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中煤

## **CHINA COAL ENERGY COMPANY LIMITED\***

中國中煤能源股份有限公司

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

**(Stock Code: 01898)**

### **CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND THE ANNUAL CAPS THEREOF FOR THE THREE YEARS ENDING 31 DECEMBER 2023**

#### **RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND THE ANNUAL CAPS THEREOF FOR THE THREE YEARS ENDING 31 DECEMBER 2023**

On 28 April 2020, the Board propose that the Company renew the Existing Continuing Connected Transactions and the annual caps thereof for the three years ending 31 December 2023.

#### **HONG KONG LISTING RULES IMPLICATIONS**

The Parent is the controlling shareholder of the Company and Shanxi Coking Coal is a substantial shareholder of Chinacoal Huajin (a significant subsidiary of the Company). Therefore, the Parent Group and Shanxi Coking Coal Group are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated between the Group and the Parent and between the Group and Shanxi Coking Coal constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the annual caps for the transactions under the 2015 Property Leasing Framework Agreement and the Land Use Rights Leasing Framework Agreement for the three years ending 31 December 2023 are above 0.1% but less than 5%, they are subject to the announcement, reporting and annual review requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the proposed annual caps for the three years ending 31 December 2023 for the transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement are above 1% but less than 5%, they are subject to the announcement, reporting and annual review requirements but is exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the proposed annual caps for the three years ending 31 December 2023 for (i) the transactions under the 2021 Coal Supply Framework Agreement, (ii) the transactions under the 2021 Project Design, Construction and General Contracting Services Framework Agreement, (iii) the transactions under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, and (iv) the transactions (excluding the provision of other financial services by Chinacoal Finance to the Parent Group with all the applicable percentage ratios thereof below 0.1% and fully exempt, and excluding the provision of deposit services by Chinacoal Finance to the Parent Group which is fully exempt according to Rule 14A.90 of the Hong Kong Listing Rules) under the 2021 Financial Services Framework Agreement exceed 5%, they are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Meanwhile, as one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) in respect of the proposed annual caps for provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2021 Financial Services Framework Agreement for the three years ending 31 December 2023 exceed 5% but are below 25%, such transactions also constitute discloseable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules. Besides, the provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2021 Financial Services Framework Agreement also constitutes advance to an entity provided in Chapter 13 of the Hong Kong Listing Rules.

## **GENERAL INFORMATION**

An AGM will be convened to seek the approval of the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof. The Parent and its associates will abstain from voting in respect of the relevant resolutions at the AGM.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof, and the Independent Board Committee has approved the appointment of Independent Financial Advisor to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Hong Kong Listing Rules.

A circular containing, among other things, further details of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof, the letter from the Independent Board Committee and the recommendation from the Independent Financial Adviser on the terms of and the Non-exempt Continuing Connected Transactions as well as the proposed annual caps thereof, together with a notice convening the AGM, will be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Hong Kong Listing Rules.

## INTRODUCTION

Reference is made to (i) the announcement of the Company dated 27 April 2017 and the circular of the Company dated 11 May 2017 in relation to, among others, the Existing Continuing Connected Transactions and the annual caps thereof; and (ii) the announcement of the Company dated 23 April 2019 and the circular of the Company dated 29 April 2019 in relation to, among others, revision of the annual caps for the two years ending 31 December 2020 for the transactions under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, 2018 Project Design, Construction and General Contracting Services Framework Agreement and 2018 Financial Services Framework Agreement.

On 28 April 2020, the Board resolved to renew the Existing Continuing Connected Transactions and proposed the annual caps thereof for the three years ending 31 December 2023.

### I RENEWAL OF EXEMPT CONTINUING CONNECTED TRANSACTIONS AND THE ANNUAL CAPS THEREOF FOR THE THREE YEARS ENDING 31 DECEMBER 2023

#### (1) 2015 Property Leasing Framework Agreement

**Date:** 23 October 2014

**Parties:** (i) the Company  
(ii) the Parent

**Continuing transactions** Pursuant to the 2015 Property Leasing Framework Agreement, the Parent Group has agreed to lease certain properties in the PRC to the Group for the general operation and ancillary purpose, most of which are for production and operation usage.

**Term and termination** 2015 Property Leasing Framework Agreement is for a term of 10 years starting from 1 January 2015 and is subject to renewal and review every three years.

Either party may, at any time before the 2015 Property Leasing Framework Agreement expires, by giving not less than 6 months' notice to terminate any lease comprised under the 2015 Property Leasing Framework Agreement.

**Price determination** Under the 2015 Property Leasing Framework Agreement, the rentals shall be determined and paid as follows:

(i) The rentals are subject to review and adjustments every three years during the term of the 2015 Property Leasing Framework Agreement by reference to the prevailing market rates. The adjusted rentals shall not exceed the applicable market rates as confirmed by an independent property valuer;

- (ii) Any downward adjustment in rentals for such properties leased to the Group may be made at any time during the term of the 2015 Property Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism provided for thereunder as described above; and
- (iii) The rentals will be settled on an annual basis.

Furthermore, members of the Group as a lessee shall also be responsible for all utility charges and other miscellaneous expenses (property tax excluded) incurred in using the relevant property during the term thereof.

**Pre-emptive Right**

If the Parent Group intends to sell any property leased to the Group under the 2015 Property Leasing Framework Agreement, the Group shall have the pre-emptive right to purchase such property under the same terms and conditions.

*Annual Caps*

*Actual Transaction Values*

The actual transaction values of the transactions contemplated under the 2015 Property Leasing Framework Agreement for the two years ended 31 December 2019 are set out below:

| <b>Transactions</b>  | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> |
|--|--|--|
| Property Lease (Rental payable by the Group to the Parent Group) | 108,710,000  | 89,000,000   |

*Historical Annual Caps*

The annual caps for the transactions contemplated under the 2015 Property Leasing Framework Agreement for the three years ending 31 December 2020, are set out below:

| <b>Transactions</b>  | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2020<br/>(RMB)</b> |
|--|--|--|---|
| Property Lease (Rental payable by the Group to the Parent Group) | 120,000,000  | 120,000,000  | 120,000,000   |

The Directors have been monitoring the amount of the transactions contemplated under the 2015 Property Leasing Framework Agreement. For the two years ended 31 December 2019, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2015 Property Leasing Framework Agreement for the three years ending 31 December 2020 have not been exceeded.

### *Proposed Annual Caps*

The proposed annual caps for the transactions contemplated under the 2015 Property Leasing Framework Agreement for the three years ending 31 December 2023, are set below:

| <b>Transactions</b>  | <b>Year ended<br/>31 December<br/>2021<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2022<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2023<br/>(RMB)</b> |
|--|--|--|---|
| Property Lease (Rental payable by the Group to the Parent Group) | 280,000,000  | 280,000,000  | 280,000,000   |

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- (i) the historical figures of the actual transaction value of the transactions under the 2015 Property Leasing Framework Agreement for the two years ended 31 December 2019;
- (ii) the estimated value of right-of-use assets relating to the relevant leased property of the Group for the three years ending 31 December 2023, according to the IFRS 16 “Lease” effective on 1 January 2019; and
- (iii) A buffer has been reserved for the annual caps for the next three years.

### ***Implementation Agreements***

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements to set out the specific terms and conditions in respect of the relevant properties leased thereunder.

As the implementation agreements provide for the lease of the relevant properties as contemplated under the 2015 Property Leasing Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2015 Property Leasing Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

### ***Reasons for entering into the 2015 Property Leasing Framework Agreement***

The Company is of the view that the 2015 Property Leasing Framework Agreement enables the Company to secure a stable use of the relevant properties, thereby avoiding unnecessary disruption to the Company’s operations and relocation cost.

### ***Internal control measures***

- a) In determining the rental under the 2015 Property Leasing Framework Agreement, the administrative management department of the Group is responsible for proposing the price, which will be reviewed by chief officer of the administrative management department of the Group to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties, and is subject to the final approval by the management level of the Group;
- b) The administrative management department of the Group is responsible for collecting information in relation to the rental of property with similar location, specification and scale on a regular basis to ensure that the terms provided by the Parent Group is no less favourable than those provided by independent third parties in the market;
- c) The financial department and the securities affairs department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements, on a monthly basis to ensure no applicable caps are exceeded;
- d) The Group will implement, amend and improve the relevant monitoring mechanism and the requirements pursuant to its connected transaction management rules and the relevant internal monitoring measures to ensure the Group's compliance with the pricing policies in respect of the continuing connected transactions contemplated under the 2015 Property Leasing Framework Agreement. Specifically, the connected transactions management departments of the Company such as the securities affairs department, the financial department and the legal department will put forward suggestions to revise and/or improve the relevant monitoring mechanisms and regulations in accordance with the domestic and foreign regulatory rules and relevant regulations on the management of connected transactions and by reference to the problems arisen in monitoring the connected transactions. Such suggestions will be examined and approved by the management of the Company and then submitted to the Board and the special committees thereunder for final consideration and approval before implementation;
- e) The independent non-executive Directors will review the continuing connected transactions contemplated under the 2015 Property Leasing Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and

- f) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2015 Property Leasing Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2015 Property Leasing Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## (2) Land Use Rights Leasing Framework Agreement

**Date:** 5 September 2006

**Parties:** (i) the Company  
(ii) the Parent

**Continuing transactions** Pursuant to the Land Use Rights Leasing Framework Agreement, the Parent Group has agreed to lease certain land use rights to the Group for general business and ancillary purposes.

**Term and termination** The Land Use Rights Leasing Framework Agreement is of a term of 20 years commencing on 22 August 2006 and is subject to renewal and review every three years.

The Group may, at any time before the Land Use Rights Leasing Framework Agreement expires, by giving not less than 3 months' notice to terminate any lease comprised under the Land Use Rights Leasing Framework Agreement.

**Price determination** Under the Land Use Rights Leasing Framework Agreement, the rentals shall be determined and paid as follows:

- (i) The rentals are subject to review and adjustments every three years during the term of the Land Use Rights Leasing Framework Agreement by reference to the prevailing market rates. The adjusted rentals shall not exceed the applicable market rates as confirmed by an independent valuer;

- (ii) Any downward adjustment in rentals for such land use rights leased to the Group may be made at any time during the term of the Land Use Rights Leasing Framework Agreement notwithstanding the normal three-year rental adjustment mechanism provided for thereunder as described above; and
- (iii) The rentals will be settled on an annual basis.

**Pre-emptive Right**

If the Parent Group intends to sell any land use rights leased to the Group under the Land Use Rights Leasing Framework Agreement, the Group shall have the pre-emptive right to purchase such land use rights under the same terms and conditions offered to third parties.

***Annual Caps***

*Actual Transaction Values*

The actual transaction values of the transactions contemplated under the Land Use Rights Leasing Framework Agreement for the two years ended 31 December 2019 are set out below:

| <b>Transactions</b>   | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> |
|---|--|--|
| Land Use Rights (Rental payable by the Group to the Parent Group) | 49,670,000   | 49,140,000   |

*Historical Annual Caps*

The annual caps for the transactions contemplated under the Land Use Rights Leasing Framework Agreement for the three years ending 31 December 2020 are set out below:

| <b>Transactions</b>   | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2020<br/>(RMB)</b> |
|---|--|--|---|
| Land Use Rights (Rental payable by the Group to the Parent Group) | 57,000,000   | 57,000,000   | 57,000,000  |

The Directors have been monitoring the amount of the transactions contemplated under the Land Use Rights Leasing Framework Agreement. For the two years ended 31 December 2019, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the Land Use Rights Leasing Framework Agreement for the three years ending 31 December 2020 have not been exceeded.



### *Proposed Annual Caps*

The proposed annual caps for the transactions contemplated under the Land Use Rights Leasing Framework Agreement for the three years ending 31 December 2023, are set below:

| <b>Transactions</b>   | <b>Year ending<br/>31 December<br/>2021<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2022<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2023<br/>(RMB)</b> |
|---|---|---|---|
| Land Use Rights (Rental payable by the Group to the Parent Group) | 380,000,000   | 350,000,000   | 320,000,000   |

In arriving at the above proposed annual caps in respect of provision of leasing services to the Group by the Parent Group, the Directors have taken into account, among other matters, the following factors:

- (i) The historical figures of the actual transaction value of the transactions under the Land Use Rights Leasing Framework Agreement for the two years ended 31 December 2019; and
- (ii) the estimated value of right-of-use assets relating to the relevant leased property of the Group for the three years ending 31 December 2023, according to the IFRS 16 “Lease” effective on 1 January 2019.

### ***Implementation Agreements***

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements to set out the specific terms and conditions in respect of the relevant land use rights leased thereunder.

As the implementation agreements provide for the lease of the relevant land use rights as contemplated under the Land Use Rights Leasing Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the Land Use Rights Leasing Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

### ***Reasons for entering into the Land Use Rights Leasing Framework Agreement***

The Company is of the view that the Land Use Rights Leasing Framework Agreement enables the Company to secure a stable source of the relevant land use rights, thereby avoiding unnecessary disruption to the Company’s operations and relocation cost.

### ***Internal control measures***

- a) In determining the prices of the land use rights (rental payable by the Group to the Parent Group) under the Land Use Rights Leasing Framework Agreement, the administrative management department of the Group is responsible for proposing the price, which will be reviewed by chief officer of the administrative management department of the Group to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties, and is subject to the final approval by the management level of the Group;
- b) The property management department of the Group is responsible for collecting information in relation to the rental of use rights of land with similar location, specification and scale on a regular basis to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;
- c) The financial department and the securities affairs department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements, on a monthly basis to ensure no applicable caps are exceeded;
- d) The Group will implement, amend and improve the relevant monitoring mechanism and the requirements pursuant to its connected transaction management rules and the relevant internal monitoring measures to ensure the Group's compliance with the pricing policies in respect of the continuing connected transactions contemplated under the Land Use Rights Leasing Framework Agreement. Specifically, the connected transactions management departments of the Company such as the securities affairs department, the financial department and the legal department will put forward suggestions to revise and/or improve the relevant monitoring mechanisms and regulations in accordance with the domestic and foreign regulatory rules and relevant regulations on the management of connected transactions and by reference to the problems arisen in monitoring the connected transactions. Such suggestions will be examined and approved by the management of the Company and then submitted to the Board and the special committees thereunder for final consideration and approval before implementation;
- e) The independent non-executive Directors will review the continuing connected transactions contemplated under the Land Use Rights Leasing Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and

- f) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the Land Use Rights Leasing Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the Land Use Rights Leasing Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### (3) 2021 Coal and Coal Related Products and Services Supply Agreement

**Date:** 28 April 2020

**Parties:** (i) the Company  
(ii) Shanxi Coking Coal

**Continuing transactions** Pursuant to the 2021 Coal and Coal Related Products and Services Supply Agreement, the Group has agreed to purchase the coal and coal related products and accept services from Shanxi Coking Coal Group and Shanxi Coking Coal Group has agreed to purchase the coal and coal related products and accept services from the Group. The 2021 Coal and Coal Related Products and Services Supply Agreement does not prevent the Group and Shanxi Coking Coal Group from freely selecting counterparty to the transaction and trading with any third party.

**Term and termination** The 2021 Coal and Coal Related Products and Services Supply Agreement is for a term of three years commenced on 1 January 2021 and ending on 31 December 2023.

**Price determination** Under the 2021 Coal and Coal Related Products and Services Supply Agreement, the prices will be based on the following pricing policy and order:

- (i) the price of the infrastructural project and procurement of coal mining facilities shall be arrived by bidding process; and
- (ii) the price of coal products shall be in accordance with the relevant market price.

Under the 2021 Coal and Coal Related Products and Services Supply Agreement, the price of coal mining infrastructural project services provided by Shanxi Coking Coal Group to the Group shall be determined through a bidding process and in compliance with applicable laws, regulations and rules. The Group shall stringently follow the steps and/or measurements as stipulated by The Invitation And Submission of Bids Law of the PRC (《中華人民共和國招標投標法》). The Group has stipulated the internal manual regarding the management of coal mining infrastructural project bidding process.

The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project's and equipment's technical requirements, the criteria for examination of the contractors and suppliers, the requirements for the bid price and the standard of evaluation of the bid and so on. The Group's bid evaluation committee is responsible for (i) adhering the process is in accordance with The Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》); (ii) reviewing, evaluating and monitoring documents from external suppliers based on the technical, commercial and pricing criteria and payment terms in respect of the price of infrastructural project, which will ensure the terms obtained by the Group from Shanxi Coking Coal Group is no less favourable than those available from independent third parties; and (iii) grading the external suppliers and writing recommendation advice. The Group's bid office is responsible for deciding which coal mining infrastructural project supplier will be awarded the Coal and Coal Related Products and Services Supply Agreement.

Under the 2021 Coal and Coal Related Products and Services Supply Agreement, the price of coal mining facilities provided by the Group to Shanxi Coking Coal Group shall be determined through a bidding process. The Group shall strictly comply with The Invitation And Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and all the essential requirements set out in the bid invitation of Shanxi Coking Coal Group. In preparing for the submission of a tender, tender review meeting of the relevant subsidiary of the Group will be held to perform a thorough analysis of the project management guidelines, the collection of cost and other essential data. In pricing a tender, the relevant department of the Group will also make references to recent project quotations and related market information. The procedures above can ensure that the tender price to be offered by the Group are fair and reasonable and no more favourable than the price and terms offered by the Group to the independent third parties.

Under the 2021 Coal and Coal Related Products and Services Supply Agreement, the price of coal shall be determined in accordance with the relevant market price.

The sales of coal products between the Group and Shanxi Coking Coal Group shall be paid by installments or at sight pursuant to the documents of settlement. As for the coal mine facilities provided by the Group to Shanxi Coking Coal Group, the payment shall be made by Shanxi Coking Coal Group by installments in accordance with the time nodes or other methods agreed by the parties. As for the coal mine construction services provided by Shanxi Coking Coal Group to the Group, the payment shall be made by installments in accordance with the progress of the projects or other methods agreed by the parties. The purchase prices under the 2021 Coal and Coal Related Products Framework Agreement shall be paid in cash, notes or other methods agreed by the parties. The payment method of purchase prices and service fees under the 2021 Coal and Coal Related Products and Services Supply Agreement shall follow the separate implementation agreements entered into between the parties for each of the specific transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Agreement during the term thereof.

Considering that the payment terms under the 2021 Coal and Coal Related Products and Services Supply Agreement are consistent with the transactions under the 2018 Coal and Coal Related Products and Services Supply Agreement and the payment terms entered into by the Group with independent third parties for the same services, the Board considers that the above payment terms are fair and reasonable and are carried out on normal commercial terms or better terms, which is in the interests of the Company and its Shareholders as a whole.

## ***Annual Caps***

### *Actual Transactions Values*

The actual transaction values of the transactions contemplated under the 2018 Coal and Coal Related Products and Services Supply Agreement for the two years ended 31 December 2019 are set out below:

| <b>Transactions</b>  | <b>Year ending<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2019<br/>(RMB)</b> |
|--|---|---|
| Procurement of coal products and coal related products and acceptance of services by Shanxi Coking Coal Group from the Group (fees payable by Shanxi Coking Coal Group to the Group)                 | 550,670,000   | 392,510,000   |
| Procurement of coal products and coal related products and acceptance of services by the Group from Shanxi Coking Coal Group (fees payable to Shanxi Coking Coal Group by the Group) ( <i>Note</i> ) | 0   | 0   |

*Note:* Affected by the high price of the coal products provided by Shanxi Coking Coal Group, it's hard to find customers in need of such coal products. Therefore, the Group did not procure coal products from Shanxi Coking Coal Group.

### *Historical Annual Caps*

The annual caps in respect of the continuing connected transactions contemplated under the 2018 Coal and Coal Related Products and Services Supply Agreement for the three years ending 31 December 2020 are set out below:

| <b>Transactions</b>  | <b>Year ending<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2019<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2020<br/>(RMB)</b> |
|--|---|---|---|
| Procurement of coal products and coal related products and acceptance of services by Shanxi Coking Coal Group from the Group (fees payable by Shanxi Coking Coal Group to the Group) | 1,100,000,000   | 1,100,000,000   | 1,100,000,000   |
| Procurement of coal products and coal related products and acceptance of services by the Group from Shanxi Coking Coal Group (fees payable to Shanxi Coking Coal Group by the Group) | 310,000,000   | 310,000,000   | 310,000,000   |

The Directors have been monitoring the transaction amount contemplated under the 2018 Coal and Coal Related Products and Services Supply Agreement. For the two years ended 31 December 2019, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2018 Coal and Coal Related Products and Services Supply Agreement for the three years ending 31 December 2020 have not been exceeded.

*Proposed Annual Caps*

The proposed annual caps for the transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Agreement for the three years ending 31 December 2023 are set out below:

| <b>Transactions</b>  | <b>Year ending<br/>31 December<br/>2021<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2022<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2023<br/>(RMB)</b> |
|--|---|---|---|
| Procurement of coal products and coal related products and acceptance of services by Shanxi Coking Coal Group from the Group (fees payable by Shanxi Coking Coal Group to the Group) | 770,000,000   | 750,000,000   | 760,000,000   |
| Procurement of coal products and coal related products and acceptance of services by the Group from Shanxi Coking Coal Group (fees payable to Shanxi Coking Coal Group by the Group) | 500,000,000   | 500,000,000   | 500,000,000   |

In arriving at the above proposed annual caps in relation to the procurement of coal products and acceptance of services by Shanxi Coking Coal Group from the Group (fees payable by Shanxi Coking Coal Group to the Group), the Directors have taken into account the following factors:

- (i) The historical figures of the actual transaction value of the procurement of coal products and coal related products and acceptance of services by Shanxi Coking Coal Group from the Group for the two years ended 31 December 2019;
- (ii) For the next three years, it's expected that the amount of the coal and the mining equipment and accessories to be procured by Shanxi Coking Coal Group from the Group is expected to increase, leading to an expected increase of approximately RMB0.3 billion in the connected transaction value in relation to the procurement of coal products and coal related products and acceptance of services by Shanxi Coking Coal Group from the Group; and

- (iii) A buffer has been reserved for the annual caps for the next three years to cope with the potential increase in the demand of Shanxi Coking Coal Group for the coal products and services provided by the Group.

In arriving at the above proposed annual caps in relation to the procurement of coal products and acceptance of services by the Group from Shanxi Coking Coal Group (fees payable to Shanxi Coking Coal Group by the Group), the Directors have taken into account the following factors:

- (i) The Group is expected to expand the sales channel for metallurgical coal and explore the coal market so as to increase and enhance the coal product structure of the Group. The Group plans to commence the procurement of coal products from Shanxi Coking Coal Group based on the market and customer need in the due course.
- (ii) For the next three years, the Group is expected to procure coal products of approximately 0.4 million tonnes from Shanxi Coking Coal Group, leading to an expected increase of RMB0.46 billion in the connected transaction value in relation to the procurement of coal products and acceptance of services by the Group from Shanxi Coking Coal Group; and
- (iii) A buffer has been reserved for the annual caps for the next three years to cope with the potential increase in the demand of the Group for the coal products and coal related products and services provided by Shanxi Coking Coal Group.

### ***Implementation Agreements***

Members of the Group and members of Shanxi Coking Coal Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Agreement during the term thereof. Each implementation agreement will set out the specifications, quantities, prices and other relevant terms of the coal products and coal related products.

As the implementation agreements provide for the coal products and coal related products and services as contemplated under the 2021 Coal and Coal Related Products and Services Supply Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2021 Coal and Coal Related Products and Services Supply Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

### ***Reasons for entering into the 2021 Coal and Coal Related Products and Services Supply Agreement***

The Company is of the view that the 2021 Coal and Coal Related Products and Services Supply Agreement enables (i) the Group to secure a stable source of the coal products, coal mine construction and related services from Shanxi Coking Coal Group in its ordinary course of business at market prices; and (ii) Shanxi Coking Coal Group to secure a stable source of the coal products, coal mining facilities and related services from the Group in its ordinary course of business at market prices.



### ***Internal control measures***

- a) In determining the price of coal mining infrastructural project services provided by Shanxi Coking Coal Group to the Group under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement, the relevant members of the Group is responsible for composing the bid invitation documents, including the technical requirements of projects and equipment, the criteria for examination of the contractors and suppliers, the requirements for the bid price and the standard of evaluation of the bid and so on, which is subject to the review of the department of infrastructure management of the Group and the review of the bid evaluation committee of the Group to ensure the terms of the bid invitation documents are compliant with applicable laws, regulations and rules, which will be subject to the final approval of the bid determination committee of the Group; The department of infrastructure management of the Group is responsible for monitoring, collecting and evaluating the prices of coal mining infrastructure project services in relevant regions to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;
- b) In determining the prices of the coal mine equipment to be procured by Shanxi Coking Coal Group from the Group under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement, relevant laws, regulations, rules and the necessary requirements of the bid invitation document of Shanxi Coking Coal Group shall be strictly complied with, subject to approval by the manager level of the relevant members of the Group; The relevant members of the Group are responsible for monitoring, collecting and evaluating the prices of similar coal mine equipment on a regular basis to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;
- c) In determining the prices of coal to be provided by the Group to Shanxi Coking Coal Group under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement, the sales centre of the Company, with reference to the market price as well as the quality of the coal and different types of delivery, will be responsible for proposing the price, subject to the final review of the pricing committee of the Company. The Group will then draft the sales contracts based on the standard contract template composed by the department of legal affairs to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties; The sales centre of the Company is responsible for monitoring, collecting and evaluating the market data, and, in accordance with the market sales prices of coal, the category and quality of the coal under the transaction and the logistics expenses to be increased or decreased as per the delivery methods thereof, adjusting the contract prices and putting forward the proposal of price adjustment in respect of contracts, which is subject to the final approval by the pricing committee of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;

- d) The financial department and the securities affairs department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure no applicable caps are exceeded;
- e) The Group will implement, amend and improve the relevant monitoring mechanism and the requirements pursuant to its connected transaction management rules and internal monitoring measures to ensure the Group's compliance with the pricing policies in respect of the continuing connected transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement. Specifically, the connected transactions management departments of the Company such as the securities affairs department, the financial department and the legal department will put forward suggestions to revise and/or improve the relevant monitoring mechanisms and regulations in accordance with the domestic and foreign regulatory rules and relevant regulations on the management of connected transactions and by reference to the problems arisen in monitoring the connected transactions. Such suggestions will be examined and approved by the management of the Company and then submitted to the Board and the special committees thereunder for final consideration and approval before implementation;
- f) The independent non-executive Directors will review the continuing connected transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and
- g) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2021 Coal and Coal Related Products and Services Supply Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

## II RENEWAL OF NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND THE ANNUAL CAPS THEREOF FOR THE THREE YEARS ENDING 31 DECEMBER 2023

### (1) 2021 Coal Supply Framework Agreement

**Date:** 28 April 2020

**Parties:** (i) the Company  
(ii) the Parent

**Continuing transactions** Pursuant to the 2021 Coal Supply Framework Agreement, the Parent Group has agreed to supply the coal products produced from the mines owned by the Parent Group to the Group. The Group is entitled to purchase coal products produced by third parties once the quantity or quality of coal products provided by the Parent Group cannot satisfy the requirements of the Group.

**Term and termination** The 2021 Coal Supply Framework Agreement is for a term of three years commencing on 1 January 2021 and ending on 31 December 2023.

**Price determination** Under the 2021 Coal Supply Framework Agreement, the coal prices of long-term contracts shall be determined in accordance with the Bohai Bay Thermal Coal Price and the China Coal Price Index of China Coal Transport and Distribution Association and the China Electricity Coal Index, subject to adjustments on a monthly basis in accordance with the changes in the indexes. The spot sales prices of coal shall be determined and promptly adjusted in accordance with market prices.

The Bohai Bay Thermal Coal Price Index is authorized and guided by National Development and Reform Committee of the PRC, based on data collected and periodically published by Qinhuangdao Seaborne Coal Market Co., Ltd.. It is an index system which reflects the offshore Free on Board (FOB) market price and price volatility of Bohai Bay thermal coal. The China Coal Price Index of China Coal Transport and Distribution Association is published on China Coal Market Network and reflects the level of spot FOB delivery price of mainstream thermal coal products of Qinhuangdao Port and surrounding ports on a weekly basis. The China Electricity Coal Index is published by China Electricity Council, which reflects the procurement price and its changing trend of electricity coal from power generation side and set up a pricing reference for the electricity coal transactions among enterprises.

The market prices to which reference shall be made when determining the coal prices under the 2021 Coal Supply Framework Agreement shall be determined referring to public price information including the China Coal Price Index of China Coal Transport and Distribution Association and China Coal Resources Network as well as information in respect of the actual transaction prices collected by prompt market researches.

As for the coal supplied by the Parent Group to the Group, the account shall be settled by several batches (including the acceptance check upon delivery and receiving of all settlement documents) collectively as provided in relevant agreement in cash or other methods agreed by the parties. The payment method of purchase prices under the 2021 Coal Supply Framework Agreement shall follow the separate implementation agreements entered into between the parties for each of the specific transactions contemplated under the 2021 Coal Supply Framework Agreement.

Considering that the payment terms under the 2021 Coal supply Framework Agreement are consistent with the transactions under the 2018 Coal supply Framework Agreement and the payment terms entered into by the Group with independent third parties for the same products, the Board considers that the above payment terms are fair and reasonable and are carried out on normal commercial terms or better terms, which is in the interests of the Company and its Shareholders as a whole.

### ***Annual Caps***

#### *Actual Transactions Values*

The actual transaction values of procurement of coal products and acceptance of services by the Group from the Parent Group for the two years ended 31 December 2019 are set out below:

| <b>Transactions</b>  | <b>Year ending<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2019<br/>(RMB)</b> |
|--|---|---|
| Procurement of coal products (fees payable to the Parent Group by the Group) | 3,756,644,000   | 4,878,939,000   |

### *Historical Annual Caps*

The annual caps in respect of the procurement of coal products and acceptance of services by the Group from the Parent Group under the 2018 Coal and Coal Related Products and Services Supply Agreement for the three years ending 31 December 2020 are set out below:

| <b>Transactions</b>  | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2020<br/>(RMB)</b> |
|--|--|--|---|
| Procurement of coal products (fees payable to the Parent Group by the Group) | 8,600,000,000  | 9,000,000,000  | 9,000,000,000   |

The Directors have been monitoring the transaction amount contemplated under the 2018 Coal Supply Framework Agreement. For the two years ended 31 December 2019, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2018 Coal Supply Framework Agreement for the three years ending 31 December 2020 have not been exceeded.

### *Proposed Annual Caps*

The proposed annual caps for the transactions contemplated under the 2021 Coal Supply Framework Agreement for the three years ending 31 December 2023 are set out below:

| <b>Transactions</b>  | <b>Year ending<br/>31 December<br/>2021<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2022<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2023<br/>(RMB)</b> |
|--|---|---|---|
| Procurement of coal products (fees payable to the Parent Group by the Group) | 10,700,000,000  | 11,000,000,000  | 11,300,000,000  |

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- (i) The historical figures of the actual transaction value of the transactions contemplated under the 2018 Coal Supply Framework Agreement for the two years ended 31 December 2019;
- (ii) It is expected that the coal products purchased by the Group from the Parent Group for the three years ending 31 December 2023 will increase, mainly due to the following: the Parent Group participated in the integration of coal-related resources of enterprises under the supervision of the Central Government in the recent years, and it is expected that the coal output of the Parent Group will grow in the future. In order to further reduce horizontal competition, the Company will increase the purchase and sales of coal from the Parent Group, and the connected transactions thereof is expected to increase by more than RMB4 billion as compared to the actual transaction value of 2019;

- (iii) The Group further promoted the restructuring of the coal marketing system in recent years, and has initially established a coal marketing network covering the whole country. Increase in the procurement of coal from the Parent Group which provides a stable source of coal will further facilitate the Group to broaden the sales channels, open up the coal sales market, and continuously expand its market share;
- (iv) The Company expects that the unit purchase price of coal in the next three years will increase by approximately 5% -10% over the actual average purchase price from 2018 to 2019; and
- (v) A buffer has been reserved for the annual caps for the next three years to address the potential increase in the procurement of coal from the Parent Group as a result of the Parent Group's further participation in the coal-related resources integration of central enterprises.

### ***Implementation Agreements***

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2021 Coal Supply Framework Agreement during the term thereof. Each implementation agreement will set out the relevant coal products supplied, and the specifications, quantities, prices and other relevant terms thereof.

As the implementation agreements provide for the supply of coal products as contemplated under the 2021 Coal Supply Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2021 Coal Supply Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

### ***Reasons for entering into the 2021 Coal Supply Framework Agreement***

The Company is of the view that the 2021 Coal Supply Framework Agreement enables (i) the Group to secure a stable source of the coal products from the Parent Group in its ordinary course of business at market prices; and (ii) the Group to avoid the potential competition between the coal products of the Parent Group with the Group's coal products.

### ***Internal control measures***

- a) In determining the prices of the coal products to be procured by the Group from the Parent Group under the 2021 Coal Supply Framework Agreement, the sales centre of the Company is responsible for proposing the price according to relevant coal price index with the quality of the coal and different types of delivery taken into consideration, which will be reviewed by pricing committee of the Company. The sales centre of the Company will then draft the procurement contracts based on the standard contract template composed by the department of legal affairs to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;

- b) The sales centre of the Company is responsible for monitoring, collecting and evaluating the market data in accordance with situation of the coal market including relevant coal price index on a weekly basis, which is subject to the investigation by the sales centre of the Company and the final review by the pricing committee of the Company. Under the circumstances such as the relevant coal price index changes, the sales centre of the Company will, in accordance with the market prices, the category and quality of the coal under the transaction and the logistics expenses to be increased or decreased as per the delivery methods thereof, put forward the proposal of adjustment in contract price, which is subject to the final approval by the pricing committee of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;
- c) The financial department and the securities affairs department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure no applicable caps are exceeded;
- d) The Group will implement, amend and improve the relevant monitoring mechanism and the requirements pursuant to its connected transaction management rules and internal monitoring measures to ensure the Group's compliance with the pricing policies in respect of the continuing connected transactions contemplated under the 2021 Coal Supply Framework Agreement. Specifically, the connected transactions management departments of the Company such as the securities affairs department, the financial department and the legal department will put forward suggestions to revise and/or improve the relevant monitoring mechanisms and regulations in accordance with the domestic and foreign regulatory rules and relevant regulations on the management of connected transactions and by reference to the problems arisen in monitoring the connected transactions. Such suggestions will be examined and approved by the management of the Company and then submitted to the Board and the special committees thereunder for final consideration and approval before implementation;
- e) The independent non-executive Directors will review the continuing connected transactions contemplated under the 2021 Coal Supply Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and

- f) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2021 Coal Supply Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2021 Coal Supply Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

**(2) 2021 Integrated Materials and Services Mutual Provision Framework Agreement**

**Date:** 28 April 2020

**Parties:** (i) the Company  
(ii) the Parent

**Continuing transactions** Pursuant to the 2021 Integrated Materials and Services Mutual Provision Framework Agreement,

- (i) the Parent Group shall supply the Group (1) production materials and ancillary services, including raw materials, auxiliary materials, transportation, loading and unloading services, electricity and heat supplies, equipment maintenance and leasing, labour contracting, entrusted management and others; and (2) social and support services including staff training, medical services and emergence rescues, communication, property management services and others; and
- (ii) the Group shall supply the Parent Group (1) production materials and ancillary services, among others, including coal (Note), coal mining facilities, raw materials, auxiliary materials, electricity and heat supplies, transportation, loading and unloading services, equipment maintenance and leasing, labour contracting, entrusted management, information service and others; and (2) coal export-related services including organizing product supplies, performing coal blending, coordinating logistics and transportation, provision of port related services, arranging inspection and quality verification and providing services relating to product delivery.



The raw materials and auxiliary materials supplied each by the Parent Group and the Group are not the same, in that those provided by the Parent Group to the Group are mainly auxiliary materials and accessories for coal mine production and raw coal for power plants while those provided by the Group to the Parent Group are mainly coal production equipment and the raw coal for power plants. With respect to the raw coal for power plants as mentioned above, those provided by the Parent Group mainly supply for power plants in eastern China, while those provided by the Group mainly supply for power plants in the central and western China.

*Note:* The coal provided by the Group to the Parent Group under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement does not include the coal purchased by the Group from the Parent Group under the 2021 Coal Supply Framework Agreement. Under the 2021 Coal Supply Framework Agreement, the Group purchases the coal produced by the Parent Group mainly for subsequent sales by the Group, which aims to avoid potential competition between the coal products produced by the Parent Group and the coal products produced by the Group. Under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the coal provided by the Group to the Parent Group is raw coal to meet the production needs of the power plants of the Parent Group.

**Term and termination**

The 2021 Integrated Materials and Services Mutual Provision Framework Agreement is for a term of three years commencing on 1 January 2021 and ending on 31 December 2023.

**Price determination**

Under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the prices will be based on the following pricing policy and order:

- (i) as for the bulk equipment and raw materials, the price will be arrived by bidding process in principle;
- (ii) where no bidding process is involved, the price shall be in accordance with the relevant market price; and
- (iii) where comparable market price rate is unavailable, agreed price shall be adopted. Agreed price is determined with reference to reasonable costs plus a reasonable profit margin.

The details of the above pricing policies are as follows:

- (i) Under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the price of bulk equipment and raw materials shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules, which applies to the vast majority of the procurement and sales of bulk equipment and raw materials under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement.

As for the bulk equipment and raw materials provided by the Parent Group to the Group, the Group shall stringently follow the steps and/or measurements as stipulated by The Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) during the bidding process. The Group has stipulated the internal manual regarding the management of relevant bulk equipment and raw materials bidding process.

The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the technical and quality requirements of bulk equipment and raw materials, the criteria for examination of the suppliers, the requirements for the bid price and the standard of evaluation of the bid and so on. The Group's bid evaluation committee is responsible for (i) adhering the process is in accordance with The Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》); (ii) reviewing, evaluating and monitoring documents from external suppliers based on the technical, commercial and pricing criteria and payment terms in respect of raw materials, infrastructural projects and coal mining facilities, which will ensure the terms obtained by the Group from the Parent Group is no less favorable than those available from independent third parties; and (iii) grading the external suppliers and writing recommendation advice. The Group's bid office is responsible for deciding which bulk equipment and raw materials suppliers will be awarded the 2021 Integrated Materials and Services Mutual Provision Framework Agreement.

As for the bulk equipment and raw materials provided by the Group to the Parent Group, the Group shall strictly comply with The Invitation and Submission of Bids Law of the PRC 《中華人民共和國招標投標法》) and all the essential requirements set out in the bid invitation of the Parent Group during the bidding process. In preparing for the submission of a tender, tender review meeting of the relevant subsidiary of the Group will be held to perform a thorough analysis of the project management guidelines, the collection of cost and other essential data. In pricing a tender, the relevant department of the Group will also make references to recent project quotations and related market information. For example, in respect of coal mining equipment, the Group generally refers to the market volatility of the recent transaction price of the Group's project, the production cost of raw materials, labor and other expenses since the date of the recent transaction, the fair and reasonable profit rate, and the price of similar equipment of the comparable enterprise in the same industry. The procedures above can ensure that the tender price to be offered by the Group are fair and reasonable and no more favorable than the price and terms offered by the Group to the independent third parties.

The market prices for the bulk equipment and raw materials under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement refer to the prices (i) charged when providing bulk equipment and raw materials of the same or similar quality to independent third parties, or (ii) charged by an independent third party when providing bulk equipment and raw materials of the same or similar quality, at that time under normal commercial terms in the place where the relevant products or services are provided or the nearby regions of such place.

- (ii) Under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the price of coal shall be determined in accordance with the relevant market price, with reference to the Bohai Bay Thermal Coal Price Index, and taking into account of the quality of the coal and different types of delivery. The coal price is determined by mutual agreement with reference to the regional market price of thermal coal, the Bohai-Rim Steam-Coal Sea Price Index, the China Coal Price Index from China Coal Transportation and Distribution Association and the Thermal Coal Price Index from [sxcoal.com](http://sxcoal.com), and is adjusted monthly according to the changes in the indexes.

- (iii) Where comparable market price rate is unavailable, the prices shall be determined after arm's length negotiation by both parties of the contract based on the principle of cost plus a fair and reasonable profit rate, which applies to the services and procurement and sales of bulk equipment and raw materials at comparatively small amount under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement. The cost includes the price of the raw materials, labor cost, manufacturing expense and so on. The expected range of profit of the products and services provided by the Parent Group to the Group is from 1% to 10% which is in line with the industry and not higher than the profit rate charged to independent third parties; and the expected range of profit of the products and services provided by the Group to the Parent Group is from 1% to 10%, which is line with the industry and not lower than the profit rate charged to independent third parties.

As for the mutual provision of raw materials and ancillary materials between the Parent Group and the Group, the payment shall be implemented by instalments according to the time nodes or other methods agreed by the parties. In this regard, the Parent Group and the Group mainly adopt the payment mode of cash on delivery, namely one-time acceptance check and payment for on-time delivery, and batch acceptance check and payment for batch delivery. As for the social and support services provided by the Parent Group to the Group, the account shall be settled with and paid to the Parent Group according to the actual usage. As for the coal mine facilities provided by the Group to the Parent Group, the payment shall be made by the Parent Group by instalments according to the time nodes or other methods agreed by the parties. In this regard, the Parent Group mainly adopts the payment mode of cash on delivery, namely one-time acceptance check and payment for on-time delivery, and batch acceptance check and payment for batch delivery.

The purchase prices under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement shall be paid cash or other methods agreed by the parties (usually paid by cash). The purchase prices and service fees under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement are payable in accordance with the agreed payment terms stipulated in the specific implementation agreements. The payment terms of such implementation agreements shall be within the ambit of the payment terms in the 2021 Integrated Materials and Services Mutual Provision Framework Agreement and will remain unchanged once signed by the parties.

Considering that the payment terms under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement are consistent with the transactions under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement and the payment terms entered into by the Group with independent third parties for the same products and services, the Board considers that the above payment terms are fair and reasonable and are carried out on normal commercial terms or better terms, which is in the interests of the Company and its Shareholders as a whole.

### ***Annual Caps***

#### *Actual Transactions Values*

The actual transaction values of the transactions under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the two years ended 31 December 2019 are set out below:

| <b>Transactions</b>   | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> |
|---|--|--|
| Provision of the materials and ancillary services and of the social and support services to the Group by the Parent Group | 4,178,995,000  | 4,761,705,000  |
| Provision of the materials and ancillary services and coal export- related services to the Parent Group by the Group      | 535,089,000  | 1,428,695,000  |

### *Historical Annual Caps*

The annual caps for the transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the three years ending 31 December 2020 are set out below:

| <b>Transactions</b>   | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019 (revised)<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2020 (revised)<br/>(RMB)</b> |
|---|--|--|---|
| Provision of materials and ancillary services and of the social and support services to the Group by the Parent Group | 4,200,000,000  | 5,900,000,000  | 6,100,000,000   |
| Provision of materials and ancillary services and coal export-related services to the Parent Group by the Group       | 1,250,000,000  | 2,000,000,000  | 2,300,000,000   |

The Directors have been monitoring the transaction amount contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement. For the two years ended 31 December 2019, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the three years ending 31 December 2020 have not been exceeded.

### *Proposed Annual Caps*

The proposed annual caps for the transactions contemplated under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement for the three years ending 31 December 2023 are set out below:

| <b>Transactions</b>   | <b>Year ending<br/>31 December<br/>2021<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2022<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2023<br/>(RMB)</b> |
|---|---|---|---|
| Provision of materials and ancillary services and of the social and support services to the Group by the Parent Group | 6,800,000,000   | 7,000,000,000   | 7,100,000,000   |
| Provision of materials and ancillary services and coal export-related services to the Parent Group by the Group       | 3,100,000,000   | 3,300,000,000   | 3,400,000,000   |

In arriving at the proposed annual caps for the provision of materials and ancillary services and of the social and support services to the Group by the Parent Group, the Directors have taken into account the following factors:

- (i) The historical figures of the actual transaction value of the provision of materials and ancillary services and of the social and support services to the Group by the Parent Group contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the two years ended 31 December 2019;
- (ii) At the end of 2019, due to new addition of connected person, the provision of support products and services such as power operation and maintenance, coal blending and processing, equipment maintenance and labor dispatch by such new connected person to the Company's subsidiary Shanghai Energy Company became connected transactions of the Group, and it's expected to result in an average annual increase of approximately RMB900 million in the connected transaction value in the next three years;
- (iii) New projects of the Group have been successively put into operation, which has led to an increase in the Group's demand for production supplies and ancillary services from the Parent Group. For example, the 2 × 350MW thermal power project of Shanghai Energy Company was officially connected to the grid for power generation in 2019. It is expected that the scale of power generation and heating will increase year by year, and the demand for fuel coal will increase accordingly, leading to result in an expected average annual increase of approximately RMB250 million in the connected transaction value from 2021 to 2023; both the Nalin River No.2 Coal Mine Project of Wushenqi Mengda Mining Company Limited and the Muduchaideng Coal Mine Project of Ordos Yihua Mining Resources Company Limited were put into operation at the end of 2018, and affected by the gradual release of production capacity, the provision of production auxiliary materials and ancillary services such as mine installation, mine excavation, mining services outsourcing, coal washing, underground vehicle operation and maintenance by the Parent Group to Group is expected to increase, leading to an average annual increase of approximately RMB640 million in the connected transaction value; and
- (vi) A buffer has been reserved for the annual caps for the next three years to cope with the potential increase in the Group's demand for the raw materials and ancillary services as well as social and support services from the Parent Group.

In arriving at the above proposed annual caps for the provision of materials and ancillary services and coal export-related services to the Parent Group by the Group, the Directors have taken into account the following factors:

- (i) The historical figures of the actual transaction value of the provision of materials and ancillary services and of the social and support services to the Parent Group by the Group contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement for the two years ended 31 December 2019;

- (ii) With the in-depth advancement of China's supply-side structural reform, the Parent Company actively participated in the integration of coal assets of coal-related enterprises under the supervision of the Central Government, resulting in an increase in the provision of raw materials and supporting services as well as services related to coal export by the Group to the Parent Group under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement. For example, the Parent Group acquired several power companies at the end of 2019, and it is expected that the Group will provide these power plant with coal for production purposes in the next three years, leading to an average annual increase in transaction value of approximately RMB500 million;
- (iii) The Group researched the mining plans, equipment and spare parts replacement cycles of the coal enterprises under the Parent Group that are current customers of the Group, and expects that their demand for the raw materials and supporting services as well as coal export-related services provided by the Group will increase in the future, leading to an average annual increase in of approximately RMB700 million in the connected transaction value in the next three years; and
- (iv) A buffer has been reserved for the annual caps for the next three years to cope with the potential increase in the Group's demand for the raw materials and ancillary services as well as coal export-related services from the Parent Group.

### ***Implementation Agreements***

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement during the term thereof. Each implementation agreement will set out the relevant materials and services supplied, and the specifications, quantities, prices and other relevant terms thereof.

As the implementation agreements provide for the mutual supply of materials and services as contemplated under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2021 Integrated Materials and Services Mutual Provision Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

### ***Reasons for entering into the 2021 Integrated Materials and Services Mutual Provision Framework Agreement***

The Company is of the view that the 2021 Integrated Materials and Services Mutual Provision Framework Agreement enables (i) the Group to secure a stable source of the materials and services from the Parent Group in its ordinary course of business at market prices; and (ii) the Group to have a stable customer of the relevant materials and services of the Group in its ordinary course of business at market prices.



### ***Internal control measures***

- a) In determining the prices of the bulk equipment and raw materials to be procured by the Group from the Parent Group under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the relevant members of the Company is responsible for composing bid invitation documents encompassing all substantial requirements and all key terms for the conclusion of contracts, including the technical and quality requirements of bulk equipment and raw materials, the criteria for examination of the suppliers, requirements for the bid price and the standard of evaluation of the bid and so on, subject to the examination of the purchase centre of the Company and will be reviewed by pricing committee of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties, and is subject to the final approval by the bid determination committee of the Company;

The purchase centre of the Company is responsible for monitoring, collecting and evaluating the market prices of relevant equipment and raw materials with the same specifications and similar functions, including but not limited to the prevailing and then market prices of the comparable prices of relevant industries, on a regular basis. Under the circumstances such as the prices of the relevant equipment and raw materials fluctuate, the purchase centre of the Company will put forward the proposal of price adjustment, which is subject to the final approval of the bid determination committee of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;

- b) In determining the prices of the bulk equipment and raw materials to be procured by the Parent Group from the Group under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the Group will strictly comply with relevant laws, regulations, rules and the necessary requirements stated in the bid invitation documents of the Parent Group during bidding process. The Group will hold tender review meetings, which will determine the tender price with reference to, among others, recent project quotations and related market information to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties, and is subject to the final approval by the meeting of president of the Company; and is subject to the final approval by the management level of the Group; The relevant department of the Group is responsible for monitoring, collecting and evaluating the market prices of relevant equipment and raw materials with the same specifications and similar functions, including but not limited to the prevailing and then market prices of the comparable prices of relevant industries, on a regular basis. Under the circumstances such as the prices of the relevant equipment and raw materials fluctuate, the relevant department of the Group will put forward the proposal of price adjustment to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties, subject to the approval of the management level of the Group;

- c) The financial department and the securities affairs department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure no applicable caps are exceeded;
- d) The Group will implement, amend and improve the relevant monitoring mechanism and the requirements pursuant to its connected transaction management rules and internal monitoring measures to ensure the Group's compliance with the pricing policies in respect of the continuing connected transactions contemplated under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement. Specifically, the connected transactions management departments of the Company such as the securities affairs department, the financial department and the legal department will put forward suggestions to revise and/or improve the relevant monitoring mechanisms and regulations in accordance with the domestic and foreign regulatory rules and relevant regulations on the management of connected transactions and by reference to the problems arisen in monitoring the connected transactions. Such suggestions will be examined and approved by the management of the Company and then submitted to the Board and the special committees thereunder for final consideration and approval before implementation;
- e) The independent non-executive Directors will review the continuing connected transactions contemplated under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and
- f) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### (3) 2021 Project Design, Construction and General Contracting Services Framework Agreement

|                                |  |
|--------------------------------|--|
| <b>Date:</b>                   | 28 April 2020  |
| <b>Parties:</b>                | (i) the Company<br><br>(ii) the Parent   |
| <b>Continuing transactions</b> | Pursuant to the 2021 Project Design, Construction and General Contracting Services Framework Agreement, the Parent Group has agreed to provide project design, construction and general contracting services to the Group, and to undertake projects sub-contracted by the Group.  |
| <b>Term and termination</b>    | The 2021 Project Design, Construction and General Contracting Services Framework Agreement is for a term of three years commencing on 1 January 2021 and ending on 31 December 2023.   |
| <b>Price determination</b>     | <p>Under the 2021 Project Design, Construction and General Contracting Services Framework Agreement, the service provider and the price of project design, construction and general contracting services shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules. The Parent Group shall bid by stringently following the steps and/or measurements as stipulated by The Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and the specific requirements in bidding invitation documents made by the Group.</p> <p>The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project's technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and so on. The Group's bid evaluation committee is responsible for (i) adhering the process is in accordance with The Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》); (ii) reviewing, evaluating and monitoring documents from outsourcing suppliers based on the technical, commercial and pricing criteria and payment terms of relevant service fees, which will ensure the terms obtained by the Group from the Parent Group is no less favorable than those available from independent third parties; and (iii) grading the service providers and writing recommendation advice. The Group's bid office is responsible for deciding which service provider will be awarded the 2021 Project Design, Construction and General Contracting Services Framework Agreement.</p> |

As for the project design services provided by the Parent Group to the Group, the payment shall be made by the Group by installments in accordance with the time nodes or other methods agreed by the parties. If the Parent Group provides the engineering design results at one time, payment will be paid at one time according to the acceptance check result, and if the Parent Group provides the engineering design results in stages, payment will be paid in installments according to the staged acceptance check results. As for the construction services provided by the Parent Group to the Group, the payment shall be implemented by installments in accordance with the progress of projects or other methods agreed by the parties. In this regard, the Group generally pays in instalments after acceptance check of the construction progress. As for the general contracting services provided by the Parent Group to the Group, the payment shall be made by the Group by installments according to the time nodes of design, procurement and construction or other methods agreed by the parties. Among which, the procurement is paid in accordance with the principal of cash on delivery, namely one-time acceptance check and payment for on-time delivery, and batch acceptance check and payment for batch delivery; design and construction payment method is consistent with that of engineering design services and construction services provided by the Parent Group to the Group.

The purchase prices under the 2021 Project Design, Construction and General Contracting Services Framework Agreement shall be paid in cash or other methods agreed by the parties (usually paid by cash). The service fees under the 2021 Project Design, Construction and General Contracting Services Framework Agreement are payable in accordance with the agreed payment terms stipulated in the specific implementation agreements.

The payment terms of such implementation agreements shall be within the ambit of the payment terms in the 2021 Project Design, Construction and General Contracting Services Framework Agreement and will remain unchanged once signed by the parties.

Considering that the payment terms under the 2021 Project Design, Construction and General Contracting Services Framework Agreement are consistent with the transactions under the 2018 Project Design, Construction and General Contracting Services Framework Agreement and the payment terms entered into by the Group with independent third parties for the same services, the Board considers that the above payment terms are fair and reasonable and are carried out on normal commercial terms or better terms, which is in the interests of the Company and its Shareholders as a whole.

## ***Annual Caps***

### *Actual Transactions Values*

The actual transaction values of the transactions under the 2018 Project Design, Construction and General Contracting Services Framework Agreement for the two years ended 31 December 2019 are set out below:

| <b>Transactions</b>   | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> |
|---|--|--|
| Provision of project design, construction and general contracting services to the Group by the Parent Group | 2,053,750,000  | 1,872,877,000  |

### *Historical Annual Caps*

The annual caps for the transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement for the three years ending 31 December 2020 are set out below:

| <b>Transactions</b>   | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2020<br/>(RMB)</b> |
|---|--|--|---|
| Provision of project design, construction and general contracting services to the Group by the Parent Group | 6,050,000,000  | 4,200,000,000  | 5,500,000,000   |

The Directors have been monitoring the transaction amount contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement. For the two years ended 31 December 2019, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement for the three years ending 31 December 2020 have not been exceeded.

### *Proposed Annual Caps*

The proposed annual caps for the transactions contemplated under the 2021 Project Design, Construction and General Contracting Services Framework Agreement for the three years ending 31 December 2023 are set out below:

| <b>Transactions</b>  | <b>Year ending<br/>31 December<br/>2021<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2022<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2023<br/>(RMB)</b> |
|--|---|---|---|
| Provision of project design,<br>construction and general<br>contracting services to the Group<br>by the Parent Group | 5,800,000,000   | 2,900,000,000   | 2,900,000,000   |

In arriving at the above proposed annual caps, the Directors have taken into account the following factors:

- (i) The historical figures of the actual transaction value of the transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement for the two years ended 31 December 2019;
- (ii) Affected by project approval procedures, coal capacity replacement and other policy factors, the construction of the Dahaize Coal Mine Project was postponed. At present, construction has resumed in 2019 and is scheduled to be completed in early 2022. According to the mine construction progress, the provision of general contracting services for the Dahaize Coal Mine Project by the Parent Group in 2021 is expected to result in an increase of approximately RMB2.5 billion in the connected transaction value; the Dahaize Coal Mine Project will not affect the annual caps for the year of 2022 and 2023 under the 2021 Project Design, Construction and General Contracting Services Framework Agreement upon its completion of construction.
- (iii) The Libi Coal Mine Project has commenced operations in 2019. The Parent Group provides engineering design and construction services for the Libi Coal Mine Project, leading to an expected average annual increase of approximately RMB530 million in the connected transaction value for the next three years; the Group commenced some new coal mining area development projects to expand production, where the Parent Group provided engineering design and construction services to the Group, leading to an expected average annual increase of approximately RMB780 million in the connected transaction amount;
- (iv) A buffer has been reserved for the annual caps for the next three years to cope with the potential increase in the Group's demand for engineering design, construction and general contracting services from the Parent Group due to factors such as project delays and addition of new construction projects.

### ***Implementation Agreements***

Members of the Group and members of the Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2021 Project Design, Construction and General Contracting Services Framework Agreement during the term thereof. Each implementation agreement will set out the relevant general contracting services supplied, and the specifications, prices and other relevant terms thereof.

As the implementation agreements provide for the supply of general contracting services as contemplated under the 2021 Project Design, Construction and General Contracting Services Framework Agreement, as such, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2021 Project Design, Construction and General Contracting Services Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

### ***Reasons for entering into the 2021 Project Design, Construction and General Contracting Services Framework Agreement***

The Company is of the view that the 2021 Project Design, Construction and General Contracting Services Framework Agreement enables the Group to secure a stable source of project design, construction and general contracting services from the Parent Group for the Group's construction projects in its ordinary course of business at market prices.

### ***Internal control measures***

- a) In determining the prices of the project design, construction and general contracting services under the 2021 Project Design, Construction and General Contracting Services Framework Agreement the relevant members of the Group is responsible for composing bid invitation documents encompassing all substantial requirements and all key terms for the conclusion of contracts, including project technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and so on, subject to the preliminary review of the department of infrastructure management of the Company, which will be reviewed by pricing committee of the Company to ensure that the terms of the relevant bid invitation documents are compliant with applicable laws, regulations and rules, subject to the final approval by the bid determination committee of the Company;
- b) The department of infrastructure management of the Group is responsible for monitoring, collecting and evaluating the prices of coal mine infrastructure construction project services in the relevant areas on a regular basis to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;
- c) The financial department and the securities affairs department of the Company is responsible for monitoring, collecting and evaluating the detailed information of the continuing connected transactions of the Group, including but not limited to the pricing terms, payment arrangements and actual transaction amount under each of the specific implementation agreements on a monthly basis to ensure no applicable caps are exceeded;

- d) The Group will implement, amend and improve the relevant monitoring mechanism and the requirements pursuant to its connected transaction management rules and internal monitoring measures to ensure the Group's compliance with the pricing policies in respect of the continuing connected transactions contemplated under the 2021 Project Design, Construction and General Contracting Services Framework Agreement. Specifically, the connected transactions management departments of the Company such as the securities affairs department, the financial department and the legal department will put forward suggestions to revise and/or improve the relevant monitoring mechanisms and regulations in accordance with the domestic and foreign regulatory rules and relevant regulations on the management of connected transactions and by reference to the problems arisen in monitoring the connected transactions. Such suggestions will be examined and approved by the management of the Company and then submitted to the Board and the special committees thereunder for final consideration and approval before implementation;
- e) The independent non-executive Directors will review the continuing connected transactions contemplated under the 2021 Project Design, Construction and General Contracting Services Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and
- f) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2021 Project Design, Construction and General Contracting Services Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2021 Project Design, Construction and General Contracting Services Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.



#### **(4) 2021 Financial Services Framework Agreement**

**Date:** 28 April 2020

**Parties:** (i) Chinacoal Finance  
(ii) the Parent

**Continuing transactions** Pursuant to the 2021 Financial Services Framework Agreement, Chinacoal Finance has agreed to provide the following financial services to the Parent Group, including:

- (i) providing financial and financing consultation, credit appraisal and relevant advice and agency services;
- (ii) providing assistance in receiving transaction proceeds to the Parent Group;
- (iii) providing insurance agency services as approved to the Parent Group;
- (iv) providing entrusted loans;
- (v) providing bill acceptance and discount services to the Parent Group;
- (vi) providing internal transfer and settlement and corresponding settlement and clearing planning services;
- (vii) accepting deposits from the Parent Group (without security over assets of the Group provided in respect of the deposits);
- (viii) providing loans and finance leasing to the Parent Group; and
- (ix) other services approved by the CBIRC.

**Term and termination** The 2021 Financial Services Framework Agreement is for a term of three years commenced on 1 January 2021 and ending on 31 December 2023.

## Price determination

The pricing principles of the financial services to be provided by Chinacoal Finance to the Parent Group are as follows:

- (i) The interest rates for deposits provided to the Parent Group by Chinacoal Finance shall be negotiated on arm's length and by reference to the interest rates provided by normal financial institutions in the PRC for comparable deposits. In normal cases, the interest rate for deposits shall not be higher than the upper limit prescribed by the PBOC and other regulatory governmental departments for such type of deposits, or the interest rate provided by Chinacoal Finance to other clients for the same type of deposits, or the interest rate for the same type of deposits provided by normal financial institutions in the PRC to the Parent Group, whichever is lower.
- (ii) The interest rates for loans charged by Chinacoal Finance to the Parent Group shall be negotiated on arm's length and by reference to the interest rates charged by normal financial institutions in the PRC for comparable loans. In normal cases, the interest rate for loans shall be made with reference to the interest rates prescribed by the PBOC for such type of loans and the Loan Prime Rate (LPR) and by considering the credit rating, nature of loan and other factors. Generally speaking, the upper limit and lower limit of loan interest rate provided to the Parent Group shall not be lower than the respective upper limit and lower limit of interest rate charged by Chinacoal Finance to other clients for the same type of loans.
- (iii) The fee standard for other financial services (excluding the deposits and loans as mentioned above) shall be determined by Chinacoal Finance according to the corresponding service fees fixed by the PBOC, CBIRC or other regulatory governmental departments. If such fixed fee rates are not available, the services fees are negotiated on arm's length and by reference to the fees charged by normal financial institutions in the PRC for comparable financial services. But in normal cases, the fee standard shall not be lower than the fee standard adopted by normal financial institutions in the PRC for comparable services.

## ***Annual Caps***

### *Actual Transaction Values*

The actual maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group under the 2018 Financial Services Framework Agreement for the two years ended 31 December 2019 are set out below:

| <b>Transactions</b>   | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> |
|---|--|--|
| the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group | 4,288,908,000  | 4,363,252,000  |
| other financial services provided by Chinacoal Finance to the Parent Group  | 2,050,000  | 160,000  |

### *Historical Annual Caps*

The annual caps for provision of loans and financial leasing by Chinacoal Finance to the Parent Group contemplated under the 2018 Financial Services Framework Agreement for the year ending 31 December 2020 are set out below:

| <b>Transactions</b>   | <b>Year ended<br/>31 December<br/>2018<br/>(RMB)</b> | <b>Year ended<br/>31 December<br/>2019<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2020<br/>(RMB)</b> |
|---|--|--|---|
| the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group | 4,500,000,000  | 7,500,000,000  | 8,000,000,000   |
| other financial services provided by Chinacoal Finance to the Parent Group  | 10,000,000   | 12,000,000   | 18,000,000  |

The Directors have been monitoring the transaction amount contemplated under the 2018 Financial Services Framework Agreement. For the two years ended 31 December 2019, and as at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2018 Financial Services Framework Agreement for the three years ending 31 December 2020 have not been exceeded.

### *Proposed Annual Caps*

The proposed annual caps for provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2021 Financial Services Framework Agreement for the three years ending 31 December 2023 are set out below:

| <b>Transactions</b>   | <b>Year ending<br/>31 December<br/>2021<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2022<br/>(RMB)</b> | <b>Year ending<br/>31 December<br/>2023<br/>(RMB)</b> |
|---|---|---|---|
| the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group | 8,500,000,000   | 9,000,000,000   | 9,000,000,000   |
| other financial services provided by Chinacoal Finance to the Parent Group  | 8,000,000   | 9,000,000   | 10,000,000  |

In arriving at the above proposed annual caps in relation to the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group, the Directors have taken into account the following factors:

- (i) The historical figures of the actual transaction value of the transactions under the 2018 Financial Services Framework Agreement for the two years ended 31 December 2019;
- (ii) The recent years have witnessed the rapid development of Chinacoal Finance, with financial services becoming another important independent business segment of the Group in addition to coal, coal chemical and coal mining equipment segment. Increasing the loan and financial leasing services to the Parent Group is conducive to enhancing the profitability of the Group;
- (iii) Chinacoal Finance has been increasing its efforts in the centralized management of funds with an expanding scope of capital concentration and gradual increase in absorbing deposits from the Parent Group. Raising the loan services to the Parent Group is conducive to improving the utilization rate of funds, expanding the business scale of Chinacoal Finance and enhancing profitability;

- (iv) It is expected that loans from Chinacoal Finance to the Parent Group will increase further in the future, mainly because: (1) at present, most of the existing interest-bearing liabilities of the Parent Group are external bank loans, and the Parent Group also provides financial support to members of the Parent Group by means of entrusted loans or internal loans, so there's room for replacement by the credit funds from Chinacoal Finance to a certain degree; (2) with the further integration of the coal-related resources of enterprises under the supervision of the Central Government, the Parent Group is likely to continue to integrate the coal-related assets of some enterprises under the supervision of the Central Government, with a potential of increase in market-based mergers and acquisitions and reorganizations. It is expected that the capital needs of the Parent Group will increase in the next three years; and (3) the current enterprises of the Parent Group and other companies integrated into the Parent Group in the future become and will become new members of the Parent Group, and may also need loans from China Coal Finance due to production and operation needs;
- (v) It is expected that the deposits of the Parent Group with Chinacoal Finance will increase to RMB13 billion, RMB14 billion and RMB15 billion respectively in the next three years, which will enable Chinacoal Finance to increase its loans to the Parent Group; and
- (vi) A buffer has been reserved for the annual caps in the next three years to cope with the potential increase in demand from the Parent Group for loans and financial leases from Chinacoal Finance.

### ***Implementation Agreements***

Chinacoal Finance and members of the Parent Group and associates of the Parent will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2021 Financial Services Framework Agreement during the term thereof. Each implementation agreement will set out the services supplied, payment terms, interests rates, fees and other relevant terms thereof.

As the implementation agreements provide for the supply of the relevant services as contemplated under the 2021 Financial Services Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2021 Financial Services Framework Agreement and the relevant annual caps, and if exceed, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

### ***Reasons for entering into the 2021 Financial Services Framework Agreement***

The Company is of the view that entering into the 2021 Financial Services Framework Agreement will do benefit to strengthen centralized financial management and capital collection, provide space for increasing the scale of credit, enhance the profitability of Chinacoal Finance, improve the risk management and control capabilities, reduce capital operating costs, improve capital utilization efficiency and expand financing channels, and is in line with the needs of the Company's operations and development. Therefore, the 2021 Financial Services Framework Agreement is in the interests of the Company and its Shareholders as a whole.

## ***Internal Control Environment and Risk Management Function of Chinacoal Finance***

Chinacoal Finance has established stringent internal control measures to ensure effective risk management and compliance with relevant laws and regulations including corporate governance structure, internal rules and policies and standard operation procedures. The following internal controls are in place:

- (i) Different departments and committee, including but not limited to credit management department, risk management department and credit examining committee, have been set up by Chinacoal Finance for maintaining the risk management function and internal control environment. Credit management department conducts pre-loan investigations on loan applications; risk management department examines the risks relevant to the loans; credit examining committee offers examination opinions, and the general manager and the chairman of the board of directors review and approve such applications;
- (ii) Pre-loan investigations will be conducted on loan applications by credit management department, which will assess the customers' creditworthiness and the purpose of the loans according to the relevant credit rules of CBIRC and PBOC, examine, among others, the amount and term of loans as well as the caps of connected (or related party) transactions, determine the interest rate of each loan based on the benchmark rates prescribed by the PBOC to ensure the price determination aforementioned is strictly followed. In case of loans to subsidiaries not wholly-owned by the Group or the Parent Group, a higher interest rate may apply;
- (iii) The loan applications will be reviewed by the risk management department, which conducts risk examinations on application and information of loans, with emphasis laid on examinations on credit risks and compliance with Hong Kong Listing Rules including requirements regarding amount, term, interest rate and caps of connected (or related party) transactions;
- (iv) The loan applications will then be submitted to the credit examining committee, which consists of five members. The credit examining committee conducts independent, objective and professional analysis on application and information of loans and group deliberation, as well as offers examination opinions;
- (v) The examination opinions on loans from the credit examining committee will be submitted to the general manager and the chairman of the board of directors of Chinacoal Finance for overall review and approval;
- (vi) Annual review on the credit worthiness and loan facility of the Parent Group will be conducted by the credit management department to strengthen operational risk management; and
- (vii) Regular internal audit procedures relevant to loans will be conducted by internal audit department to review and inspect the implementation of internal policies and procedures and compliance with internal rules and regulations.

Before granting loans to the parent group, Chinacoal Finance takes internal control measures to ensure adequate working capital or liquidity of the Group, including strengthening asset-liability management, reviewing and considering factors such as asset maturity, structural allocation and working capital requirements before granting each loan; applying strict unified capital budget management and careful control to accurately grasp the capital needs of relevant members; monitoring liquidity ratio on a daily basis and regularly monitoring capital adequacy ratio, liquidity gap ratio and other indicators so as to strengthen liquidity control.

Meanwhile, CBIRC performs regular inspections on Chinacoal Finance to check the implementation of their internal control and risk management systems. Since the establishment of Chinacoal Finance, there was no major issue on Chinacoal Finance raised by CBIRC.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2021 Financial Services Framework Agreement, the Directors (including the independent non-executive Directors) are of the view that such methods and procedures can ensure that the transactions contemplated under the 2021 Financial Services Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

### **III HONG KONG LISTING RULES IMPLICATIONS**

The Parent is the controlling shareholder of the Company and Shanxi Coking Coal is a substantial shareholder of Chinacoal Huajin (a significant subsidiary of the Company). Therefore, the Parent Group and Shanxi Coking Coal Group are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated between the Company and the Parent and between the Company and Shanxi Coking Coal constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the annual caps for the transactions under the Land Use Rights Leasing Framework Agreement and the 2015 Property Leasing Framework Agreement for the three years ending 31 December 2023 are above 0.1% but less than 5%, they are subject to the announcement, reporting and annual review requirements, but is exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of (i) the proposed annual caps for the three years ending 31 December 2023 for the transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement are above 1% but less than 5%, they are subject to the announcement, reporting and annual review requirements but is exempt from the independent shareholders' approval requirements under Rule 14A.76(2) of Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the proposed annual caps for the three years ending 31 December 2023 for (i) the transactions under the 2021 Coal Supply Framework Agreement, (ii) the transactions under the 2021 Project Design, Construction and General Contracting Services Framework Agreement, (iii) the transactions under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, and (iv) the transactions (excluding the provision of other financial services by Chinacoal Finance to the Parent Group with all the applicable percentage ratios thereof below 0.1% and fully exempt, and excluding the provision of deposit services by Chinacoal Finance to the Parent Group which is fully exempt according to Rule 14A.90 of the Hong Kong Listing Rules) under the 2021 Financial Services Framework Agreement exceed 5%, they are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Meanwhile, as one or more of the applicable percentage ratios (as defined under Rule 14.04(9) of the Hong Kong Listing Rules) in respect of the proposed annual caps for provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2021 Financial Services Framework Agreement for the three years ending 31 December 2023 exceed 5% but are below 25%, such transactions also constitute discloseable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules. Besides, the provision of loans and financial leasing by Chinacoal Finance to the Parent Group under the 2021 Financial Services Framework Agreement also constitutes advance to an entity provided in Chapter 13 of the Hong Kong Listing Rules.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Land Use Rights Leasing Framework Agreement, the 2015 Property Leasing Framework Agreement and the 2021 Coal and Coal Related Products and Services Supply Framework Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; (iv) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (v) that the annual caps for the transactions thereunder for the three years ending 31 December 2023 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors (excluding the independent non-executive Directors who will express their views after receiving advice from the Independent Financial Adviser) are of the view that the terms of the 2021 Coal Supply Framework Agreement, the 2021 Project Design, Construction and General Contracting Services Framework Agreement, the 2021 Integrated Materials and Services Mutual Provision Framework Agreement and the 2021 Financial Services Framework Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; (iv) are fair and reasonable and in the interests of Company and the Shareholders as a whole; and (v) that the proposed annual caps for the transactions thereunder for the three years ending 31 December 2023 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.



Mr. Li Yanjiang, Mr. Peng Yi, Mr. Du Ji'an and Mr. Zhao Rongzhe, are also directors or senior management of the Parent, are deemed to have material interests in the transactions contemplated under the Land Use Rights Leasing Framework Agreement, the 2015 Property Leasing Framework Agreement, the 2021 Coal Supply Framework Agreement, the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the 2021 Project Design, Construction and General Contracting Services Framework Agreement and the 2021 Financial Services Framework Agreement and have abstained from voting from the relevant Board resolutions. Other than those Directors mentioned above, none of the other Directors has a material interest in the aforesaid continuing connected transactions.

None of the Directors has a material interest in the transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement.

#### **IV. GENERAL INFORMATION OF THE PARTIES OF THE TRANSACTIONS**

##### **The Company**

The Company is principally engaged in coal production, sales and trading, coal chemical business, coal mining equipment manufacturing and other related operations in China.

##### **The Parent**

The Parent is a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company, holding, directly and indirectly, approximately 58.36% of the issued share capital of the Company as at the date of this announcement. The Parent is principally engaged in the production and trading of coal, coal chemical business, pithead power generation, construction of coal mines, manufacturing of coal mining equipment and the provision of related engineering technologies and services. The ultimate controller of the Parent is SASAC. SASAC is an ad-hoc ministerial-level organization directly subordinated to the State Council, and is mainly responsible for supervising and managing the state-owned assets of enterprises under the supervision of the Central Government (excluding financial enterprises), supervising the reservation and increment of the value of the state-owned assets of the supervised enterprises and other issues.

##### **Chinacoal Finance**

As at the date of this announcement, Chinacoal Finance is a subsidiary of the Company and is owned as to 91% by the Company and 9% by the Parent. The ultimate controller of Chinacoal Finance is also SASAC.

Chinacoal Finance is principally engaged in providing financial and financing consultation, credit appraisal and relevant advice and agency services to members; assisting members in receiving transaction proceeds; insurance agency services as approved; providing entrusted loans among members; providing bill acceptance and discount services to the members; providing internal transfer and settlement and corresponding settlement and clearing planning services among members; accepting deposits from members; providing loans and financial leasing to the members; and other services in RMB or foreign currency as approved by the CBIRC.

## **Shanxi Coking Coal**

Shanxi Coking Coal is a limited liability company incorporated in the PRC. It is mainly engaged in coal, power generation, coke, logistic and trade, and also building and construction and mechanical and electrical repairs and manufacturing. Two of its subsidiaries, Shanxi Xishan Coal Electricity Limited Liability Company and Shanxi Coking Co., Ltd. are listed in Shenzhen Stock Exchange and Shanghai Stock Exchange, respectively. The ultimate controller of Shanxi Coking Coal is Shanxi SASAC. Shanxi SASAC is an ad-hoc organization directly subordinated to the Shanxi Governmental Province, and is mainly responsible for supervising and managing the state-owned assets of enterprises under the supervision of the Shanxi Government (excluding financial enterprises).

## **V GENERAL INFORMATION**

The AGM will be convened to seek the approval of the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof. The Parent and its associates will abstain from voting in respect of the relevant resolutions at the AGM.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof, and the Independent Board Committee has approved the appointment of the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Hong Kong Listing Rules.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquires, none of the members of the Independent Board Committee has any material interest in the Non-exempt Continuing Connected Transactions or the proposed annual caps thereof.

A circular containing, among other things, further details of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof, the letter from the Independent Board Committee and the recommendation from the Independent Financial Adviser on the terms of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof, together with a notice convening the AGM, will be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Hong Kong Listing Rules.

As at the date of this announcement, the Parent and its associates, who directly and indirectly, hold 7,737,558,608 shares, (represent approximately 58.36% of the issued share capital of the Company), control or are entitled to control over the voting right in respect of their shares in the Company. Therefore, the Parent and its associates will abstain from voting on the resolutions in relation to the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof to be proposed at the AGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, other than the Parent and its associates, no connected person of the Company, Shareholder or their respective associates with a material interest in the Non-exempt Continuing Connected Transactions or the proposed annual caps thereof is required to abstain from voting at the AGM.

## VI DEFINITIONS

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| “AGM”  | the annual general meeting of the Company to be convened for approving, among others, the Non-exempt Continuing Connected Transactions as well as the proposed annual caps thereof  |
| “associate”                                  | has the meaning ascribed to it under the Hong Kong Listing Rules and the SSE Listing  |
| “Board”                                      | the board of Directors  |
| “CBIRC”                                      | China Banking and Insurance Regulatory Commission (中國銀行保險業監督管理委員會)  |
| “Chinacoal Finance”                          | Chinacoal Finance Co., Ltd.* (中煤財務有限責任公司), a limited liability company incorporated under the laws of the PRC and a subsidiary of the Company   |
| “Chinacoal Huajin”                           | Shanxi China Coal Huajin Energy Company Limited.* (山西中煤華晉有限責任公司), which is a 51%-owned subsidiary of the Company  |
| “Company”                                    | China Coal Energy Company Limited* (中國中煤能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange under the stock code of 01898 and the A Shares of which are listed on the Shanghai Stock Exchange under the stock code of 601898  |
| “connected person”                           | has the meaning ascribed to it under the Hong Kong Listing Rules  |
| “controlling shareholder”                    | has the meaning ascribed to it under the Hong Kong Listing Rules  |
| “Director(s)”                                | the director(s) of the Company  |
| “Exempt Continuing Connected Transactions”   | the transactions under the 2015 Property Leasing Framework Agreement, the Land Use Rights Leasing Framework Agreement and 2021 Coal and Coal Related Products and Services Supply Framework Agreement   |
| “Existing Continuing Connected Transactions” | the transactions under the 2015 Property Leasing Framework Agreement, the Land Use Rights Leasing Framework Agreement, the 2018 Coal and Coal Related Products and Services Supply Framework Agreement, the 2018 Coal Supply Framework Agreement, the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, the 2018 Project Design, Construction and General Contracting Services Framework Agreement and the 2018 Financial Services Framework Agreement |

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| “Group”  | the Company and its subsidiaries   |
| “Hong Kong”                                    | the Hong Kong Special Administrative Region of the PRC   |
| “Hong Kong Listing Rules”                      | the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange  |
| “Hong Kong Stock Exchange”                     | The Stock Exchange of Hong Kong Limited  |
| “Independent Board Committee”                  | an independent board committee of the Board comprising all of the independent non-executive Directors, who have no material interest in the Non-exempt Continuing Connected Transactions, namely Zhang Ke, Zhang Chengjie, and Leung Chong Shun, which was established to advise the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions as well as the proposed annual caps thereof  |
| “Independent Financial Advisor”                | Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity under the SFO, the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof   |
| “Independent Shareholders”                     | shareholders of the Company who are not required to abstain from voting on the resolutions to be proposed at the AGM under the Hong Kong Listing Rules   |
| “Land Use Rights Leasing Framework Agreement”  | a land use rights leasing framework agreement dated 5 September 2006 and entered into between the Company and the Parent   |
| “Non-exempt Continuing Connected Transactions” | the transactions under the 2021 Financial Services Framework Agreement (excluding the provision of other financial services by Chinacoal Finance to the Parent Group and the provision of deposit services by Chinacoal Finance to the Parent Group), the 2021 Coal Supply Framework Agreement, the 2021 Integrated Materials and Services Mutual Provision Framework Agreement and the 2021 Project Design, Construction and General Contracting Services Framework Agreement |
| “Parent”                                       | China National Coal Group Corporation* (中國中煤能源集團有限公司), a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company   |

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| “Parent Group”  | the Parent and its associates (excluding the Group)   |
| “PBOC”  | the People’s Bank of China, the central bank of the PRC   |
| “PRC”   | the People’s Republic of China, which for the purposes of this announcement only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan |
| “RMB”   | Renminbi, the lawful currency of the PRC  |
| “SASAC”   | the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)  |
| “Shareholders”  | the shareholders of the Company   |
| “Shanxi Coking Coal”  | Shanxi Coking Coal Group Co., Ltd.* (山西焦煤集團有限責任公司), a limited liability company incorporated in the PRC and a substantial shareholder of Chinacoal Huajin as the date of this announcement      |
| “Shanxi Coking Coal Group”  | Shanxi Coking Coal and its associates   |
| “Shanxi SASAC”  | State-owned Assets Supervision and Administration Commission of Shan Xi Provincial Government   |
| “SSE Listing Rules”   | The Rules Governing the Listing of Stocks on Shanghai Stock Exchange (《上海證券交易所股票上市規則》) amended from time to time  |
| “subsidiary”  | has the meaning ascribed to it under the Hong Kong Listing Rules and the SSE Listing Rules  |
| “substantial shareholders”  | has the meaning ascribed to it under the Hong Kong Listing Rules  |
| “2015 Property Leasing Framework Agreement”                                   | a property leasing framework agreement dated 23 October 2014 and entered into between the Company and the Parent  |
| “2018 Coal and Coal Related Products and Services Supply Framework Agreement” | a coal and coal related products and services supply framework agreement dated 27 April 2017 and entered into between the Company and Shanxi Coking Coal  |
| “2018 Coal Supply Framework Agreement”  | a coal supply framework agreement dated 27 April 2017 and entered into between the Company and the Parent   |
| “2018 Financial Services Framework Agreement”                                 | a financial services framework agreement dated 27 April 2017 and entered into between Chinacoal Finance and the Parent  |

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| “2018 Integrated Materials and Services Mutual Provision Framework Agreement”             | an integrated materials and services mutual provision framework agreement dated 27 April 2017 and entered into between the Company and the Parent           |
| “2018 Project Design, Construction and General Contracting Services Framework Agreement”  | a project design, construction and general contracting services framework agreement dated 27 April 2017 and entered into between the Company and the Parent |
| “2021 Coal and Coal Related Products and Services Supply Framework Agreement”             | a coal and coal related products and services supply framework agreement dated 28 April 2020 and entered into between the Company and Shanxi Coking Coal    |
| “2021 Coal Supply Framework Agreement”  | a coal supply framework agreement dated 28 April 2020 and entered into between the Company and the Parent   |
| “2021 Financial Services Framework Agreement”   | a financial services framework agreement dated 28 April 2020 and entered into between Chinacoal Finance and the Parent                                      |
| “2021 Integrated Materials and Services Mutual Provision Framework Agreement”             | an integrated materials and services mutual provision framework agreement dated 28 April 2020 and entered into between the Company and the Parent           |
| “2021 Project Design, Construction and General Contracting Services Framework Agreements” | a project design, construction and general contracting services framework agreement dated 28 April 2020 and entered into between the Company and the Parent |

By Order of the Board  
**China Coal Energy Company Limited**  
**Li Yanjiang**  
*Chairman and Executive Director*

Beijing, the PRC  
28 April 2020

*As at the date of this announcement, the executive directors of the Company are Li Yanjiang and Peng Yi; the non-executive directors of the Company are Du Ji'an, Zhao Rongzhe and Xu Qian; and the independent non-executive directors of the Company are Zhang Ke, Zhang Chengjie, and Leung Chong Shun.*

\* *For identification purpose only*