annual Cap, we have reviewed the breakdown of the forecast for the Provision of Comprehensive Credit Facility Services, including the intended use of proceeds for the development of three projects and the trade financing, for the three years ending 31 December 2025 provided by Yankuang Finance Company. According to the above breakdown, Shandong Energy Members plans to raise debt financing from Yankuang Finance Company for the development of three projects:

- (i) at the amount of approximately RMB4,400 million for FY2023;
- (ii) at an additional amount of RMB700 million for the year ending 31 December 2024 (“FY2024”) based on the aggregate intended use of proceeds for FY2023 and FY2024, respectively; and
- (iii) at an additional amount of RMB500 million for the year ending 31 December 2025 (“FY2025”) based on the aggregate intended use of proceeds for FY2024 and FY2025, respectively.

Considering (a) that the existing annual cap of the Provision of Comprehensive Credit Facility Services for FY2022 has almost been fully utilized; (b) the intended use of proceeds for the development of the projects, we consider that the increase in the Proposed Annual Cap from RMB10,100 million for FY2022 to RMB15,000 million for FY2023 is fair and reasonable.

The Proposed Annual Cap for each of the year ending 31 December 2024 and 2025 amounted to approximately RMB16,000 million and RMB17,000 million, respectively. Having considered (i) the Proposed Annual Cap for FY2023; and (ii) the proceeds to be used for the business development for the projects for each of the two years ended 31 December 2025, we are of the view that the Proposed Annual Caps for each of the two years ending 31 December 2025 have been determined on a fair and reasonable basis.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

5. *Internal control procedures*

As stated in the Letter from the Board, the Company has adopted the internal control measures to monitor the continuing connected transactions to ensure they will be conducted on normal commercial terms and in compliance with the requirements under the 2023 Financial Services Agreement. For details of the internal control procedures, please refer to the Letter from the Board.

In assessing the internal control associate with the continuing connected transactions of the Provision of Comprehensive Credit Facility Services, we have carried out the following procedures:

- (i) we noted from the 2021 Annual Report that the independent non-executive Directors have reviewed the Group's continuing connected transactions for FY2021 and confirmed that all the continuing connected transactions (a) were conducted in its ordinary and usual course of business, conducted on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties, and fair and reasonable and in the interests of the Shareholders as a whole; and (b) did not exceed the annual caps approved by the independent Shareholders and the Board;
- (ii) we noted from the 2021 Annual Report that the auditors of the Company confirmed that the continuing connected transactions (a) were approved by the Board; (b) were carried out in compliance with the Company's pricing policies and the terms of the agreements of the continuing connected transactions; and (c) did not exceed the annual caps approved by the independent Shareholders and the Board;
- (iii) we have reviewed the Company's announcements and financial reports published on the website of Shanghai Stock Exchange and / or the Stock Exchange, and noted that the Company has disclosed (a) the balance sheet of Yankuang Finance Company as at 31 March 2021, 30 June 2021, 30 September 2021, and 31 December 2021; (b) the income statement of Yankuang Finance Company for three months ended 31 March 2021, the six months ended 30 June 2021, the nine months ended 30 September 2021, and FY2021; and (c) the operating information, consisting of the balances of loans granted to and deposits received from the member companies as at 31 March 2021, 30 June 2021, 30 September 2021, and 31 December 2021. The above disclosures are in compliance with the requirements under the internal control measures of the Company;
- (iv) we have randomly selected two samples in relation to the quarterly review on the approval procedure and provision of the comprehensive credit facility services between Yankuang Finance Company and Shandong Energy Members by the audit committee of the Company during FY2021, and noted that the audit committee of the Company has conducted the above procedure;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (v) we have randomly selected two samples in relation to the submission of the monthly financial statements and / or the data of key operating indicators to CBIRC, PBOC, and China National Association of Finance Companies during FY2021, and noted that Yankuang Finance Company has complied the submission requirements of the above authorities in FY2021; and

- (vi) we have randomly selected two samples in relation to the grant of loans to Shandong Energy Members by Yankuang Finance Company in FY2021, and noted that:
 - (a) the credit review committee of Yankuang Finance Company has conducted prior review over the proposed comprehensive credit facilities amount and terms of the credit agreement before granting credit facilities to Shandong Energy Members;

 - (b) the senior management of Yankuang Finance Company has re-examined the decision making and approval procedure of the credit approval committee of Yankuang Finance Company before providing comprehensive credit facility services to Shandong Energy Members;

 - (c) Yankuang Finance Company has received monthly management accounts from Shandong Energy Members immediately before granting loans to them;

 - (d) Yankuang Finance Company has received quarterly financial statements from Shandong Energy Members; and

 - (e) the annual interest rates of the loans charged by Yankuang Finance Company to Shandong Energy Members in these two samples were 3.50% and 4.05%, which were (1) determined with reference to the loan benchmark interest rate promulgated by the PBOC of 4.35%; and (2) no less favorable than the interest rates offered by General Commercial Banks of 3.48%.

Taking into account the above, we are of the view that:

- (i) the continuing connected transactions of the Provision of Comprehensive Credit Facility Services for three years ending 31 December 2025 will be conducted on normal commercial terms or better and in compliance with the internal control measures of the Company; and

- (ii) there are adequate internal control policies and procedures in place to ensure that the Proposed Annual Cap will not be exceeded and the relevant Listing Rules will be complied with from time to time.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. The Provision of Products, Materials and Asset Leasing

1. *Background*

On 9 December 2020, the Company entered into the Provision of Products, Materials and Asset Leasing Agreement with Shandong Energy, pursuant to which the Company would provide the followings to Shandong Energy: coal products, electricity, materials (including but not limited to steel, non-ferrous metal, timber, bearings and oil products, axles, mining equipment and machineries such as hydraulic support and rubber conveyors, and other similar materials) and asset leasing, for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023.

Considering that the existing annual caps under the Provision of Products, Materials and Asset Leasing Agreement for the two years ending 31 December 2023 will not be sufficient to meet the business needs of the Group, on 29 April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Provision of Products, Materials and Asset Leasing Agreement, while the terms of the Provision of Products, Materials and Asset Leasing Agreement shall remain unchanged and be in force and effect.

2. *Reasons for and benefits of the revision of the existing annual caps under the Provision of Products, Materials and Asset Leasing Agreement*

As stated under the section headed “PRINCIPAL FACTORS AND REASONS CONSIDERED – C. The Provision of Products, Materials and Asset Leasing – 5. Analysis on the revised annual caps” below, taking into account (i) the increase in the average selling price of the coal; (ii) the demand for the coal from Shandong Energy Members; and (iii) the demand for leasing the machineries for the mining projects from Shandong Energy Members, the Directors expected that the existing annual cap would not be sufficient for the Provision of Products, Materials and Asset Leasing for two years ending 31 December 2023. As such, the existing annual cap needs to be revised upwards to accommodate the latest business needs of the Group.

3. *Principal terms of the Provision of Products, Materials and Asset Leasing Agreement*

Pursuant to the Letter from the Board, save for the revised annual caps, all other terms of the Provision of Products, Materials and Asset Leasing Agreement will remain unchanged and be in force and effect. For details of the Provision of Products, Materials and Asset Leasing Agreement, please refer to the circular of the Company dated 13 January 2021.

4. *Assessment on the internal control procedures of the pricing method*

In assessing the internal control associate with the continuing connected transactions of the provision of Provision of Products, Materials and Asset Leasing, we have carried out the following procedures:

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (i) we have randomly selected two transactions under each of coal sales, materials supply, and asset leasing for FY2021, and noted that the prices of the above transactions (a) were determined with reference to the Market Price; and (b) were no less favorable than those offered to the Independent Third Parties; and
- (ii) we have randomly selected two transactions under electricity supply for FY2021, and noted that the price of electricity supply was determined 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).

Taking into account the above, we are of the view that (i) the continuing connected transactions of Provision of Products, Materials and Asset Leasing Agreement for three years ending 31 December 2023 will continue to be conducted on normal commercial terms or better; and (ii) the Group has adequate internal control policies and procedures in place to ensure that the Proposed Annual Cap will not be exceeded and the relevant Listing Rules will be complied with from time to time.

5. Analysis on the revised annual caps

The following table sets forth (i) the comparison between the historical transaction amount of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement for FY2021 and the three months ended 31 March 2022 and the existing annual caps for FY2021 and FY2022; and (ii) the comparison between the existing annual caps and revised annual caps for two years ending 31 December 2023:

	FY2021			Historical transaction amount for the three months ended 31 March 2022 RMB'000 d	FY2022		FY2023		
	Historical transaction amount RMB'000 a	Annual cap RMB'000 b	Utilization rate % c=a/b		Existing annual cap RMB'000 e	Utilization rate % f=d/e	Revised annual cap RMB'000	Existing annual cap RMB'000	Revised annual cap RMB'000
Coal sales	2,362,057	2,500,000	94.5	492,152	3,200,000	15.4	6,600,000	3,500,000	7,900,000
Materials supply	699,873	700,000	99.98	19,625	800,000	2.5	800,000	900,000	900,000
Asset leasing	26,295	100,000	26.3	8,694	110,000	7.9	200,000	120,000	250,000
Electricity supply	14,300	20,000	71.5	4,291	20,000	21.5	20,000	22,000	22,000
Total	<u>3,102,525</u>	<u>3,320,000</u>	<u>93.4</u>	<u>524,762</u>	<u>4,130,000</u>	<u>12.7</u>	<u>7,620,000</u>	<u>4,542,000</u>	<u>9,072,000</u>

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For FY2021, the provision of asset leasing by the Company to Shandong Energy Members amounted to approximately RMB26.3 million, representing approximately 26.3% of its existing annual cap for the same period. The low utilization rate was mainly attributable to the following reasons:

- (i) the Group ceased to provide asset leasing service to Shanghai Yankuang Xinda Hotel Management Co., Ltd. since FY2021 as the Group intends to hold the property for its own use. For details, please refer to the Company's circular dated 13 January 2021 and the 2021 Annual Report; and
- (ii) the Group did not provide asset leasing services to three mining projects during FY2021. Based on the evaluation of the operation of the machineries by the management of three mining projects during FY2021, the above management noted the machineries were still able to operate effectively and considered it unnecessary to upgrade the machineries in FY2021.

(a) Coal sales

We noted that the revised annual caps of the coal sales under the Provision of Products, Materials and Asset Leasing Agreement (the “**Coal Sales**”) for FY2022 and FY2023 has increased by approximately 106.3% and approximately 125.7% as compared to the existing annual caps for the above periods, respectively. We are advised by the Directors that the revised annual caps for the Coal Sales are determined with reference to the following:

	FY2022	FY2023
	<i>RMB million</i>	<i>RMB million</i>
The existing annual cap of the Coal Sales	3,200	3,500
Add: The additional annual cap of the Coal Sales as stated under the paragraphs headed “(i) In respect of the additional volume of coal required by Shandong Energy Members which was not anticipated under the existing annual cap of the Coal Sales” below	2,673	3,774
Add: The additional annual cap of the Coal Sales under the paragraphs headed “(ii) In respect of the existing volume of coal which was anticipated under the existing annual cap of the Coal Sales” below	663	602
Add: A buffer for the annual cap of the Coal Sales	64	24
Revised annual cap of the Coal Sales	6,600	7,900

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We are also advised by the Directors that such increase in the annual cap is mainly attributable to the following reasons:

- (i) *In respect of the additional volume of coal required by Shandong Energy Members which was not anticipated under the existing annual cap of the Coal Sales*

The demand for the coal from Shandong Energy Members for FY2022 and FY2023 has increased due to (a) the increase in the number of Shandong Energy Members in need of coal from the Group as a result of the completion of the strategic reorganization between Yankuang Group Company Limited, the then controlling Shareholder, and Shandong Energy Company Limited as disclosed in the announcement of the Company dated 30 November 2020 (the “**Strategic Reorganization**”); and (b) the expansion of supply of electricity and heat business of Shandong Energy Members.

In light of the above, the additional volume of the coal to be sold to Shandong Energy Members for FY2022 and FY2023 amounted to approximately 3.3 million tons and 5.1 million tons, respectively, at the average selling price of approximately RMB810 per ton for FY2022 and approximately RMB740 per ton for FY2023, respectively, which is determined with reference to the coal prices in Shandong Province, Shaanxi Province, and Inner Mongolia Autonomous Region, the PRC, as at 31 March 2022. As such, the existing annual caps will increase by approximately RMB2,673 million and RMB3,774 million for FY2022 and FY2023, respectively; and

- (ii) *In respect of the existing volume of coal which was anticipated under the existing annual cap of the Coal Sales*

Based on the increase in the average selling price of the existing coal under the existing annual caps of the Coal Sales in Shandong Province, Shaanxi Province, and Inner Mongolia Autonomous Region, the PRC, during FY2021 and up to 31 March 2022, the Directors estimated that the average selling price for the coal under the existing annual caps will increase by approximately RMB140 per ton to RMB170 per ton for two years ending 31 December 2023. According to (a) the purchase orders on hand of the Group required by Shandong Energy Members; (b) the existing procurement plan of Shandong Energy Members as at the Latest Practicable Date; (c) the estimation of the increase in the selling price of coal in Shandong Province, Shaanxi Province, and Inner Mongolia Autonomous Region, the PRC; and (d) the total volume of the coal to be sold under the existing annual cap, the Directors anticipated that a total volume of coal of approximately 3.9 million tons and 4.3 million tons for FY2022 and FY2023, respectively, will be subject to price increase. Therefore, the existing annual caps will increase by approximately RMB663 million and RMB602 million for FY2022 and FY2023, respectively.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In assessing the reasonableness and fairness of the revised annual caps, we have performed the following due diligence work on the average selling price of the coal:

- A. we noted from the 2021 Annual Report published on the website of Shanghai Stock Exchange on 31 March 2022 that the average selling price of all types of coals of the Group increased from approximately RMB470.5 per ton for FY2020 to approximately RMB793.2 per ton for FY2021, representing an increase of 68.6%;
- B. we noted from the website of China Coal Transportation and Distribution Association, a nonprofit social organization supervised by State-owned Assets Supervision and Administration Commission of the State Council, that the indexes of different types of coal, which is made up according to the average selling price of all types of coal in the market under (a) the fixed selling price under the long-term agreements; and (b) the selling price under the spot sales, ranged from RMB519 per ton to RMB642 per ton as at 25 December 2020 (the last trading day of the index for FY2020), whereas they ranged from RMB635 per ton to RMB786 per ton as at the Latest Practicable Date, representing an increase of approximately 22.4%. Such increase indicates that average selling price of the coal in the market has been increased during FY2021 and up to the Latest Practicable Date; and
- C. pursuant to a research report, namely “Medium- and long-term investment opportunities under the financial position of the coal-related companies and the fixed price range of coal – review on the coal industry” (價格區間確定，基本面支撐中長期投資機會－煤炭板塊動態點評), published on 8 March 2022 by Everbright Securities Company Limited, a security firm established in the PRC, the price of the coal ranged from RMB700 per ton to RMB940 per ton since 1 January 2022 and up to 7 March 2022. In addition, given that the consumption of electricity is expected to increase in FY2022 and the scale of renewable energy is still small in the above period, the consumption of coal will remain stable or slightly increase in FY2022. Based on the above, the average selling price of the coal will not significantly drop in the short run.

Based on the above, considering (i) the expected sales of coal to Shandong Energy Members, and (ii) the trend of the average selling price of the coal in the future, we are of the view that the revised annual caps of the Coal Sales for FY2022 and FY2023 are fair and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

(b) Asset leasing

We noted that the revised annual caps of the asset leasing under the Provision of Products, Materials and Asset Leasing Agreement (the “**Asset Leasing**”) for FY2022 and FY2023 has increased by approximately 81.8% and approximately 108.3% as compared to the existing annual caps for the above periods, respectively. We are advised by the Directors that the revised annual caps for the Asset Leasing are determined with reference to the following:

	FY2022	FY2023
	<i>RMB million</i>	<i>RMB million</i>
The existing annual cap of the Asset Leasing	110	120
Less: The cessation of the provision of asset leasing services to Shanghai Yankuang Xinda Hotel Management Co., Ltd.	(14.8)	(14.8)
Add: The increasing demand for the asset leasing from Shandong Energy Members as stated in the table below due to the increase in the number of Shandong Energy Members in need of asset leasing services from the Group as a result of the Strategic Reorganization	100.9	139.4
Add: A buffer for the annual cap of the Asset Leasing	3.9	5.4
Revised annual cap of the Asset Leasing	200	250

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have reviewed the calculation of the revised annual cap for the Asset Leasing prepared by the Group and noted that the machineries for the mining projects, including but not limited to the coal shearer and underground supports, will be leased by four additional coal mines under the Shandong Energy Members, details of which are set forth as follows:

	Provision of asset leasing services to Shandong Energy Members for	
	FY2022	FY2023
	<i>RMB million</i>	<i>RMB million</i>
Coal mine no. 1 in Ili Kazakh Autonomous Prefecture under Yankuang Xinjiang Energy & Chemical Co., Ltd. (兗礦新疆能化有限公司)	63.9	93.2
Coal mine no. 4 in Ili Kazakh Autonomous Prefecture under Yankuang Xinjiang Energy & Chemical Co., Ltd. (兗礦新疆能化有限公司)	1.9	2.5
Coal mine in Liuhuangu County under Yankuang Xinjiang Energy & Chemical Co., Ltd. (兗礦新疆能化有限公司)	20.0	43.7
Coal mine in Liangbaosi County under Shandong Energy Group Luxi Mining Co., Ltd. (山東能源集團魯西礦業有限公司)	15.1	–
Total	100.9	139.4

Based on the demand from Shandong Energy Members as shown above, we are of the view that the revised annual caps of the Asset Leasing for FY2022 and FY2023 are fair and reasonable.

RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that (i) the terms of the Transactions are in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole; and (ii) the Transactions and the Proposed Annual Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 AGM 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 20 years of experience in corporate finance advisory.

This explanatory statement contains all the information required to be given to the Shareholders pursuant to Rule 10.06(1)(b) of the Listing Rules in connection with the proposed Repurchase Mandate, which is set out as follows:

1. HONG KONG LISTING RULES

The Hong Kong Listing Rules permits companies with a primary listing on the Hong Kong Stock Exchange to repurchase their securities subject to certain restrictions. Repurchases must be funded out of funds legally available for the purpose and in accordance with the company's constitutional documents and the applicable laws of the jurisdiction in which the company is incorporated or otherwise established. Any repurchase must be made out of funds which are legally available for the purpose and in accordance with the laws of the PRC and the memorandum and articles of association of the company. Any premium payable on a repurchase over the par value of the shares may be effected out of funds of the company which would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for the purchase of repurchase.

2. REASONS FOR REPURCHASE OF H SHARES

The Board believes that the flexibility afforded by the Repurchase Mandate to repurchase H Shares would be beneficial to and in the best interests of the Company and its Shareholders. Such repurchase may, depending on the market conditions and funding arrangement at the time, lead to an enhancement of the net asset value and/or its earnings per Share and will only be made when the Board believes that such a repurchase will benefit the Company and its Shareholders.

3. REGISTERED CAPITAL

As at the Latest Practicable Date, the registered capital of the Company as filed in the relevant company registration agency of the PRC was RMB4,948,703,640 comprising 1,900,000,000 H Shares of RMB1.00 each and 3,048,703,640 A Shares of RMB1.00 each. As at the Latest Practicable Date, the Company has 3,048,703,640 A Shares and 1,900,000,000 H Shares.

4. EXERCISE OF THE REPURCHASE MANDATE

Subject to the passing of the special resolution approving the granting of the Repurchase Mandate to the Board at the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting respectively, the Board will be granted the Repurchase Mandate until the end of the Relevant Period (as defined in the special resolutions in the notice of the AGM, the notice of the A Shareholders' Class Meeting and the notice of the H Shareholders' Class Meeting, respectively). The exercise of the Repurchase Mandate is subject to: (1) the approvals of the relevant PRC regulatory authorities as required by the laws, rules and regulations of the PRC Augusbeing obtained; and (2) the Company not being required by any of its creditors to repay or to provide guarantee in respect of any amount due to any of them (or if the Company is so required by any of its creditors, the Company

having, in its absolute discretion, repaid or provided guarantee in respect of such amount) pursuant to the provisions of the Articles of Association applicable to reduction of share capital.

The exercise in full of the Repurchase Mandate (on the basis of 1,900,000,000 H Shares in issue as at the Latest Practicable Date and no H Shares will be allotted and issued or repurchased by the Company on or prior to the date of the AGM, the A Shareholders' Class Meeting and the H Shareholders' Class Meeting) would result in a maximum of 190,000,000 H Shares being repurchased by the Company during the Relevant Period, being the maximum of 10% of the total H Shares in issue as at the date of passing the relevant resolutions.

5. FUNDING OF REPURCHASES

In repurchasing its H Shares, the Company intends to apply funds from the Company's internal resources (which may include surplus funds and undistributed profits) legally available for such purpose in accordance with the Articles of Association and the applicable laws, rules and regulations of the PRC.

The Company is empowered by its Articles of Association to purchase its H Shares. Any repurchases by the Company may only be made out of either the funds of the Company that would otherwise be available for dividend or distribution or out of the proceeds of a new issue of shares made for such purpose, or from sums standing to the credit of the share premium account of the Company. The Company may not purchase securities on the Hong Kong Stock Exchange for a consideration other than cash or for settlement otherwise than in accordance with the trading rules of the Hong Kong Stock Exchange from time to time.

Based on the financial position disclosed in the recently published audited accounts for the year ended 31 December 2021, the Board considers that there will not be any material adverse impact on the working capital or gearing position of the Company in the event that the Repurchase Mandate is to be exercised in full at any time during the proposed repurchase period. The number of H Shares to be repurchased on any occasion and the price and other terms upon which the same are repurchased will be decided by the Board at the relevant time having regard to the circumstances then prevailing and in the best interests of the Company.

6. STATUS OF REPURCHASED H SHARES

The Hong Kong Listing Rules provides that the listing of all the H Shares repurchased by the Company shall automatically be cancelled and the relevant share certificates shall be cancelled and destroyed. Under the PRC laws, the H Shares repurchased by the Company for the purpose of reducing registered capital will be cancelled within 10 days after the repurchase date; the H Shares repurchased by the Company for the purpose of protecting the value of the Company and the interests of the Shareholders will be cancelled or transferred within three years. The Company's registered capital will be reduced by an amount equivalent to the aggregate nominal value of the H Shares so cancelled.

7. H SHARES PRICES

The highest and lowest prices at which the H Shares have been traded on the Hong Kong Stock Exchange during each of the twelve months preceding the Latest Practicable Date were as follows:

	H Share Prices	
	Highest HK\$	Lowest HK\$
2021		
June	12.00	10.02
July	12.94	10.02
August	13.62	9.16
September	17.92	12.90
October	16.34	10.96
November	13.34	11.14
December	18.00	11.94
2022		
January	19.48	15.32
February	20.95	16.64
March	25.50	16.84
April	26.45	20.40
May	27.20	19.30
June (up To the Latest Practicable Date)	27.10	25.70

8. SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of substantial shareholders of the Company which was interested in more than 10% of the issued Shares was as follows:

Name	Class of shares	Capacity	Nature of interests	Number of ordinary shares held in the Company	Percentage of total issued share capital of the Company ^(b)
Shandong Energy	A Shares (state-owned legal person share)	Beneficial owner	Long position	2,263,047,288	45.73%
			Short position	387,385,137	7.83%
Shandong Energy ^(a)	H Shares	Interest of controlled corporation	Long position	454,989,000	9.19%
Total				<u>2,718,036,288</u>	<u>54.92%</u>

Notes:

- (a) Shandong Energy's controlled subsidiary incorporated in Hong Kong holds such H Shares in the capacity of beneficial owner.
- (b) The figures of the percentage ratios are rounded to the nearest two decimal places.

9. GENERAL INFORMATION

- (a) None of the Directors, to the best of their knowledge having made all reasonable enquiries, nor any of their close associates, have any present intention to sell any H Shares to the Company or any of its subsidiaries under the Repurchase Mandate if such is approved by the Shareholders.
- (b) The Directors have undertaken to the Hong Kong Stock Exchange that, so far as the same may be applicable, they will exercise the power of the Company to repurchase the H Shares pursuant to the Repurchase Mandate in accordance with the Hong Kong Listing Rules and the applicable laws of the PRC.
- (c) No core connected person (as defined in the Hong Kong Listing Rules) of the Company has notified the Company that he has a present intention to sell H Shares to the Company or its subsidiaries, or has undertaken not to do so, if the Repurchase Mandate is granted and is exercised.

10. TAKEOVERS CODE

If on the exercise of the power to repurchase Shares pursuant to the Repurchase Mandate, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 32 of the Takeovers Code. As a result, a Shareholder or group of Shareholders acting in concert could obtain or consolidate control of the Company and become obliged to make a mandatory offer in accordance with Rules 26 and 32 of the Takeovers Code.

Assuming that the substantial Shareholders do not dispose of their Shares, if the Repurchase Mandate was exercised in full, the percentage shareholdings of the substantial Shareholders before and after such repurchase would be as follows:

Substantial Shareholder	Before repurchase	After repurchase
Shandong Energy	54.92%	57.12%

On the basis of the shareholdings held by the substantial Shareholder named above, an exercise of the Repurchase Mandate in full will not have any implications for the substantial Shareholders under the Takeovers Code.

The Company was informed by Shandong Energy that Shandong Energy had issued exchangeable corporate bonds that are exchangeable into A Shares of the Company, which may result in a decline of Shandong Energy's percentage shareholdings in the Company. For detailed information about the exchangeable corporate bonds issued by Shandong Energy, please refer to the relevant announcements of the Company dated 8 April 2022, 14 April 2022 and 22 April 2022.

Assuming that there is no issue of Shares between the Latest Practicable Date and the date of a repurchase, an exercise of the Repurchase Mandate whether in whole or in part will not result in less than the relevant prescribed minimum percentage of the Shares of the Company being held by the public as required by the Hong Kong Stock Exchange.

The Directors have no intention to exercise the Repurchase Mandate to an extent which may result in the requirements under Rule 8.08 of the Listing Rules not being complied with.

Save as disclosed above, the Directors are not aware of any consequences that may arise under the Takeovers Code and/or any relevant laws of which the Directors are aware, if any, as a result of any share repurchases made.

11. SHARE REPURCHASES MADE BY THE COMPANY

During the six months period preceding the Latest Practicable Date, the Company did not repurchase any H shares (whether on the Hong Kong Stock Exchange or otherwise).

APPENDIX II PROPOSED AMENDMENTS OF ARTICLES OF ASSOCIATION AND RELEVANT RULES OF PROCEDURE

In accordance with the latest amendments on the Guidelines on the Articles of Association of Listed Companies (Revision 2022) (CSRC Announcement [2022] No. 2)* (《上市公司章程指引(2022年修訂)》(證監會公告[2022]2號)) issued by the China Securities Regulatory Commission (the “CSRC”), the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (January 2022 Amendment) (Shang zheng fa [2022] No. 1)* (《上海證券交易所股票上市規則(2022年1月修訂)》(上證發[2022]1號)) and other relevant regulations, and taking into consideration the actual operational needs of the Company, the Company proposed to amend the Articles of Association, and proposed to amend the Rules of Procedure for Shareholders’ General Meeting and the Rules of Procedure of the Board of the Company respectively. Details are set out as follows:

I. Amendments to the Articles of Association

Original	Amendments
<p>Article 12 The Company’s scope of business shall be consistent with and subject to the scope of business approved by the authority responsible for the registration of the Company.</p> <p>The business scope of the Company includes:</p> <p>Permitted items: coal mining, public railway transportation, road goods transportation (excluding hazardous goods), port operation, installation, upgrading and maintenance of special equipment, real estate development and operation, catering services, accommodation services, import and export of cargoes and techniques, sewage water treatment and recycling, heat generation and supply, inspection and detection services, inspection and detection for safety production, various projects construction, labour dispatching services (pre-license).</p>	<p>Article 12 The Company’s scope of business shall be consistent with and subject to the scope of business approved by the authority responsible for the registration of the Company.</p> <p>The business scope of the Company includes:</p> <p>Permitted items: coal mining, public railway transportation, road goods transportation (excluding hazardous goods), port operation, installation, upgrading and maintenance of special equipment, real estate development and operation, catering services, accommodation services, import and export of cargoes and techniques, sewage water treatment and recycling, heat generation and supply, inspection and detection services, inspection and detection for safety production, various projects construction, labour dispatching services, <u>class I value-added telecommunications services, class II value-added telecommunications services, information system integration services, information system operation and maintenance services, industrial Internet data services, industrial automatic control system device sales, digital video surveillance system sales and Internet equipment sales</u> (pre- license).</p>

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<p>Article 19 Subject to the approval of the companies approving department authorised by the State Council, the Company has issued a total of 4,860,000,000 ordinary shares, of which 1,670,000,000 ordinary shares were issued to the promoters at the time of establishment.</p>	<p>Article 19 Subject to the approval of the companies approving department authorised by the State Council, the Company has issued a total of 4,948,703,640 ordinary shares, of which 1,670,000,000 ordinary shares were issued to the promoters at the time of establishment.</p>
<p>Article 20 The share capital structure of the Company is as follows: 4,860,000,000 ordinary shares, of which (a) 2,960,000,000 shares, which represent 60.91% of the Company’s share capital, are held by Shandong Energy Group Co., LTD as domestic legal person shares; (b) 1,900,000,000 shares, which represent 39.09% of the Company’s share capital, are held by the H Shares shareholders.</p>	<p>Article 20 The share capital structure of the Company is as follows: 4,948,703,640 ordinary shares, of which (a) 3,048,703,640 shares, which represent 61.61% of the Company’s share capital, are held by Shandong Energy Co., LTD as domestic legal person shares; (b) 1,900,000,000 shares, which represent 38.39% of the Company’s share capital, are held by the H Shares shareholders.</p>
<p>Article 23 The registered capital of the Company shall be RMB4,860,000,000. The Company shall register its registered capital with the state market supervision department and make the necessary filings with the companies approving department authorised by the State Council and the State Council’s securities authorities.</p>	<p>Article 23 The registered capital of the Company shall be RMB4,948,703,640. The Company shall register its registered capital with the state market supervision department and make the necessary filings with the companies approving department authorised by the State Council and the State Council’s securities authorities.</p>

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Article 26 The Directors, Supervisors and Senior Officers of the Company shall declare to the Company their holdings in the Company's shares and inform the same if there are any changes in their holdings subsequently. During their terms of office, shares being transferred every year must not exceed 25% of their holdings in the Company's shares. No transfer of their holdings shall be made within one year after the Company's shares were listed. No transfer of their holdings in the Company's shares shall be made within six months after they cease to hold their respective offices.

Article 26 The Directors, Supervisors and Senior Officers of the Company shall declare to the Company their holdings in the Company's shares and inform the same if there are any changes in their holdings subsequently. During their terms of office, shares being transferred every year must not exceed 25% of their holdings in the Company's shares.

The shares of the Company held by Directors, Supervisors and Senior Officers shall not be transferred under the following circumstances:

- (1) within one year from the date of listing and trading of the shares of the Company held by them;
- (2) within six months after leaving office;
- (3) undertaking not to transfer within a certain period and within that period;
- (4) other circumstances as stipulated by laws, regulations and stock exchanges.

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Article 27 When Directors, Supervisors or Senior Officers of the Company or shareholders holding more than 5% of the shares of the Company sell their shares within six months after they are acquired or purchase shares within six months after they are disposed of, the board of directors shall repatriate any profits derived from such dealings and the profits derived shall belong to the Company. However, for securities companies which have acquired shares underwritten and become shareholders having more than 5% of the shares of the Company shall not be restricted by the six- month restriction mentioned above when they sell their shares.

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Article 27 When Directors, Supervisors or Senior Officers of the Company or shareholders holding more than 5% of the shares of the Company sell their shares **or other securities with equity nature** within six months after they are acquired or purchase shares within six months after they are disposed of, the board of directors shall repatriate any profits derived from such dealings and the profits derived shall belong to the Company. However, for securities companies which have acquired shares underwritten and become shareholders having more than 5% of the shares of the Company, **and other circumstances specified by the CSRC are excluded.**

Directors, Supervisors, Senior Officers, natural person shareholders referred to in the preceding paragraph who hold shares or other securities of an equity nature, including those held by their spouses, parents, children and using the accounts of others to hold shares or other securities of an equity nature.

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<p>Article 31 The Company may, in accordance with the procedures set out in these Articles of Association and with the approval of the relevant governing authority of the State, repurchase its issued shares under the following circumstances:</p> <ol style="list-style-type: none"> (1) cancellation of shares for the purposes of reducing its capital; (2) merging with another company that holds shares in the Company; (3) to grant the shares as incentives to the Company’s staff; (4) shareholders who disagree with the resolutions for the merger and separation of the Company made in a general meeting may demand the Company to purchase their shares; (5) the repurchased shares are used for the corporate bonds convertible into shares of the listed company; (6) the repurchase is necessary for maintaining the value of the listed company and the interests of its shareholders; (7) other circumstances permitted by laws and administrative regulations. <p>Apart from the above, the Company is not allowed to engage in trading of its own shares:</p>	<p>Article 31 <u>The Company may not purchase its own shares except under the following circumstances:</u></p> <ol style="list-style-type: none"> (1) cancellation of shares for the purposes of reducing its capital; (2) merging with another company that holds shares in the Company; (3) to grant the shares as incentives to the Company’s staff; (4) shareholders who disagree with the resolutions for the merger and separation of the Company made in a general meeting may demand the Company to purchase their shares; (5) the repurchased shares are used for the corporate bonds convertible into shares of the listed company; (6) the repurchase is necessary for maintaining the value of the listed company and the interests of its shareholders; (7) other circumstances permitted by laws and administrative regulations.
<p>Article 67 The shareholders’ general meeting shall have the following functions and powers:</p> <ol style="list-style-type: none"> (13) to consider and approve issues of guarantee as provided in Article 66; (17) to consider share incentive schemes; 	<p>Article 67 The shareholders’ general meeting shall have the following functions and powers:</p> <ol style="list-style-type: none"> (13) to consider and approve issues of guarantee as provided in Article 66 <u>and issues of financial assistance as provided in Article 69;</u> (17) to consider share incentive schemes <u>and employee stock ownership plan;</u>

**APPENDIX II PROPOSED AMENDMENTS OF ARTICLES OF ASSOCIATION
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<p>Article 68 The provision of guarantees by the Company to its shareholders, persons in actual control of the Company and their associates shall be considered and approved by the shareholders in a general meeting.</p> <p>The provision of guarantee by the Company to its controlled subsidiaries or joint stock subsidiaries shall be subject to consideration and approval by the shareholders in a general meeting if:</p> <ol style="list-style-type: none"> (1) the provision of any guarantee where the amount of the external guarantee by the Company and its subsidiaries reaches or exceeds 50% of the latest audited net assets; (2) the provision of any guarantee where the amount of the external guarantee by the Company reaches or exceeds more than 30% of the latest audited net assets; (3) the provision of any single guarantee in which the amount exceeds 10% of the latest audited net assets; (4) Provision of guarantee to any guaranteed party with an assets to liabilities ratio exceeding 70%. <p>The Company shall provide guarantee in accordance with the regulations on state- owned asset supervision and regulation.</p> <p>The Company shall not provide guarantee to any natural person, legal person, institutions and other entities not referred to in (1) and (2) above.</p>	<p>Article 68 The provision of guarantees by the Company to its shareholders, persons in actual control of the Company and their associates shall be considered and approved by the shareholders in a general meeting.</p> <p>The provision of guarantee by the Company to its controlled subsidiaries or joint stock subsidiaries shall be subject to consideration and approval by the shareholders in a general meeting if:</p> <ol style="list-style-type: none"> (1) the provision of any guarantee where the amount of the external guarantee by the Company and its subsidiaries reaches or exceeds 50% of the latest audited net assets; (2) the provision of any guarantee where the amount of the external guarantee by the Company reaches or exceeds more than 30% of the latest audited net assets; (3) <u>In accordance with the principle of cumulative calculation of the guarantee amount within 12 consecutive months, the guarantee that exceeds 30% of the Company's latest audited total assets;</u> (4) Provision of guarantee to any guaranteed party with an assets to liabilities ratio exceeding 70%; (5) <u>A single guarantee whose amount exceeds 10% of the latest audited net assets.</u> <p>The Company shall provide guarantee in accordance with the regulations on state- owned asset supervision and regulation. The Company shall not provide guarantee to any natural person, legal person, institutions and other entities not referred to in (1) and (2) above.</p>
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—	<p><u>Article 69 Financial assistance matters shall be submitted to the shareholders' general meeting for consideration after consideration and approval by the board of directors if they fall under one of the following circumstances:</u></p> <p>(1) <u>the amount of a single financial assistance exceeds 10% of the Company's latest audited net assets;</u></p> <p>(2) <u>financial assistance provided to the guarantee whose gearing ratio exceeds 70%;</u></p> <p>(3) <u>the cumulative amount of financial assistance within the last 12 months exceeds 10% of the latest audited net assets of the Company;</u></p> <p>(4) <u>other circumstances as stipulated in the Articles of Association.</u></p> <p><u>If the target of financial assistance is a holding subsidiary within the scope of consolidated statement of the Company, and the other shareholders of such holding subsidiary do not include the controlling shareholders, actual controllers and their associates of the listed company, the approval procedures of the board of directors and shareholders' general meetings may be exempted.</u></p>
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<p>Article 78 If the Supervisory Committee or the shareholders decides/decide to convene the shareholders’ general meeting by itself/themselves, a written notice shall be given to the board of directors and in the meantime report shall be made to the local representative office of the competent securities authorities under the State Council and the stock exchange for record.</p> <p>Before publishing the resolutions of the shareholders’ general meeting, shares held by the convening shareholder(s) shall not be less than 10%.</p> <p>The convening shareholder(s) shall submit the relevant documents to the local representative office of the competent securities authorities under the State Council and the stock exchange before issuing the notice for convening of the shareholders’ general meeting and the announcement on resolution proposed to the shareholders’ general meeting.</p>	<p>Article 79 If the Supervisory Committee or the shareholders decides/decide to convene the shareholders’ general meeting by itself/themselves, a written notice shall be given to the board of directors and in the meantime report shall be made to the stock exchange for record.</p> <p>Before publishing the resolutions of the shareholders’ general meeting, shares held by the convening shareholder(s) shall not be less than 10%.</p> <p>The Supervisory Committee or the convening shareholder(s) shall submit the relevant documents the stock exchange before issuing the notice for convening of the shareholders’ general meeting and the announcement on resolution proposed to the shareholders’ general meeting.</p>
<p>Article 86 A notice of a meeting of the shareholders of the Company shall satisfy the following criterion:</p> <p>(10) State the name and telephone number of the contact person for the meeting.</p>	<p>Article 87 A notice of a meeting of the shareholders of the Company shall satisfy the following criterion:</p> <p>(10) State the name and telephone number of the contact person for the meeting.</p> <p><u>(11) Voting time and voting procedures by Internet or other means.</u></p>
<p>Article 108 The following matters shall be resolved by a special resolution at a shareholders’ general meeting:</p> <p>(3) the division, merger, dissolution and liquidation of the Company, as well as the alteration of the form of the Company;</p>	<p>Article 109 The following matters shall be resolved by a special resolution at a shareholders’ general meeting:</p> <p>(3) the division, spin-off, merger, dissolution and liquidation of the Company, as well as the alteration of the form of the Company;</p>

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Article 110 A shareholder (including a proxy), when voting at a shareholders' general meeting, may exercise such voting rights as are attached to the number of voting shares which he represents. Each share shall have one (1) vote
.....

The Board of Directors, independent directors, and **shareholders who meet the relevant requirements** may openly solicit voting rights from other shareholders. Information including the specific voting intention shall be fully disclosed to the shareholders from whom voting rights are being solicited. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. The Company shall not impose any minimum shareholding limitation for soliciting voting rights.

Article 111 A shareholder (including a proxy), when voting at a shareholders' general meeting, may exercise such voting rights as are attached to the number of voting shares which he represents. Each share shall have one (1) vote
.....

If a shareholder buys shares of the Company with voting rights in violation of Paragraph 1 and Paragraph 2 of Article 63 of the Securities Law, such shares in excess of the prescribed proportion shall not be allowed to exercise voting rights for a period of thirty-six months after the purchase, and shall not be counted as the total number of shares with voting rights present at the shareholders' general meeting.

The Board of Directors, independent directors, and **shareholders holding more than 1% of the voting shares or investor protection institutions established in accordance with laws, administrative regulations or the provisions of the CSRC** may openly solicit voting rights from other shareholders. Information including the specific voting intention shall be fully disclosed to the shareholders from whom voting rights are being solicited. Consideration or de facto consideration for soliciting shareholders' voting rights is prohibited. **Otherwise stipulated by laws,** the Company shall not impose any minimum shareholding limitation for soliciting voting rights.

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<p>Article 167 The board of directors is accountable to the shareholders in general meeting and exercises the following functions and powers:</p> <p>(12) to decide on matters relating to foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted assets management and connected transactions by the Company within the scope of authority conferred by the general meeting;</p> <p>(16) to approve an aggregate amount of provision for impairment of assets not more than 10% of the latest audited consolidated net asset value of the Company, to clear an amount of provision for impairment of assets not more than 5% of the latest audited consolidated net asset value of the Company, and to execute in compliance with the relevant regulations on connected transaction if any provision and clearance of impairment of assets involves any connected transactions;</p>	<p>Article 168 The board of directors is accountable to the shareholders in general meeting and exercises the following functions and powers:</p> <p>(12) to decide on matters relating to foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted assets management, connected transactions and external donations by the Company within the scope of authority conferred by the general meeting;</p> <p>(16) to approve an aggregate amount of provision for impairment of assets more than 10% of the absolute value of the latest audited net profit of the Company, to clear an amount of provision for impairment of assets more than 10% of the absolute value of the latest audited net profit of the Company, and to execute in compliance with the relevant regulations on connected transaction if any provision and clearance of impairment of assets involves any connected transactions;</p>
<p>Article 168 The board of directors shall lay down strict procedures to inspect and decide on the approval limit for foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted assets management and connected transactions. For major investment projects, the board of directors shall organize the relevant experts and professional officers to conduct assessment for approval of the shareholders in a general meeting.</p>	<p>Article 169 The board of directors shall lay down strict procedures to inspect and decide on the approval limit for foreign investment, purchase or sale of assets, mortgage of assets, provision of guarantees, entrusted assets management, connected transactions and external donations. For major investment projects, the board of directors shall organize the relevant experts and professional officers to conduct assessment for approval of the shareholders in a general meeting.</p>

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Article 169 With the approval of over two-thirds of all directors, the board of directors may make decisions on the following matters:

(1) transactions falling within the following limit (whichever is stricter) with respect to purchase or sale of assets, **external investment (including entrusted financial management and entrusted loans, etc.), provision of financial assistance**, leasing of assets as lessor or lessee, restructuring of claims or debts, giving or receiving assets as a gift, entrusted or trusted asset or business management, entering of licence agreement, transferring or accepting the transfer of research and development projects:

1. the aggregated assets value (where book value and assessed value are available, whichever is higher) involved in a single transaction with amount more than 10% and below 50% of the Company's latest audited total asset value prepared in accordance with the PRC Generally Accepted Accounting Principles (GAAP); or more than 5% and less than 25% of the Company's latest published total assets value prepared in accordance with the International Financial Reporting Standards;

Article 170 With the approval of over two-thirds of all directors, the board of directors may make decisions on the following matters:

(1) transactions falling within the following limit (whichever is stricter) with respect to purchase or sale of assets, **external investment (including entrusted financial management)**, leasing of assets as lessor or lessee, restructuring of claims or debts, giving or receiving assets as a gift, entrusted or trusted asset or business management, entering of licence agreement, transferring or accepting the transfer of research and development projects:

1. the aggregated assets value (where book value and assessed value are available, whichever is higher) involved in a single transaction with amount more than 10% and below 50% of the Company's latest audited total asset value prepared in accordance with the PRC Generally Accepted Accounting Principles (GAAP); or more than 5% and less than 25% of the Company's latest published total assets value prepared in accordance with the International Financial Reporting Standards;

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<p>2. a single transaction of which the completion consideration (including liabilities and expenses) accounts for more than 10% and below 50% of the Company's latest audited net asset value prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the total market capitalization of the Company (which is calculated by the respective average closing price of the Company's relevant class shares for the five business days immediately preceding the date of the transaction);</p> <p>3. the latest annual income from principal operations of the subject of a single transaction accounted for more than 10% and less than 50% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;</p>	<p><u>2. the net assets (where book value and assessed value are available, whichever is higher) involved in the subject of a single transaction (e.g. equity interest) represent more than 10% and less than 50% of the Company's latest audited net assets; or more than 5% and less than 25% of the total market value of the Company (which is calculated by the respective average closing price of the Company's relevant class shares for the five business days immediately preceding the date of the transaction);</u></p> <p>3. the latest annual income from principal operations of the subject of a single transaction accounted for more than 10% and less than 50% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;</p>
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<p>4. the latest annual net profit of the subject of a single transaction accounted for more than 10% and less than 50% of the Company's latest audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited net profit for the latest financial year prepared in accordance with the International Financial Reporting Standards;</p> <p>The above transactions which involve public offer of securities that requires the approval of the China Securities Regulatory Commission shall be subject to approval of the shareholders' general meeting;</p> <p>(2) a single loan of more than 10% and less than 25% of the Company's latest audited net asset value and the debt ratio to the Company's assets remains under 80% after such financing;</p> <p>the mutual provision of loans among overseas subsidiaries of the Company, where the accumulative amount of such mutual loans in 12 consecutive months account for more than 25% and less than 50% of the latest audited net asset value of the Company calculated on the basis of PRC accounting standards, provided that such mutual loans are in compliance with laws, rules and relevant regulations of the relevant place(s) of incorporation of such overseas subsidiaries;</p>	<p><u>4. the profit arising from the transaction represents more than 10% and less than 50% of the Company's audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's audited net profit for the latest financial year prepared in accordance with International Financial Reporting Standards;</u></p> <p>5. the latest annual income from principal operations of the subject of a single transaction (<u>e.g. equity interest</u>) accounted for more than 10% and less than 50% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;</p> <p>6. the latest annual net profit of the subject of a single transaction (<u>e.g. equity interest</u>) accounted for more than 10% and less than 50% of the Company's latest audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or more than 5% and less than 25% of the Company's latest audited net profit for the latest financial year prepared in accordance with the International Financial Reporting Standards;</p>
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<p>(3) mortgages or pledges of assets the cumulative outstanding amount of which is less than 30% of the Company’s most recently audited net asset value;</p> <p>(4) external guarantees not within the approval limit of the shareholders’ general meeting as provided in the Articles of Association;</p> <p>(5) transactions involving connected transactions, which have to be conducted in accordance with the relevant regulations of competent securities authorities and the listing rules of the stock exchanges.</p> <p>The transactions referred to in (1) of the first paragraph involving the provision of financial assistance and entrusted financial management, shall be calculated on accrued basis for twelve consecutive months according to the transaction categories and applicable approval limit proportion of the board of directors. When the Company conducts other transactions apart from the provision of financial assistance and entrusted financial management, applicable approval limit proportion of the board of directors regarding each transaction which is under the same category shall be calculated on the principle of accrued basis for twelve consecutive months. Transactions already approved by the Company in accordance with the principle of accrued basis shall not be included in the scope of accrual calculation.</p> <p>Provision of regulatory authorities the Company is subject to within and outside the PRC that is of a stricter standard than this Article of Association shall apply accordingly.</p>	<p>The above transactions which involve public offer of securities that requires the approval of the China Securities Regulatory Commission shall be subject to approval of the shareholders’ general meeting;</p> <p>(2) a single loan of more than 10% and less than 25% of the Company’s latest audited net asset value and the debt ratio to the Company’s assets remains under 80% after such financing;</p> <p>the mutual provision of loans among overseas subsidiaries of the Company, where the accumulative amount of such mutual loans in 12 consecutive months account for more than 25% and less than 50% of the latest audited net asset value of the Company calculated on the basis of PRC accounting standards, provided that such mutual loans are in compliance with laws, rules and relevant regulations of the relevant place(s) of incorporation of such overseas subsidiaries;</p> <p>(3) mortgages or pledges of assets the cumulative outstanding amount of which is less than 30% of the Company’s most recently audited net asset value;</p> <p>(4) external guarantees <u>and financial assistance</u> not within the approval limit of the shareholders’ general meeting as provided in the Articles of Association;</p> <p>(5) transactions involving connected transactions, which have to be conducted in accordance with the relevant regulations of competent securities authorities and the listing rules of the stock exchanges.</p>
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	<p>When the Company conducts other transactions apart from the provision of guarantee and financial assistance and entrusted financial management, applicable approval limit proportion of the board of directors regarding each transaction which is under the same category shall be calculated on the principle of accrued basis for twelve consecutive months. Transactions already approved by the Company in accordance with the principle of accrued basis shall not be included in the scope of accrual calculation.</p> <p>Provision of regulatory authorities the Company is subject to within and outside the PRC that is of a stricter standard than this Article of Association shall apply accordingly.</p>
<p>Article 186 The Company shall have a general manager who shall be appointed or dismissed by the board of directors. The Company shall have six to ten deputy general managers who will assist the general manager in his work, a financial controller and a chief engineer.</p> <p>.....</p> <p>The Senior Officers shall serve for a term of three (3) years. The term is renewable upon re-election.</p> <p>.....</p>	<p>Article 187 The Company shall have a general manager who shall be appointed or dismissed by the board of directors. The Company shall have six to ten deputy general managers who will assist the general manager in his work, a financial controller and a chief engineer.</p> <p>.....</p> <p><u>Senior Officers are paid only by the Company rather than by the controlling shareholder</u></p> <p>The Senior Officers shall serve for a term of three (3) years. The term is renewable upon re-election.</p> <p>.....</p>

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Article 188 The general manager may, by means such as through the manager's meeting of the Company, make decisions on the following operational matters:

- (1) transactions falling within the following limit (whichever is stricter) with respect to purchase or sale of assets, **external investment (including entrusted financial management and entrusted loans, etc.), provision of financial assistance**, leasing of assets as lessor or lessee, restructuring of claims or debts, giving or receiving assets as a gift, entrusted or trusted asset or business management, entering of licence agreement, transferring or accepting the transfer of research and development projects:

1. the aggregate assets value (where book value and assessed value are available, whichever is higher) involved in a single transaction with amount below 10% of the Company's latest audited total asset value prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest published total asset prepared in accordance with the International Financial Reporting Standard;

Article 189 The general manager may, by means such as through the manager's meeting of the Company, make decisions on the following operational matters:

- (1) transactions falling within the following limit (whichever is stricter) with respect to purchase or sale of assets, **external investment (including entrusted financial management)**, leasing of assets as lessor or lessee, restructuring of claims or debts, giving or receiving assets as a gift, entrusted or trusted asset or business management, entering of licence agreement, transferring or accepting the transfer of research and development projects:

1. the aggregate assets value (where book value and assessed value are available, whichever is higher) involved in a single transaction with amount below 10% of the Company's latest audited total asset value prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest published total asset prepared in accordance with the International Financial Reporting Standard;

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<p>2. a single transaction of which the completion consideration (including liabilities and expenses) accounts for less than 10% of the Company's latest audited net asset value prepared in accordance with the PRC GAAP; or less than 5% of the total market capitalization of the Company (which is calculated by the respective average closing price of the Company's relevant class shares for the five business days immediately preceding the date of the transaction);</p> <p>3. the latest annual income from principal operations of the subject of a single transaction accounts for less than 10% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;</p> <p>4. the latest annual net profit of the subject of a single transaction accounted for less than 10% of the Company's latest audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest audited net profit for the latest financial year prepared in accordance with the International Financial Reporting Standards.</p>	<p><u>2. the net assets (where book value and assessed value are available, whichever is higher) of the subject of a single transaction (e.g. equity interest) represent less than 10% of the Company's latest audited net assets; or less than 5% of the Company's total market value (which is calculated by the respective average closing price of the Company's relevant class shares for the five business days immediately preceding the date of the transaction);</u></p> <p>3. a single transaction of which the completion consideration (including liabilities and expenses) accounts for less than 10% of the Company's latest audited net asset value prepared in accordance with the PRC GAAP; or less than 5% of the total market capitalization of the Company (which is calculated by the respective average closing price of the Company's relevant class shares for the five business days immediately preceding the date of the transaction);</p> <p><u>4. the profit arising from the transaction represents less than 10% of the Company's audited net profit for the latest financial year calculated in accordance with PRC GAAP; or less than 5% of the Company's audited net profit for the latest financial year calculated in accordance with International Financial Reporting Standards;</u></p>
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<p>The transactions referred to in (1) of the first paragraph involving the provision of financial assistance and entrusted financial management, shall be calculated on accrued basis for twelve consecutive months according to the transaction categories and applicable approval limit proportion of the board of directors. When the Company conducts other transactions apart from the provision of financial assistance and entrusted financial management, applicable approval limit proportion of the board of directors regarding each transaction which is under the same category shall be calculated on the principle of accrued basis for twelve consecutive months. Transactions already approved by the Company in accordance with the principle of accrued basis shall not be included in the scope of accrual calculation.</p> <p>.....</p>	<p>5. the latest annual income from principal operations of the subject of a single transaction (<u>e.g. equity interest</u>) accounts for less than 10% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest audited income from principal operations for the latest financial year prepared in accordance with the International Financial Reporting Standards;</p> <p>6. the latest annual net profit of the subject of a single transaction (<u>e.g. equity interest</u>) accounted for less than 10% of the Company's latest audited net profit for the latest financial year prepared in accordance with the PRC GAAP; or less than 5% of the Company's latest audited net profit for the latest financial year prepared in accordance with the International Financial Reporting Standards.</p> <p>.....</p>
<p>Article 194 The general manager and deputy general managers, in performing their functions and powers, shall act honestly and diligently and in accordance with laws, administrative regulations and these Articles of Association.</p>	<p><u>Article 195 The Senior Officers shall act faithfully to perform their duties and safeguard the best interests of the Company and all shareholders. If the Senior Officers of the Company fails to perform their duties faithfully or violates their obligations of integrity and causes damage to the interests of the Company and the public shareholders, they shall be liable for compensation in accordance with laws.</u></p>

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<p>Article 201 The supervisors of the Company shall ensure that the information disclosed by the Company is true, accurate and complete.</p>	<p>Article 202 The supervisors of the Company shall ensure that the information disclosed by the Company is true, accurate and complete, and sign the written confirmation for the periodic reports.</p>
<p>Article 240 The Company shall submit its annual financial reports, interim financial report and quarterly financial report to the competent securities authorities under the State Council and relevant stock exchange within four months after the expiration of each fiscal year, within two months after the expiration of the first six months of each fiscal year and within one month after the expiration of the first three (3) months and the first nine (9) months of each fiscal year, respectively.</p> <p>The above financial reports shall be prepared and announced in accordance with the provisions of the law, administrative regulations and departmental rules.</p>	<p>Article 241 The Company shall submit its annual financial reports, interim financial report and quarterly financial report to relevant stock exchange within four months after the expiration of each fiscal year, within two months after the expiration of the first six months of each fiscal year and within one month after the expiration of the first three (3) months and the first nine (9) months of each fiscal year, respectively.</p> <p>The above financial reports shall be prepared and announced in accordance with the provisions of the law, administrative regulations and rules of CSRC and stock exchanges.</p>
<p>Article 256 The Company shall appoint an independent firm of accountants <u>which is qualified under the relevant regulations of the State with relevant qualifications in securities affairs</u> to audit the Company’s annual report and review the Company’s other financial reports.</p>	<p>Article 257 The Company shall appoint an independent firm of accountants <u>which is in compliance with the Securities Law</u> to audit the Company’s annual report and review the Company’s other financial reports.</p>

II. Amendments to Rules of Procedure of the Shareholders’ General Meeting

In accordance with the Proposed Amendments, the relevant contents of the Rules of Procedure of the Shareholders’ General Meeting shall be amended accordingly.

III. Amendments to Rules of Procedure of the Board

In accordance with the Proposed Amendments, the relevant contents of the Rules of Procedure of the Board shall be amended accordingly.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors, chief executive or supervisors of the Company 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 Issuers 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
Li Wei	Director	10,000
Liu Jian	Director	85,800
Xiao Yaomeng	Director	299,000 ⁽¹⁾
Zhao Qingchun	Director	331,600 ⁽²⁾
Wang Ruolin	Director	259,000 ⁽³⁾
Huang Xiaolong	Director	160,000 ⁽⁴⁾

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

Notes:

- (1) These A Shares includes 200,000 restricted A Shares granted to Xiao Yaomeng under the restricted stock incentive scheme of the Company which are subject to lock-up restrictions.
- (2) These A Shares includes 160,000 restricted A Shares granted to Zhao Qingchun under the restricted stock incentive scheme of the Company which are subject to lock-up restrictions.
- (3) These A Shares includes 160,000 restricted A Shares granted to Wang Ruolin under the restricted stock incentive scheme of the Company which are subject to lock-up restrictions.

- (4) These A Shares includes 160,000 restricted A Shares granted to Huang Xiaolong under the restricted stock incentive scheme of the Company which are subject to lock-up restrictions.

Share Incentive granted to the Directors

Name	Position	Number of share options held as at the Latest Practicable Date
Xiao Yaomeng	Director	51,000
Zhao Qingchun	Director	88,400
Wang Ruolin	Director	51,000

As at the Latest Practicable Date, Mr. Li Wei and Mr. Liu Jian were directors or senior management of Shandong Energy, the controlling Shareholder having an interest in the Shares required 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 SFO.

3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited accounts of the Group were made up.

4. CONSENT AND QUALIFICATIONS OF EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualification
Donvex Capital Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO

The expert referred to above 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.

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 2021 (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 of the Company 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 of the Company had any interest, direct or indirect, in any assets which have been, since 31 December 2021 (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 of the Company was 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 associates (as defined under the 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 Listing Rules if each of them was a controlling Shareholder).

8. LITIGATION

As at the Latest Practicable Date, the Group was involved in one arbitration case and thirteen litigation cases, among which ten were contractual disputes (five cases as plaintiff, five cases as defendant, one was in relation to commercial instruments as defendant, one was in relation to commercial instruments as plaintiff and one was a dispute over the exclusion of obstruction as plaintiff. Please refer to pages 136 to 144 of the 2021 annual 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 136 to 144 of the 2021 annual 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 (including any litigation or claims that may have any material influence on rights to explore or mine) and there was no other litigation or claim of material importance (including any litigation or claims that may have any material influence on rights to explore or mine) known to the Directors to be pending or threatened against any member of the Group as at the Latest Practicable Date.

9. MISCELLANEOUS

- (i) As at the Latest Practicable Date, the Directors of the Company are Mr. Li Wei, Mr. Liu Jian, Mr. Xiao Yaomeng, Mr. Zhu Qingrui, Mr. Zhao Qingchun, Mr. Wang Ruolin and Mr. Huang Xiaolong, and the independent non-executive Directors of the Company are Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang, and Mr. Poon Chiu Kwok.
- (ii) As at the Latest Practicable Date, the registered office and principal place of business of the Company is at 949 Fushan South Road, Zoucheng, Shandong Province, the PRC, Postal Code: 273500.
- (iii) 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.
- (iv) As at the Latest Practicable Date, Mr. Huang Xiaolong and Mr. Wong Wai Chiu were the joint company secretaries of the Company.

Mr. Huang Xiaolong, is a senior economist and master of law and was appointed as the Secretary to the Board in 30 July 2021. Mr. Huang graduated from University of International Business and Economics.

Mr. Wong Wai Chiu is a fellow of Hong Kong Chartered Governance Institute (previously known as Hong Kong Institute of Chartered Secretaries), a fellow of the Chartered Governance Institute, a member of CPA Australia, a member of the Hong Kong Trustee Association and a Certified Trust Practitioner. Mr. Wong Wai Chiu possesses a B. Soc. Sc. (Hon.) in Accounting and Management from the University of Hong Kong, a Post-Graduate Diploma in Hong Kong and UK law from the Manchester Metropolitan University of United Kingdom, Master degree in Corporate Governance from the Hong Kong Polytechnic University, Master Degree in Arbitration and Dispute Resolution from City University of Hong Kong and Master of Applied Science (Information Science) Degree from the University of Technology, Sydney, Australia.

- (v) Unless the context otherwise requires, all references to times in this circular refer to Hong Kong times.
- (vi) The English text of this circular shall prevail over the Chinese text, in case of any inconsistency.

10. DOCUMENTS AVAILABLE FOR DISPLAY

Copies of the following documents are available on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and on the website of the Company (<http://www.yanzhoucoal.com.cn/>) for a period of 14 days from the date of this circular:

- (i) the 2023 Financial Services Agreement;

- (ii) the Provision of Materials Supply Agreement;
- (iii) the Provision of Products, Materials and Asset Leasing Agreement;
- (iv) the Bulk Commodities Sale and Purchase Agreement; and
- (v) the consent letter from Donvex Capital Limited referred to in the paragraph headed “Consent and Qualifications of Expert” in Appendix III.