
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional advisers.

If you have sold or transferred all your shares in **China Coal Energy Company Limited**, you should at once hand this circular together with the accompanying form of proxy to the purchaser(s) or the transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or the transferee(s).



CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock code: 01898)

**(1) CONTINUING CONNECTED TRANSACTIONS AND
DISCLOSEABLE TRANSACTION – PROPOSED RENEWAL OF
EXISTING CONTINUING CONNECTED TRANSACTIONS AND
THE ANNUAL CAPS THEREOF FOR THE THREE YEARS ENDING
31 DECEMBER 2023**

**(2) PROPOSED EMOLUMENTS OF THE DIRECTORS OF
THE FOURTH SESSION OF THE BOARD AND THE SUPERVISORS OF
THE FOURTH SESSION OF
THE SUPERVISORY COMMITTEE FOR THE YEAR OF 2020
AND**

(3) NOTICE OF ANNUAL GENERAL MEETING

**Independent Financial Adviser of Independent Board Committee
and Independent Shareholders**



A notice convening the AGM of the Company to be held at 2:30 p.m. on Tuesday, 16 June 2020 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC is set out on pages 77 to 83 of this circular.

If you intend to appoint a proxy to attend the AGM, please complete and return the enclosed proxy form in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the holding of the AGM or any adjournment thereof, and deposit it with Computershare Hong Kong Investor Services Limited, the H Shares registrar and transfer office of the Company in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of holders of H Shares); or to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC (in the case of holders of A Shares). Completion and return of the form of proxy will not preclude you from attending and voting at the AGM or any adjournment thereof should you so desire.

Whether you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of holders of H Shares) on or before Tuesday, 26 May 2020. Whether you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC (in the case of holders of A Shares).

* *For identification purpose only*

TABLE OF CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	44
LETTER FROM GRAM CAPITAL	46
APPENDIX - GENERAL INFORMATION	72
NOTICE OF ANNUAL GENERAL MEETING	77

DEFINITIONS

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

“A Share(s)”	the domestic ordinary share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Shanghai Stock Exchange and traded in Renminbi
“AGM”	the 2019 annual general meeting of the Company to be held on 2:30 p.m. on Tuesday, 16 June 2020 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC
“associate”	has the meaning ascribed to it under the Hong Kong Listing Rules and SSE Listing Rules
“Board”	the board of Directors of the Company
“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
“China Coal Group” or “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
“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

DEFINITIONS

“Existing Continuing Connected Transactions”	the transactions under 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
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign share(s) of RMB1.00 each in the share capital of the Company, which are listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited amended from time to time
“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, 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 Adviser” or “Gram Capital”	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

DEFINITIONS

“Latest Practicable Date”	Tuesday, 28 April 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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 Group”	the Parent and its associates (excluding the Group)
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excluding the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Renminbi” or “RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shanghai Energy Company”	Shanghai Datun Energy Resources Company Limited
“Share(s)”	the ordinary share(s), including A Shares and H Shares
“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of H Shares and holder(s) of A Shares
“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

DEFINITIONS

“substantial shareholders”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“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
“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 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
“%”	per cent

LETTER FROM THE BOARD



CHINA COAL ENERGY COMPANY LIMITED*
中國中煤能源股份有限公司

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 01898)

Executive Directors:

Li Yanjiang
Peng Yi

Non-executive Directors:

Du Ji'an
Zhao Rongzhe
Xu Qian

Independent Non-executive Directors:

Zhang Ke
Zhang Chengjie
Leung Chong Shun

Registered office:

No. 1
Huangsidadjie
Chaoyang District
Beijing, 100120
China

*Principal place of business
in Hong Kong:*

Room 2608, 26th Floor
Office Tower
Convention Plaza
1 Harbour Road
Wanchai
Hong Kong

29 April 2020

To the Shareholders

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS AND
DISCLOSEABLE TRANSACTION – PROPOSED RENEWAL OF
EXISTING CONTINUING CONNECTED TRANSACTIONS AND
THE ANNUAL CAPS THEREOF FOR THE THREE YEARS ENDING
31 DECEMBER 2023**

**(2) PROPOSED EMOLUMENTS OF THE DIRECTORS OF
THE FOURTH SESSION OF THE BOARD AND THE SUPERVISORS OF
THE FOURTH SESSION OF
THE SUPERVISORY COMMITTEE FOR THE YEAR OF 2020**

I. 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; (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, the revision of the annual caps for the transactions under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement, the 2018 Project Design,

LETTER FROM THE BOARD

Construction and General Contracting Services Framework Agreement and the 2018 Financial Services Framework Agreement for the two years ending 31 December 2020; and (iii) the announcement of the Company dated 28 April 2020, in relation to, among others, the Non-exempt Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2023.

The purpose of this circular is to provide you with all the information regarding, among other matters, (i) detailed information regarding the Non-exempt Continuing Connected Transactions and the proposed annual caps for the three years ending 31 December 2023 thereof; (ii) the proposed emoluments of the Directors of the fourth session of the Board and the Supervisors of the fourth session of the Supervisory Committee for the year of 2020; and (iii) a notice convening the AGM, so as to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the AGM.

II. PROPOSED RENEWAL OF EXISTING 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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:

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

LETTER FROM THE BOARD

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:

Transactions	Year ended 31 December 2018 (RMB)	Year ended 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
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 Latest Practicable Date, 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:

Transactions	Year ending 31 December 2021 (RMB)	Year ending 31 December 2022 (RMB)	Year ending 31 December 2023 (RMB)
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;

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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,

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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 uploading 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 uploading 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

- (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, 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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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:

Transactions	Year ended 31 December 2018 (RMB)	Year ended 31 December 2019 (RMB)
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:

Transactions	Year ended 31 December 2018 (RMB)	Year ended 31 December 2019 (revised) (RMB)	Year ending 31 December 2020 (revised) (RMB)
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

LETTER FROM THE BOARD

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 Latest Practicable Date, 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:

Transactions	Year ending 31 December 2021 (RMB)	Year ending 31 December 2022 (RMB)	Year ending 31 December 2023 (RMB)
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;

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 new 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;

LETTER FROM THE BOARD

- (ii) 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
- (iii) 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;

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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 services 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 bid determination committee 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 services 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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

Date: 28 April 2020

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

Continuing transactions 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.

Term and termination 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.

LETTER FROM THE BOARD

Price determination

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.

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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:

Transactions	Year ended 31 December 2018 (RMB)	Year ended 31 December 2019 (RMB)
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:

Transactions	Year ended 31 December 2018 (RMB)	Year ended 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
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

LETTER FROM THE BOARD

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 Latest Practicable Date, 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:

Transactions	Year ending 31 December 2021 (RMB)	Year ending 31 December 2022 (RMB)	Year ending 31 December 2023 (RMB)
Provision of project design, construction and general contracting services to the Group 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

LETTER FROM THE BOARD

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; 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 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,

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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);

LETTER FROM THE BOARD

(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.

LETTER FROM THE BOARD

- (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:

Transactions	Year ended 31 December 2018 (RMB)	Year ended 31 December 2019 (RMB)
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

LETTER FROM THE BOARD

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:

Transactions	Year ended 31 December 2018 (RMB)	Year ended 31 December 2019 (RMB)	Year ending 31 December 2020 (RMB)
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 Latest Practicable Date, 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:

Transactions	Year ending 31 December 2021 (RMB)	Year ending 31 December 2022 (RMB)	Year ending 31 December 2023 (RMB)
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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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,

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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. Therefore, the Parent Group is the connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated between the Company and the Parent 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 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.

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.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors) 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, who are also directors or senior management of the Parent, are deemed to have material interests in the transactions contemplated under 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.

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 Latest Practicable Date. 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.

LETTER FROM THE BOARD

Chinacoal Finance

As at the Latest Practicable Date, 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.

V. PROPOSED EMOLUMENTS OF THE DIRECTORS OF THE FOURTH SESSION OF THE BOARD AND THE SUPERVISORS OF THE FOURTH SESSION OF THE SUPERVISORY COMMITTEE FOR THE YEAR OF 2020

The Company proposed to pay RMB300,000 to each independent non-executive Director for the year of 2020 (before tax, monthly paid, with income tax withheld, calculated based on the actual time of performance of duty for independent non-executive Directors). Other Directors shall not receive emolument from the Company. The emoluments of the Supervisors shall be paid by the institutions where they work.

The travelling cost incurred by the Directors and Supervisors for their participation in the Board meetings, Supervisory Committee's meetings and general meetings as well as relevant activities organised by the Board and the Supervisory Committee is undertaken by the Company.

VI. GENERAL INFORMATION

A notice convening the AGM to be held at 2:30 p.m. on Tuesday, 16 June 2020 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC is set out on pages 77 to 83 of this circular.

As at the date of this circular, the Parent and its associates, which directly and indirectly, hold 7,737,558,608 shares of the Company, (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 in respect of the resolution in relation the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof at the AGM.

LETTER FROM THE BOARD

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.

In order to determine the list of Shareholders who are entitled to attend the AGM, the registers of holders of H Shares will be closed from Sunday, 17 May 2020 to Tuesday, 16 June 2020, both days inclusive, during which period no transfer of H Shares will be effected. Holders of the H Shares whose names appear on the register of members at close of business on Sunday, 17 May 2020 are entitled to attend the meeting. In order to attend and vote at the meeting, holders of H Shares whose transfers have not been registered shall deposit the transfer documents together with the relevant Share certificates at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited at or before 4:30 p.m. on Friday, 15 May 2020. The address of the transfer office of Computershare Hong Kong Investor Services Limited is Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

If you intend to appoint a proxy to attend the AGM, you are required to complete and return the proxy form in accordance with the instructions printed thereon. The proxy form should be returned to Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of holders of H Shares); or to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC (in the case of holders of A Shares) in person or by post not less than 24 hours before the time stipulated for convening the AGM or any adjourned meeting thereof. Completion and return of the proxy form will not preclude you from attending in person and voting at the AGM or at any adjourned meeting if you so wish.

Whether you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong (in the case of holders of H Shares) on or before Tuesday, 26 May 2020. Whether you intend to attend the AGM in person or by proxy, you are required to complete and return the reply slip to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC (in the case of holders of A Shares).

VII. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof; and (ii) the letter from Gram Capital set out in this

LETTER FROM THE BOARD

circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof and the principal factors and reasons taken into account by Gram Capital in arriving at its advice.

The Directors (including the independent non-executive Directors) are of the view that the terms of 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 (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 thereof 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.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM in relation to the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof.

The Directors also believe that the other resolutions to be proposed at the AGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend that all the Shareholders should vote in favor of such resolutions at the AGM.

Yours faithfully,
By order of the Board
China Coal Energy Company Limited
Li Yanjiang
Chairman of the Board, Executive Director



CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock code: 01898)

Independent Board Committee

Mr. Zhang Ke

Mr. Zhang Chengjie

Mr. Leung Chong Shun

29 April 2020

To the Independent Shareholders

Dear Sir or Madam,

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

We refer to the circular of the Company dated 29 April 2020 (the “**Circular**”) of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

We have been appointed by the Board as the Independent Board Committee to consider and advise you as to whether, in our opinion, the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof (details of which are set out in the letter from the Board) are fair and reasonable so far as the Independent Shareholders are concerned.

Gram Capital has been appointed by the Board as the Independent Financial Advisor to advise the Independent Board Committee and Independent Shareholders on the fairness and reasonableness of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof. Details of the advice from Gram Capital, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 46 to 71 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 5 to 43 of the Circular and the additional information set out in the Appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the Non-exempt Continuing Connected Transactions and the proposed annuals thereof, the interests of the Independent Shareholders and the advice of Gram Capital, we are of the opinion that the 2021 Coal Supply Framework Agreement, 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 were entered into in the ordinary and usual course of business of the Group, and the terms and conditions of the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the AGM so as to approve the Non-exempt Continuing Connected Transactions and the proposed annual caps thereof.

Yours faithfully,

The Independent Board Committee

Mr. Zhang Ke

Mr. Zhang Chengjie

Mr. Leung Chong Shun

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions for the purpose of inclusion in this circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

29 April 2020

*To: The independent board committee and the independent shareholders
of China Coal Energy Company Limited**

Dear Sir/Madam,

(I) CONTINUING CONNECTED TRANSACTIONS; AND (II) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) transactions contemplated under the 2021 Coal Supply Framework Agreement (the “**Coal Transactions**”); (ii) the Group’s purchase of materials and services from the Parent Group (the “**Procurement Transactions**”) and the Group’s supply of materials and services to the Parent Group (the “**Supply Transactions**”) pursuant to the 2021 Integrated Materials and Services Mutual Provision Framework Agreement; (iii) transactions contemplated under the 2021 Project Design, Construction and General Contracting Services Framework Agreement (the “**Services Transactions**”); and (iv) the transactions (excluding the provision of other financial services and provision of deposit services by Chinacoal Finance to the Parent Group) contemplated under the 2021 Financial Services Framework Agreement (the “**Financial Services**”, together with the Coal Transactions, the Procurement Transactions, the Supply Transactions and the Services Transactions, i.e. the Non-exempt Continuing Connected Transactions), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 29 April 2020 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 28 April 2020, the Group entered into the 2021 Coal Supply Framework Agreement, the 2021 Financial Services Framework Agreement, the 2021 Integrated Materials and Services Mutual Provision Framework Agreement and the 2021 Project Design, Construction and General Contracting Services Framework Agreements to renew the Existing Continuing Connected Transactions (including the annual caps thereof for the three years ending 31 December 2020).

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, each of the Non-exempt Continuing Connected Transactions constitutes non-exempt continuing connected transactions and (as the case may be) discloseable transactions of the Company and shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Hong Kong Listing Rules.

The Independent Board Committee comprising Zhang Ke, Zhang Chengjie, and Leung Chong Shun has been established to advise the Independent Shareholders on (i) whether the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Non-exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolution(s) to approve the Non-exempt Continuing Connected Transactions at the AGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and/or the management of the Company (the “**Management**”). We have assumed that all information and representations that have been provided by the Directors and/or the Management, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and/or the Management in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors/the Management, which have been provided to us. Our opinion is based on the Directors' and the Management's representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Non-exempt Continuing Connected Transactions. We consider that we have taken sufficient and necessary steps (including review of framework agreements in respect of the Non-exempt Continuing Connected Transactions, framework agreements in respect of the Existing Continuing Connected Transactions, various individual contracts/approval forms in respect of transactions contemplated under the Existing Continuing Connected Transactions; and analysis on historical amount of the Existing Continuing Connected Transactions and estimated figures of the Non-exempt Continuing Connected Transactions obtained from the Company) on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

LETTER FROM GRAM CAPITAL

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement as contained in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Parent Group and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Non-exempt Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Non-exempt Continuing Connected Transactions, we have taken into consideration of the following principal factors and reasons:

Background of the Non-exempt Continuing Connected Transactions

Information on the Company

With reference to the Board Letter, the Company is principally engaged in coal production, sales and trading, coal chemical business, coal mining equipment manufacturing and other related operations in China.

LETTER FROM GRAM CAPITAL

Information on the Parent

With reference to the Board Letter, the Parent is a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company. 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.

Reasons for and benefit of the Non-exempt Continuing Connected Transactions

With reference to the Board Letter, benefits of the Non-exempt Continuing Connected Transactions included the followings:

- the 2021 Coal Supply Framework Agreement enables (i) the Group to secure a stable source of 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;
- 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 Group's relevant materials and services in its ordinary course of business at market prices;
- 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; and
- the 2021 Financial Services Framework Agreement will do benefit to strength centralized financial management and capital collection, provide room for increasing scale of credit, enhance 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.

As confirmed by the Management, as the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on a frequent and regular basis, it would be (i) costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders as required by the Hong Kong Listing Rules, if necessary; and (ii) impracticable to seek Independent Shareholders' approval upon confirmation of members of the Parent Group's successful bidding for goods or services to be provided or confirmation of members of the Group's successful bidding for goods or services to be provided regarding contract value over certain thresholds under the Non-exempt Continuing Connected Transactions which are

LETTER FROM GRAM CAPITAL

selected through bidding process with the specific timetable. Accordingly, the Management is of the view that the Non-exempt Continuing Connected Transactions are beneficial to the Company and the Shareholders as a whole.

Chinacoal Finance is primarily engaged in providing financial services to the Parent, its subsidiaries and its associates. We understand from the Management that Chinacoal Finance has been providing credit services, deposit services and financial services to the Parent Group since 2014. According to the audited financial report of Chinacoal Finance for FY2019, a significant portion of total revenue were derived from the net interest income (including the provision of loan services to the Parent Group) for the year ended 31 December 2018 (“FY2018”) and for the year ended 31 December 2019 (“FY2019”).

Having considered the above factors, we consider that the Non-exempt Continuing Connected Transactions are in the interest of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

A. THE COAL TRANSACTIONS

Principal terms of the Coal Transactions

Summarised below are the major terms of the Coal Transactions, details of which are set out under the section headed “(1) 2021 Coal Supply Framework Agreement” of the Board Letter:

Date

28 April 2020

Parties

The Company and the Parent

Continuing transactions

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.

LETTER FROM GRAM CAPITAL

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. Details of the Bohai Bay Thermal Coal Price, the China Coal Price Index, the China Electricity Coal Index and the market prices are set out under the Board Letter.

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 Terms of Coal Transactions**”). 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.

For our due diligence purpose, we obtained more than 10 individual contracts (the “**Individual Coal Contracts**”) in respect of the purchase of coal by the Group from (i) members of the Parent Group; and (ii) independent third parties, and noted the followings:

- According to the Individual Coal Contracts, the prices of different types of coal varied.
- Among all the Individual Coal Contracts, there were four contracts, two of which were entered into between the Group and members of the Parent Group in fourth quarter of 2019; while the remaining two contracts were entered into between the Group and independent third parties in first quarter of 2019. Despite that the four contracts were not entered into during a close period, the Bohai Bay Thermal Coal Prices and the China Coal Price Index of China Coal Transport and Distribution Associations were respectively at similar level at the different contract dates.

LETTER FROM GRAM CAPITAL

Pursuant to the 2018 Coal Supply Framework Agreement, the spot sales prices of coal shall be determined and promptly adjusted in accordance with market prices. As confirmed by the Management, coal prices of the four contracts were spot prices. Therefore, the coal prices under the four contracts referred to the spot sales prices and determined and promptly adjusted in accordance with market prices.

According to the four contracts, (i) the types of coal are similar under the contracts; (ii) the prices charged by the Parent Group were not higher than those charged by the independent third parties; and (iii) the payment terms under the contracts were similar.

- Among all the Individual Coal Contracts, there were two contracts (one of which was entered into between the Group and a member of the Parent Group; while another one was entered into between the Group and an independent third party) with the same contract date. According to the two contracts, (i) the types of coal were the same under the contracts; (ii) the price charged by the member of Parent Group was the same as those charged by the independent third party; and (iii) the payment terms under the contracts were the same.
- Among all the Individual Coal Contracts, there was one contract entering into between the Group and a member of the Parent Group. According to the contract, the price was determined based on relevant coal index with a downward adjustment.
- The payment terms thereunder were in line with the Payment Terms of Coal Transactions.

With reference to the Board Letter, the Group adopted certain procedures to ensure the transactions will be executed in compliance with the pricing principles under the Coal Transactions. Details of the procedures are set out under the sub-section headed “Internal control measures” under the section headed “(1) 2021 Coal Supply Framework Agreement” of the Board Letter. We consider that the effective implementation of the procedures will ensure the fair pricing of the Coal Transactions.

Upon our further request, the Management confirmed that the Company’s relevant subsidiaries (which were involved in the Coal Transactions) (i) were aware of the internal procedures in respect of the Coal Transactions; and (ii) complied with the internal procedures before conducting the individual transactions contemplated under the 2018 Coal Supply Framework Agreement. Having also considered our findings on Individual Coal Contracts as mentioned above and the Management’s confirmation, we consider that the procedures were effectively implemented.

In light of the above factors, we are of the view that the terms of the Coal Transactions (including the pricing policy and payment terms) are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

Proposed annual caps

Set out below are (i) historical amounts of the Coal Transactions for the two years ended 31 December 2019 with existing annual caps; and (ii) proposed annual caps of the Coal Transactions for the three years ending 31 December 2023 (the “Coal Cap(s)”):

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ending 31 December 2020 (“FY2020”) RMB'000
Historical amounts	3,756,644	4,878,939	N/A
Existing annual caps	8,600,000	9,000,000	9,000,000
Utilisation rate	43.7%	54.2%	N/A

	For the year ending 31 December 2021 (“FY2021”) RMB'000	For the year ending 31 December 2022 (“FY2022”) RMB'000	For the year ending 31 December 2023 (“FY2023”) RMB'000
Coal Caps	10,700,000	11,000,000	11,300,000

The basis for determining Coal Caps for the three years ending 31 December 2023 are set out under sub-section headed “Proposed Annual Caps” under the section headed “(1) 2021 Coal Supply Framework Agreement” of the Board Letter.

Based on the above table, the utilisation rates of existing annual caps for the two years ended 31 December 2019 amounted to approximately 43.7% and 54.2% respectively.

To assess the fairness and reasonableness of the Coal Caps, we requested the Company to provide us the calculation for the Coal Caps.

Based on the calculation, the Coal Cap for FY2021 was calculated by (i) the estimated purchase of coal (in tonne) from the Parent Group for FY2021; and (ii) estimated average purchase price of coal for FY2021.

LETTER FROM GRAM CAPITAL

In respect of the estimated purchase of coal (in tonne) from the Parent Group for FY2021, the Management provided us a breakdown of the estimated purchase of coal (in tonne) from each relevant members of the Parent Group. In addition, the Management also provided us the actual purchase of coal (in tonne) from the Parent Group for each of the two years ended 31 December 2019. The estimated purchase of coal (in tonne) represented an increase of approximately 15 million tonnes as compared to the average actual amount of purchase of coal (in tonne) for FY2018 and FY2019.

As explained by the Management, the increase of approximately 15 million tonnes was mainly due to (i) estimated purchase from certain new members of the Parent Group, which was shown in the breakdown, due to the Parent Group's participation in the integration of coal-related resources of enterprises under the supervision of the Central Government in recent years; and (ii) estimated purchase of two million tonnes as the possible improvement of coal supply by the Parent Group as the continuous integration of other coal-related resources.

Having considered the breakdown of the estimated coal purchase amount (in tonnes) and the above explanation, we consider the estimated purchase of coal (in tonne) from the Parent Group for FY2021 to be justifiable.

In respect of the estimated average purchase price of the coal, we noted that the estimated purchase price (i) falls within the range of purchase prices as shown in the Individual Coal Contracts; and (ii) does not have material difference with the China Coal Price Index of China Coal Transport and Distribution Associations as at the Latest Practicable Date. Accordingly, we consider the estimated purchase price for FY2021 to be justifiable.

Based on the above factors, we are of the view that the Coal Cap for FY2021 to be fair and reasonable.

According to the table above, the Coal Cap for FY2022 represented an increase of approximately 2.8% as compared to that for FY2021; and the Coal Cap for FY2023 represented an increase of approximately 2.7% as compared to that for FY2022. Having considered the historical increase in purchase of coal (in RMB) being approximately 29.9% from FY2018 to FY2019 and the Management's expectation that the estimated demand of coal under the Coal Transactions would be stable during FY2021 to FY2023, we are of the view that the aforesaid estimated increases in FY2022 and FY2023 (which were less than the historical increase from FY2018 to FY2019 and were an immaterial increase) to be acceptable.

Given the above, we consider that the Coal Caps for the two years ending 31 December 2023 to be fair and reasonable.

Shareholders should note that as the Coal Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenue/cost/income to be incurred from the Coal Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost/income to be incurred from the Coal Transactions will correspond with the Coal Caps.

LETTER FROM GRAM CAPITAL

B. THE PROCUREMENT TRANSACTIONS AND SUPPLY TRANSACTIONS

Principal terms of the Procurement Transactions and Supply Transactions

Summarised below are the major terms of the Procurement Transactions and the Supply Transactions, details of which are set out under the section headed “(2) 2021 Integrated Materials and Services Mutual Provision Framework Agreement” of the Board Letter:

Date

28 April 2020

Parties

The Company and the Parent

Continuing transactions

- Procurement Transactions: the Parent Group shall supply the Group (1) production materials and ancillary services, including raw materials, auxiliary materials, transportation, loading and uploading 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
- Supply Transactions: 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 uploading 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.

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.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, 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.

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.

Details of the pricings for above pricing policies are set out under the sub-section headed “Price determination” under the section headed “(2) 2021 Integrated Materials and Services Mutual Provision Framework Agreement” of the Board Letter.

Upon our request, the Company provided more than three individual contracts entered into/finalised individual contracts to be entered into between the Group and members of the Parent Group in respect of the Procurement Transactions with relevant documents showing the Group’s price quotation results. We noted from the aforesaid documents that (i) there were at least three suppliers (including two independent third parties) which provided their quotations for each procurement; (ii) the price offered by members of the Parent Group did not exceed the range of prices offered by independent third parties for same procurement; and (iii) the payment terms under the individual contracts were in line with those as required in the tender documents.

LETTER FROM GRAM CAPITAL

In addition, the Company also provided us three sets of individual contracts entered into between the Group and (i) members of the Parent Group; and (ii) independent third parties in respect of the supply production materials by the Group. The Management further advised us the volume (in tonne) of production materials in the individual contracts. We noted from the aforesaid documents and information that (i) the average per tonne price of production materials offered by the Group to the Parent Group were not lower than the average per tonne price of similar production materials offered by the Group to the independent third parties; and (ii) the payment terms offered by the Group to the members of Parent Group were no more favourable than those offered by the Group to the independent third party.

With reference to the Board Letter, the Group adopted certain procedures to ensure the transactions will be executed in compliance with the pricing principles stipulated in the Procurement Transactions and Supply Transactions. Details of the procedures are set out under the section headed “Internal control measures” under the section headed “(2) 2021 Integrated Materials and Services Mutual Provision Framework Agreement” of the Board Letter. We consider that the effective implementation of the procedures will ensure the fair pricing of the transactions contemplated under the Procurement Transactions and Supply Transactions.

Upon our further request, the Management confirmed that the Company’s relevant subsidiaries (which were involved in the Procurement Transactions and/or Supply Transactions) (i) were aware of the internal procedures in respect of the Procurement Transactions and the Supply Transactions (as the case may be); and (ii) complied with the internal procedures before conducting the individual transactions contemplated under the 2018 Integrated Materials and Services Mutual Provision Framework Agreement. Having also considered the above our findings and the Management’s confirmation, we consider that the procedures were effectively implemented.

In light of the above factors, we are of the view that the terms of the Procurement Transactions and Supply Transactions (including the pricing policy and payment terms) are on normal commercial terms and are fair and reasonable.

Proposed annual caps

A. Procurement Caps

Set out below are (i) historical amounts of the Procurement Transactions for the two years ended 31 December 2019 with existing annual caps; and (ii) proposed annual caps of the Procurement Transactions for the three years ending 31 December 2023 (the “**Procurement Cap(s)**”):

	For the year ended 31 December 2018 RMB’000	For the year ended 31 December 2019 RMB’000	For the year ending 31 December 2020 RMB’000
Historical amounts	4,178,995	4,761,705	N/A
Existing annual caps	4,200,000	5,900,000	6,100,000
Utilisation rate	99.5%	80.7%	N/A

LETTER FROM GRAM CAPITAL

	For the year ending 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Procurement Caps	6,800,000	7,000,000	7,100,000

The basis for determining Procurement Caps for the three years ending 31 December 2023 are set out under section headed “Proposed Annual Caps” under the section headed “(2) 2021 Integrated Materials and Services Mutual Provision Framework Agreement” of the Board Letter.

Based on the above table, the utilisation rates of existing annual caps for the two years ended 31 December 2019 amounted to approximately 99.5% and 80.7% respectively.

To assess the fairness and reasonableness of the Procurement Caps, we requested the Management to provide us the calculation for the Procurement Caps. Based on the calculation, we noted that estimated procurement of four subsidiary/subsidiary groups represented approximately 90% to the total estimated procurement amount, details are set out as follows:

- The estimated procurement amount of a subsidiary/subsidiary group of the Company (“**Subsidiary Group A**”) represented approximately 39.1% to the total estimated procurement amount for FY2021. Such estimated procurement was the procurement of maintenance services for equipment, purchase of mining equipment, etc..

The estimated procurement amount of Subsidiary Group A for FY2021 represented an increase of less than 5% as compared to the average historical procurement amount of Subsidiary Group A for the two years ended 31 December 2019.

- The estimated procurement amount by a subsidiary/subsidiary group of the Company (“**Subsidiary Group B**”) represented approximately 25.7% to the total estimated procurement amount for FY2021. Such estimated procurement included (i) the estimated purchase of coal as fuel for the daily operation of Unit 1 and Unit 2 of the 2×350MW thermal power project of Subsidiary Group B; and (ii) the proposed procurement of auxiliary materials and ancillary services, such as power operation and maintenance, coal blending processing, equipment maintenance, etc..

The estimated procurement amount of Subsidiary Group B for FY2021 represented a significant increase of approximately 171% as compared to the historical amount for FY2019.

In respect of the implied significant increase in procurement amount by Subsidiary Group B, the Management advised us that a supplier of the Group (which have been providing auxiliary materials and ancillary services such as power operation and

LETTER FROM GRAM CAPITAL

maintenance, coal blending and processing, equipment maintenance, etc., to the Group) became an indirect subsidiary of the Parent. Accordingly, the transactions between this supplier and Subsidiary Group B would become continuing connected transactions contemplated under the Procurement Transactions, representing approximately 53.1% to the estimated procurement amount of the Subsidiary Group B for FY2021.

In addition, the operation of Unit 1 and Unit 2 of the 2×350MW thermal power project (Unit 2 of the thermal power project commenced operation in May 2019) also lead to the increase of coal purchase under the Procurement Transactions.

Excluding the increase amount due to the reasons of (i) a supplier became connected person of the Company; and (ii) operation of thermal power project as mentioned above, the estimated procurement amount of Subsidiary Group B for FY2021 is close to the average historical procurement amount of Subsidiary Group B for FY2018 and FY2019.

- The estimated procurement amount by a subsidiary/subsidiary group of the Company (“**Subsidiary Group C**”) represented approximately 16.6% to the total estimated procurement amount for FY2021. Such estimated procurement included services for mine installation, mine excavation, mining outsourcing, coal washing, etc..

The estimated procurement amount of Subsidiary Group C for FY2021 represented a significant increase of approximately 118% as compared to the historical amount for FY2019.

The Management advised that the significant increase was mainly use to (i) two of the Subsidiary Group C’s coal mines commenced operation in the end of 2018; and (ii) the gradual release of the two coal mines’ production capacity, which may also lead the requirements of relevant services (such as mine installation, mine excavation, mining services outsourcing, coal washing) gradually increased.

Excluding the increase amount due to the reasons of coal mine operation as mentioned above, the estimated procurement amount of Subsidiary Group C for FY2021 did not deviate much the historical procurement amount of Subsidiary Group C for FY2019.

- The estimated procurement amount by a subsidiary/subsidiary group of the Company (“**Subsidiary Group D**”) represented approximately 8.4% to the total estimated procurement amount for FY2021. Such estimated procurement included services for downhole system maintenance, electromechanical installation, production tunneling, relocation, etc..

LETTER FROM GRAM CAPITAL

Having reviewed the major components of the Procurement Cap for FY2021 and considered the historical transactions for FY2019 and reasons of increase as mentioned above, we consider that the Procurement Cap for FY2021 to be fair and reasonable.

According to the table above, the Procurement Cap for FY2022 represented an increase of approximately 2.9% as compared to that for FY2021 and the Procurement Cap for FY2023 represented an increase of approximately 1.4% as compared to that for FY2022. Having considered the historical increase in procurement transactions (in RMB) of approximately 13.9% from FY2018 to FY2019, we are of the view that the aforesaid estimated increases in FY2022 and FY2023, which were less than the historical increase from FY2018 to FY2019, to be acceptable.

In light of the above factors, we are of the view that the Procurement Caps for the two years ending 31 December 2023 to be fair and reasonable.

B. Supply Caps

Set out below are (i) historical amounts of the Supply Transactions for the two years ended 31 December 2019 with existing annual caps; and (ii) proposed annual caps of the Supply Transactions for the three years ending 31 December 2023 (the “Supply Cap(s)”):

	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>	For the year ending 31 December 2020 <i>RMB'000</i>
Historical amounts	535,089	1,428,695	N/A
Existing annual caps	1,250,000	2,000,000	2,300,000
Utilisation rate	42.8%	71.4%	N/A
	For the year ending 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Supply Caps	3,100,000	3,300,000	3,400,000

The basis for determining Supply Caps for the three years ending 31 December 2023 are set out under sub-section headed “Proposed Annual Caps” under the section headed “(2) 2021 Integrated Materials and Services Mutual Provision Framework Agreement” of the Board Letter.

LETTER FROM GRAM CAPITAL

Based on the above table, the utilisation rates of existing annual caps for the two years ended 31 December 2019 amounted to approximately 42.8% and 71.4% respectively.

To assess the fairness and reasonableness of the Supply Caps, we requested the Management to provide us the calculation for the Supply Caps. Based on the calculation, we noted that estimated supply amounts of four subsidiary/subsidiary groups represented approximately 90% to the total estimated procurement amount, details are set out as follows:

- The estimated supply amount of a subsidiary/subsidiary group of the Company (“**Subsidiary Group E**”) represented approximately 37.6% to the total estimated supply amount for FY2021. The Subsidiary Group E supplies, among other things, equipment, accessories, etc..

The estimated supply amount of Subsidiary Group E for FY2021 represented an increase of approximately 42.5% as compared to the historical supply amount of Subsidiary Group E for FY2019. Upon our enquiry, the Management advised that the estimation was made with reference to the Subsidiary Group E’s research on the possible purchasers’ (i.e. members of the Parent Group) mining plan and existing equipment and spare parts replacement cycles.

- The estimated supply amount by a subsidiary/subsidiary group of the Company (“**Subsidiary Group F**”) represented approximately 38.3% to the total estimated supply amount for FY2021. The Subsidiary Group F mainly supplies coal to members of the Parent Group (some of which were acquired by the Parent Group by the end of 2019).

Upon our further enquiry, the Management provided estimated supply volume (in tonne) and estimated average price of coal. The estimated supply amount was calculated by the estimated supply volume (in tonne) times estimated average price of coal.

- The estimated supply amount by a subsidiary/subsidiary group of the Company (“**Subsidiary Group G**”) represented approximately 9.4% to the total estimated supply amount for FY2021. The Subsidiary Group G supplies relevant materials and e-commerce information services to the Parent Group.
- The estimated supply amount by the Subsidiary Group A represented approximately 6.0% to the total estimated procurement amount for FY2021. The Subsidiary Group A supplies ammonium nitrate products.

Upon our further enquiry, the Management provided estimated supply volume (in tonne) and estimated average price of ammonium nitrate products. The estimated supply amount was calculated by the estimated supply volume (in tonne) times estimated average price of ammonium nitrate products.

LETTER FROM GRAM CAPITAL

Having reviewed the major components of the Supply Cap for FY2021 and considered the historical transactions for FY2019 and reasons of increase as mentioned above, we consider that the Supply Cap for FY2021 to be fair and reasonable.

According to the table above, the Supply Cap for FY2022 represented an increase of approximately 6.5% as compared to that for FY2021 and the Supply Cap for FY2023 represented an increase of approximately 3.0% as compared to that for FY2022. We are of the view that the aforesaid estimated increases to be acceptable.

In light of the above factors, we are of the view that the Supply Caps for the two years ending 31 December 2023 to be fair and reasonable.

Shareholders should note that as the Procurement Caps and Supply Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenue/cost/expense to be incurred from the Purchase Transactions and Supply Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost/expense to be incurred from the Purchase Transactions and Supply Transactions will correspond with the Procurement Caps and Supply Caps respectively.

C. THE SERVICES TRANSACTIONS

Principal terms of the Services Transactions

Summarised below are the major terms of the Services Transactions, details of which are set out under the section headed “(3) 2021 Project Design, Construction and General Contracting Services Framework Agreement” of the Board Letter:

Date

28 April 2020

Parties

The Company and the Parent

Continuing transactions

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.

LETTER FROM GRAM CAPITAL

Term and termination

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.

Price determination

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. Details of bidding process are set out under the sub-section headed “Price determination” under the section headed “(3) 2021 Project Design, Construction and General Contracting Services Framework Agreement” of the Board Letter.

With reference to the Board Letter, as for the project design services provided by the Parent Group to the Group, the payment shall be made by the Group by instalments 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 instalments 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 instalments 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 instalments 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.

Upon our request, the Company provided three individual contracts entered into/finalised individual contracts to be entered into between the Group and members of the Parent Group in respect of the Services Transactions with relevant documents showing the Group’s price quotation results. We noted from the aforesaid documents that (i) there were at least three suppliers (including two independent third parties) provided their quotations for each project; (ii) the price offered by connected persons did not exceed the range of prices offered by independent third parties for each project; and (iii) the payment terms under the individual contract were in line with those as required in the tender documents.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Group adopted certain procedures to ensure the transactions will be executed in compliance with the pricing principles stipulated in the Services Transactions. Details of the procedures are set out under the sub-section headed “Internal control measures” under the section headed “(3) 2021 Project Design, Construction and General Contracting Services Framework Agreement” of the Board Letter. We consider that the effective implementation of the procedures will ensure the fair pricing of the transactions contemplated under the Services Transactions.

Upon our further request, the Management confirmed that the Company’s relevant subsidiaries (which were involved in the Services Transactions) (i) were aware of the internal procedures in respect of the Services Transactions; and (ii) complied with the internal procedures before conducting the individual transactions contemplated under the 2018 Project Design, Construction and General Contracting Services Framework Agreement. Having considered the above our findings and the Management’s confirmation, we consider that the procedures were effectively implemented.

In light of the above factors, we are of the view that the terms of the Services Transactions (including the pricing policy and payment terms) are on normal commercial terms and are fair and reasonable.

Proposed annual caps

Set out below are (i) historical amounts of the Services Transactions for the two years ended 31 December 2019 with existing annual caps; and (ii) proposed annual caps of the Services Transactions for the three years ending 31 December 2023 (the “**Services Cap(s)**”):

	For the year ended 31 December 2018 RMB’000	For the year ended 31 December 2019 RMB’000	For the year ending 31 December 2020 RMB’000
Historical amounts	2,053,753	1,872,877	N/A
Existing annual caps	6,050,000	4,200,000	5,500,000
Utilisation rate	34.0%	44.6%	N/A
	For the year ending 31 December 2021 RMB’000	For the year ending 31 December 2022 RMB’000	For the year ending 31 December 2023 RMB’000
Services Caps	5,800,000	2,900,000	2,900,000

LETTER FROM GRAM CAPITAL

The basis for determining Services Caps for the three years ending 31 December 2023 are set out under section headed “Proposed Annual Caps” under the section headed “(3) 2021 Project Design, Construction and General Contracting Services Framework Agreement” of the Board Letter.

Based on the above table, the utilisation rate of existing annual caps for the two years ended 31 December 2019 amounted to approximately 34.0% and 44.6%.

As further advised by the Management, the estimated demand of Services Transactions for the three years ending 31 December 2023 was mainly determined with reference to (i) historical transaction amounts under the Services Transactions for FY2019; and (ii) increase in demand of Services Transactions for the three years ending 31 December 2023 due to a subsidiary group of the Company (“**Subsidiary Group H**”) and the Subsidiary Group D.

To assess the fairness and reasonableness of the Services Caps, we requested the Management to provide us the breakdown for the Services Caps. In addition, we also discussed with the Management in respect of the significant increase for FY2021 as compared to the actual transaction amount for FY2019. We noted the followings:

- The estimated demand of Services Transactions of Subsidiary Group H represented approximately 52.1% to the total estimated services amount for FY2021.

As advised by the Management, the estimated significant increase in the estimated services amount to Subsidiary Group H was mainly due to the smooth progress of its Dahaize Coal Mine project, which resumed construction in 2019 after a suspension of construction for few years.

We further noted that Dahaize Coal Mine project will build a 15 million tonnes/year coal mine and an auxiliary coal preparation plant. The adjusted total investment is approximately RMB13.0 billion. As at 31 December 2019, the cumulative investment amounted to approximately RMB6.256 billion. The project has been granted approval and has obtained mining rights licenses.

As advised by the Management, as at 31 December 2019, nearly half of the construction work was completed and the completion of construction was expected to be in the early of FY2022.

Based on the above factors, the Management expected the Services Transactions to increase significantly during FY2020 and FY2021.

- The estimated demand of Services Transactions of Subsidiary Group D represented approximately 16.2% to the total estimated services amount for FY2021.

LETTER FROM GRAM CAPITAL

As advised by the Management, the estimated significant increase in the estimated services amount to Subsidiary Group D was mainly due to the smooth progress of its Libi Coal Mine project, which commenced the construction in 2019.

We further noted that Libi Coal Mine project will build a 4 million tonnes/year coal mine and an auxiliary coal preparation plant. The adjusted total investment is approximately RMB5.7 billion. As at 31 December 2019, the cumulative investment amounted to approximately RMB1.165 billion. The project has been granted approval and has obtained mining rights licenses.

As advised by the Management, as at 31 December 2019, nearly 13% of the construction work was completed and the completion of construction is expected to take place in 2024.

- The abovementioned increase amount represented approximately 87% to total increase as calculated by the estimated demand of Services Transactions for FY2021 minus the historical demand of Services Transactions for FY2019.
- The estimated demand of Services Transactions of Subsidiary Group A represented approximately 10.8% to the total estimated services amount for FY2021.

The estimated demand of Services Transactions of Subsidiary Group A for FY2021 represented an increase of approximately 35% as compared to the average historical supply amount of Subsidiary Group A for FY2018 and FY2019. Upon our enquiry, the Management advised us that the estimation was made with reference to (i) the estimated demand of related services from the Parent Group for the Subsidiary Group A's coal mine; and (ii) estimated demand of general contracting services for a new thermal coal power project. Upon our enquiry, the Management further provided us the total estimated investment budget for the new thermal coal power project.

The estimated demand of Services Transactions of Subsidiary Group A (excluding the estimated demand of general contracting services for the new thermal coal power project) for FY2021 was close to the average historical supply amount of Subsidiary Group A for FY2018 and FY2019.

Having considered the historical transaction amounts for FY2018 and FY2019 and the reasons for the significant increase as mentioned above, we consider that the Services Cap for FY2021 to be fair and reasonable.

LETTER FROM GRAM CAPITAL

According to the table above, the Services Caps for FY2022 and FY2023 represented substantial decreases of 50% as compared to the Services Cap for FY2021. As advised by the Management, such decreases was mainly due to the expected completion of construction for Dahaize Coal Mine projects in the early of FY2022. The Management expected that the demand on Services Transactions (other than demands due to Dahaize Coal Mine projects) remains stable.

In light of the above factors, we consider that the Services Caps for FY2022 and FY2023 to be fair and reasonable.

Shareholders should note that as the Services Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenue/cost/expense to be incurred from the Services Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost/expense to be incurred from the Services Transactions will correspond with the Services Caps.

D. THE FINANCIAL SERVICES

Principal terms of the Financial Services

Summarised below are the major terms of the Financial Services, details of which are set out under the section headed “(4) 2021 Financial Services Framework Agreement” of the Board Letter:

Date

28 April 2020

Parties

Chinacoal Finance and the Parent

Continuing transactions

Chinacoal Finance has agreed to provide, among other things, the Financial Services, to the Parent Group.

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.

LETTER FROM GRAM CAPITAL

Price determination

With reference to the Board Letter, the pricing principles of the Financial Services to be provided by Chinacoal Finance to the Parent Group are as follows:

- 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 case, 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.

Upon our request, we obtained three loan agreements with relevant approval documents. Based on the aforesaid documents, we noted that (i) Chinacoal Finance's credit management department conducted pre-loan investigation on loan applications to, among other things, assess the customers' creditworthiness; (ii) Chinacoal Finance's risk management department reviewed loan applications and reported to Chinacoal Finance's credit examining committee (which consists of five members); (iii) Chinacoal Finance's credit examining committee issued examination conclusions, which were further reported to and reviewed by the Chinacoal Finance's general manager and chairman. In addition, we noted that the interest rates for loans charged by Chinacoal Finance to the members of Parent Group were not lower than the base rates prescribed by the PBOC for such type of loans.

With reference to the Board Letter, 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. Details of the measures are set out under the section headed "Internal Control Environment and Risk Management Function of Chinacoal Finance" of the Board Letter. We consider that the effectiveness of implementation of the measures will ensure the fair pricing of the Financial Services.

Upon our further request, the Management confirmed that Chinacoal Finance (i) was aware of the internal control measures in respect of the Financial Services; and (ii) complied with the internal control measures before conducting the individual transactions contemplated under the 2018 Financial Services Framework Agreement. Having also considered the above findings and the Management's confirmation, we consider that the measures were effectively implemented.

Having considered the above factors, we are of the view that the terms of the Financial Services are on normal commercial terms and are fair and reasonable.

LETTER FROM GRAM CAPITAL

Proposed annual caps

Set out below are (i) historical amounts of the Financial Services for the two years ended 31 December 2019 with existing annual caps; and (ii) proposed annual caps of the Financial Services for the three years ending 31 December 2023 (the “**Financial Services Cap(s)**”):

	For the year ended 31 December 2018 <i>RMB'000</i>	For the year ended 31 December 2019 <i>RMB'000</i>	For the year ending 31 December 2020 <i>RMB'000</i>
Historical amounts	4,288,908	4,363,252	N/A
Maximum daily balance of loans and financial leasing (including accrued interest) granted by Chinacoal Finance to the Parent Group	4,500,000	7,500,000	8,000,000
	For the year ending 31 December 2021 <i>RMB'000</i>	For the year ending 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Maximum daily balance of loans and financial leasing (including accrued interest) granted by Chinacoal Finance to the Parent Group	8,500,000	9,000,000	9,500,000

The basis for determining proposed annual caps for the three years ending 31 December 2023 are set out under sub-section headed “Proposed annual caps” under the section headed “(4) 2021 Financial Services Framework Agreement” of the Board Letter.

For our due diligence purpose, we obtained financial information showing Chinacoal Finance’s deposit in the Central Bank (存放中央銀行款項) and deposit in other institutions (存放同業款項) (collectively, the “**Finance Company Deposits**”) as at 31 December 2019. Based on the aforesaid financial information, the actual maximum day-end balance of loans and financial leasing (including accrued interest) granted by Chinacoal Finance to the Parent Group for FY2019 represented approximately 23.3% to Finance Company Deposits as at 31 December 2019.

The Financial Services Caps for each of the three years ending 31 December 2023 represented approximately 45.5%, 48.2% and 50.8% to the Finance Company Deposits as at 31 December 2019.

LETTER FROM GRAM CAPITAL

In addition, we noted that the Financial Services Caps for each of the three years ending 31 December 2023 represented approximately 8.5%, 9.0% and 9.5% respectively to the Parent Group's short-term and long-term borrowings as at 30 September 2019.

Having considered the above ratios and that Chinacoal Finance (i) will provide such services to the Parent Group only (a) after the relevant pricing policies and internal control procedures as set out under the section headed "Internal control environment and risk management function of Chinacoal Finance" being fulfilled; and (b) when Chinacoal Finance has sufficient and available fund; and (ii) will have the sole discretion on the provision of the unsecured loan services, we are of the view the Financial Services Caps for each of the three years ending 31 December 2023 to be fair and reasonable.

In light of the above factors, we consider that the Financial Services Caps for the three years ending 31 December 2023 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2023, and they do not represent forecasts of revenue/cost to be incurred from the Financial Services. Consequently, we express no opinion as to how closely the actual revenue/cost to be incurred from the Financial Services will correspond with the Financial Services Caps.

Hong Kong Listing Rules implications

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the values/maximum values of the Non-exempt Continuing Connected Transactions must be restricted by their respective proposed annual caps for the period concerned under the relevant framework agreements; (ii) the terms of the Non-exempt Continuing Connected Transactions (including their respective proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Non-exempt Continuing Connected Transactions must be included in the Company's subsequent published annual reports and financial accounts.

Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Non-exempt Continuing Connected Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the listed issuer's group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded their respective proposed annual caps.

LETTER FROM GRAM CAPITAL

In the event that the total/maximum amounts of the Non-exempt Continuing Connected Transactions are anticipated to exceed their respective proposed annual caps, or that there is any proposed material amendment to the terms of the Non-exempt Continuing Connected Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules, we are of the view that there are adequate measures in place to monitor the Non-exempt Continuing Connected Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Non-exempt Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the AGM (as detailed in the notice of AGM as set out at the end of the Circular) to approve the Non-exempt Continuing Connected Transactions and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

* *For identification purpose only*

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 20 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE OFFICER

As at the Latest Practicable Date, none of the Directors, Supervisors or the chief executive officer of the Company had any interest or short position in the shares, underlying shares and debentures of the Company or any of its associated corporation(s) (within the meaning of Part XV of the SFO), which are required to be notified to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and to the Hong Kong Stock Exchange under the provisions of Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they have taken or were deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered into the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by the Directors of Listed Issuers, to be notified to the Company and the Hong Kong Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

So far as is known to the Directors, the Supervisors and the chief executive officer of the Company, as at the Latest Practicable Date, the following persons, other than a Director, a Supervisor, or the chief executive officer of the Company, had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO, or, who is directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group:

Name of shareholders	Number of shares	Class of shares	Nature of Interest	Capacity	Percentage of respective type of shares in issue (%)	Percentage of total shares in issue (%)
China National Coal Group Corporation	7,605,207,608	A Share(s)	N/A	Beneficial owner	83.10	57.36
	132,351,000	H Share(s)	Long position	Interests of controlled corporation by substantial shareholders	3.22	1.00
<i>Total</i>	7,737,558,608				-	58.36

Name of shareholders	Number of shares	Class of shares	Nature of Interest	Capacity	Percentage of respective type of shares in issue (%)	Percentage of total shares in issue (%)
Funde Sino Life Insurance Co., Ltd.	2,012,858,147	H Share(s)	Long position	Interests of controlled corporation by substantial shareholders	49.01	15.18

Notes:

1. As at the Latest Practicable Date, save as Mr. Li Yanjiang, Mr. Peng Yi, Mr. Du Ji'an, Mr. Zhao Rongzhe and Mr. Xu Qian, there is no other Director who is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.
2. China Coal Group holds 100% equity interest in China Coal Hong Kong Limited, which in turn holds 132,351,000 H Shares, representing 1.00% of the total issued share capital of the Company. Pursuant to the SFO, China Coal Group is deemed to be interested in the H Shares owned by China Coal Hong Kong Limited. Therefore, China Coal Group holds a total of 7,737,558,608 Shares of the Company directly and indirectly, accounting for 58.36% of the total shares in issue of the Company.

Save as disclosed above, as at the Latest Practicable Date, so far as is known to the Directors, the Supervisors and the chief executive officer of the Company, there was no other person (other than the Directors, the Supervisors or the chief executive of the Company) who had interests or short positions in the shares or underlying shares which would fall to be disclosed to the Company under the provisions of divisions 2 and 3 of Part XV of the SFO.

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors and the Supervisors were not aware of any material adverse change in the financial position or trading position of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group was made up.

5. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and the Supervisors nor their respective associates was interested in any business which competed or was likely to compete, either directly or indirectly, with the business of the Group which would require disclosure under the Hong Kong Listing Rules and none of the Directors and the Supervisors nor their respective associates was materially interested in any contract or arrangement at the Latest Practicable Date which was significant to the business of the Group taken as a whole.

6. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors nor the Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2019, being the date to which the latest published audited financial statements of the Group were made up, or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors nor the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors nor the Supervisors had any existing or proposed service contracts with any member of the Group which will not expire or is not determinable by the employer within one year without payment of compensation (other than statutory compensation).

8. LITIGATION

As far as the Directors are aware, none of the members of the Group is engaged in any litigation or arbitration or claim of material importance and no litigation or claim of material importance is known to the Directors to be pending or threatened by or against any member of the Group as at the Latest Practicable Date.

9. EXPERT'S QUALIFICATION AND CONSENT

Gram Capital, as the Independent Financial Adviser, has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter of advices and references to its names in the form and context in which it appear.

The following is the qualification of Gram Capital who has given its opinions or advices which are contained in this circular:

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

10. EXPERT'S INTERESTS

As the Latest Practicable Date, Gram Capital did not have any direct or indirect interest in any asset which have been acquired, or disposed of by, or leased to any member of the Group, or which are proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2019, the date to which the latest audited financial statements of the Group were made up; and has no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

11. METHOD OF VOTING AT THE AGM

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of shareholders at a general meeting must be taken by way of poll. Accordingly, the chairman of the AGM will demand a poll in relation to resolutions to be proposed at the AGM.

12. MISCELLANEOUS

- (a) The company secretary of the Company is Mr. Yi Baohou. Mr. Yi Baohou, by virtue of his relevant experiences, has been confirmed capable of discharging the functions of company secretary pursuant to the Rule 3.28 of the Hong Kong Listing Rules and qualified for the position of company secretary under the Hong Kong Listing Rules by the Hong Kong Stock Exchange.
- (b) The registered office of the Company is situated at No.1 Huangsidajie, Chaoyang District, Beijing, the PRC.
- (c) The H share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited which is situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.

13. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the principal place of business of the Company in Hong Kong at Room 2608, 26th Floor, Office Tower Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong during normal business hours on any business day from the date of this circular up to and including Thursday, 14 May 2020:

- (a) 2021 Coal Supply Framework Agreement;
- (b) 2021 Financial Services Framework Agreement;
- (c) 2021 Integrated Materials and Services Mutual Provision Framework Agreement;

- (d) 2021 Project Design, Construction and General Contracting Services Framework Agreements;
- (e) the letter from the Independent Board Committee to the Independent Shareholders as set out in this circular;
- (f) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders as set out in this circular;
- (g) the letter of consent from the expert referred to under the paragraph headed “Expert’s Qualification and Consent” in this appendix; and
- (h) this circular.

NOTICE OF THE ANNUAL GENERAL MEETING



CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock code: 01898)

NOTICE OF THE ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2019 Annual General Meeting (the “AGM”) of the shareholders of China Coal Energy Company Limited (the “Company”) will be held at 2:30 p.m. on Tuesday, 16 June 2020 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the People’s Republic of China (the “PRC”), for the purpose of passing the following resolutions:

AS ORDINARY RESOLUTIONS

1. To consider and, if thought fit, to approve the report of the board of directors of the Company for the year ended 31 December 2019.
2. To consider and, if thought fit, to approve the report of the supervisory committee of the Company for the year ended 31 December 2019.
3. To consider and, if thought fit, to approve the audited financial statements of the Company for the year ended 31 December 2019.
4. To consider and, if thought fit, to approve the profit distribution proposal of the Company, namely, the proposal for distribution of a final dividend of RMB0.127 per share (tax inclusive) in an aggregate amount of approximately RMB1,687,931,100 for the year ended 31 December 2019, and to authorize the board of directors of the Company to implement the aforesaid distribution.
5. To consider and, if thought fit, to approve the capital expenditure budget of the Company for the year ending 31 December 2020.

* For identification purpose only

NOTICE OF THE ANNUAL GENERAL MEETING

6. To consider and, if thought fit, to approve the appointment of Deloitte Touche Tohmatsu Certified Public Accountants LLP as the Company's domestic auditor and Deloitte Touche Tohmatsu as the Company's international auditor for the financial year of 2020 and to authorize the board of directors of the Company to determine their respective remunerations.
7. To consider and, if thought fit, to approve the emoluments of the directors of the fourth session of the board of the Company and the supervisors of the fourth session of the supervisory committee of the Company for the year of 2020.
- 8.00 To consider and, if thought fit, to approve certain continuing connected transaction framework agreements entered into by the Company and the annual caps for the three years ending 31 December 2023 for the relevant transactions contemplated thereunder.
 - 8.01 To consider and, if thought fit, to approve:

“THAT

- a. the coal supply framework agreement dated 28 April 2020 (the “**2021 Coal Supply Framework Agreement**”) entered into between the Company and the Parent, and the annual caps for the three years ending 31 December 2023 for the transactions contemplated thereunder are hereby approved, ratified and confirmed; and
- b. any one director of the Company be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the 2021 Coal Supply Framework Agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient.”

NOTICE OF THE ANNUAL GENERAL MEETING

8.02 To consider and, if thought fit, to approve:

“**THAT**

- a. the integrated materials and services mutual provision framework agreement dated 28 April 2020 (the “**2021 Integrated Materials and Services Mutual Provision Framework Agreement**”) entered into between the Company and the Parent, and the annual caps for the three years ending 31 December 2023 for the transactions contemplated thereunder are hereby approved, ratified and confirmed; and
- b. any one director of the Company be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the 2021 Integrated Materials and Services Mutual Provision Framework Agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient.”

8.03 To consider and, if thought fit, to approve:

“**THAT**

- a. the project design, construction and general contracting services framework agreement dated 28 April 2020 (the “**2021 Project Design, Construction and General Contracting Services Framework Agreement**”) entered into between the Company and the Parent, and the annual caps for the three years ending 31 December 2023 for the transactions contemplated thereunder are hereby approved, ratified and confirmed; and
- b. any one director of the Company be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the 2021 Project Design, Construction and General Contracting Services Framework Agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient.”

NOTICE OF THE ANNUAL GENERAL MEETING

8.04 To consider and, if thought fit, to approve:

“**THAT**

- a. the financial services framework agreement dated 28 April 2020 (the “**2021 Financial Services Framework Agreement**”) entered into between the Chinacoal Finance Co., Ltd.* (中煤財務有限責任公司) (“**Chinacoal Finance**”) and the Parent, and the annual caps regarding the maximum daily balance of loans and financial leasing (including accrued interests) granted by Chinacoal Finance to the Parent Group for the three years ending 31 December 2023 contemplated thereunder are hereby approved, ratified and confirmed; and
- b. any one director of the Company be and is hereby authorized to sign or execute such other documents or supplemental agreements or deeds on behalf of the Company and to do all such things and take all such actions as he may consider necessary or desirable for the purpose of giving effect to the 2021 Financial Services Framework Agreement and completing the transactions contemplated thereunder with such changes as he may consider necessary, desirable or expedient.”

By Order of the Board

China Coal Energy Company Limited

Li Yanjiang

Chairman of the Board, Executive Director

Beijing, the PRC

29 April 2020

As at the date of this notice, 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.

NOTICE OF THE ANNUAL GENERAL MEETING

Notes:

1. ELIGIBILITY FOR ATTENDING THE AGM

Holders of H shares of the Company whose names appear on the register of members of the Company maintained by Computershare Hong Kong Investor Services Limited, the H Share registrar and transfer office of the Company in Hong Kong on Sunday, 17 May 2020 shall be entitled to attend the AGM.

To qualify for attendance and vote at the AGM to be held on Tuesday, 16 June 2020, all transfers of H shares of the Company accompanied by the relevant share certificate must be lodged with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 15 May 2020.

2. RECOMMENDATION OF FINAL DIVIDEND, WITHHOLDING AND PAYMENT OF INCOME TAX FOR NON-RESIDENT LEGAL PERSONS AND OVERSEAS RESIDENT INDIVIDUAL SHAREHOLDERS

The board of directors of the Company has recommended a final dividend of RMB0.127 per share (tax inclusive) in an aggregate amount of approximately RMB1,687,931,100 for the year ended 31 December 2019. If the above profit distribution proposal is approved by the shareholders at the AGM by way of Ordinary Resolution No. 4, the final dividend will be paid to the holders of H share whose names appear on the register of members for H shares of the Company on Saturday, 27 June 2020.

Pursuant to the Enterprise Income Tax Law of the People's Republic of China which came into effect on 1 January 2008 and its implementing rules and other relevant rules, the Company is required to withhold enterprise income tax at a rate of 10% before distributing the final dividend to non-resident enterprise Shareholders whose names appear on the Company's H Share register of members. Any shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organisations, will be treated as being held by non-resident enterprise Shareholders and therefore an enterprise income tax shall be withheld for their dividends receivables.

Pursuant to The Notice on Matters Concerning the Levy and Administration of Individual Income Tax After the Repeal of Guo Shui Fa [1993] No. 045 issued by the State Administration of Taxation on 28 June 2011, the dividend received by the overseas resident individual Shareholders from the stocks issued by domestic non-foreign invested enterprises in Hong Kong is subject to individual income tax at a rate of 10% in general. If an Individual H Shareholder considers that his/her individual income tax withheld by the Company does not comply with the tax rate stipulated in the tax treaties between country(ies) or region(s) in which he/she is domiciled and the PRC, he/she should engage or mandate agency after receiving the dividends according to requirements set out in tax treaties notice, register with the competent tax authority for subsequent taxation handling.

Pursuant to the above mentioned notice, the Company will withhold 10% of the final dividend as individual income tax unless otherwise required by the relevant tax agreements, tax treaties or notices, while distributing the final dividend to the H shareholders whose names appear on the Company's register of members on Saturday, 27 June 2020.

Pursuant to the "Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets" (Cai Shui [2014] No. 81) and the "Notice on Taxation Policies concerning the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets" (Cai Shui [2016] No. 127) jointly promulgated by the Ministry of

NOTICE OF THE ANNUAL GENERAL MEETING

Finance, the State Administration of Taxation and the China Securities Regulatory Commission, for dividends derived by Mainland individual investors from investing in H-share listed on the Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, the Company shall withhold individual income tax at a tax rate of 20% for the investors. For Mainland securities investment funds investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect, individual income tax shall be levied on dividends derived therefrom in accordance with the above rules. Dividends derived by Mainland enterprise investors from investing in shares listed on Hong Kong Stock Exchange through Shanghai Hong Kong Stock Connect or Shenzhen Hong Kong Stock Connect shall be reported and paid by the enterprise investors themselves.

The Company will not withhold or pay enterprise income tax on their behalf in the distribution of dividends. The Company will have no liability in respect of any claims arising from any delay in, or inaccurate determination of the status of the Shareholders or any disputes over the mechanism of withholding.

3. PROXY

- (1) Shareholders entitled to attend and vote at the AGM may appoint one or more proxies in writing to attend and vote at the meeting on his behalf. The proxy need not be a shareholder of the Company.
- (2) A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorised in writing. In case of a corporation, the same must be either under its common seal or under hand of its director(s) or duly authorised attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other documents of authorisation of such attorney shall be notarised.
- (3) To be valid, the notarized power of attorney or other document(s) of authorisation (if any) and the form of proxy shall be delivered to (i) the registered office address of Company for holders of A shares of the Company; and (ii) Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, for holders of H shares of the Company, no less than 24 hours before the time fixed for convening the AGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the meeting if he so desires.
- (4) If a shareholder appoints more than one proxy, such proxies shall only exercise their voting rights by a poll.

4. REGISTRATION PROCEDURES FOR ATTENDING THE AGM

- (1) A shareholder or his proxy shall produce his identification document when attending the AGM. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorised by its board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such shareholder appointing such person to attend the meeting.
- (2) Holders of H shares of the Company intending to attend the AGM shall return to Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong the reply slip stating their attendance on or before Tuesday, 26 May 2020.
- (3) Holders of A shares of the Company intending to attend the AGM shall return to the registered office of the Company at No. 1 Huangsidajie, Chaoyang District, Beijing, 100120, the PRC the reply slip stating their attendance.
- (4) A shareholder may return the above reply slip in person, by post or by facsimile to the Company.

5. CLOSURE OF REGISTER OF MEMBERS

The Register of Members will be closed from Sunday, 17 May 2020 to Tuesday, 16 June 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attendance and vote at the AGM to be held on Tuesday, 16 June 2020, all transfers of H shares of the Company

NOTICE OF THE ANNUAL GENERAL MEETING

accompanied by the relevant share certificate must be lodged with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Friday, 15 May 2020.

The Register of Members will be closed from Monday, 22 June 2020 to Saturday, 27 June 2020 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for receiving the dividend, all transfer documents of the holders of H shares of the Company must be lodged at our H shares Registrar at Hong Kong, Computershare Hong Kong Investor Services Limited at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Friday, 19 June 2020.

6. METHOD OF VOTING AT THE AGM

Pursuant to Rule 13.39 (4) of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, any vote of shareholders at a general meeting of the Company must be taken by way of poll. Accordingly, the chairman of the AGM will demand a poll in relation to the resolutions to be proposed at the AGM.

7. MISCELLANEOUS

- (1) The AGM of the Company is expected to be held for less than half a day. Shareholders attending the AGM shall be responsible for their own travelling and accommodation expenses.
- (2) The address of the Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong is situated at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (3) The registered office and the contact details of the Company are:

No. 1 Huangsidajie
Chaoyang District
Beijing, 100120
the PRC
Telephone: (+8610) 8223 6028
Fax: (+8610) 8225 6479