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CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock Code: 01898)

**CONTINUING CONNECTED TRANSACTIONS AND
DISCLOSEABLE TRANSACTION**

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



Gram Capital Limited

嘉林資本有限公司

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

On 25 October 2023, the Board considered and approved the following continuing connected transactions and determined their Proposed Annual Caps for the three years ending 31 December 2026:

- (1) Partially-exempt Continuing Connected Transactions, including (i) considering that the 2021 Coal and Coal Related Products and Services Supply Framework Agreement will expire on 31 December 2023, the Company entered into the 2024 Coal and Coal Related Products and Services Supply Framework Agreement with Shanxi Coking Coal to renew the transactions under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement, for a term effective from 1 January 2024 to 31 December 2026; and (ii) China Coal Finance Lease Company, a subsidiary of the Company, entered into the 2024 Finance Lease Cooperation Framework Agreement with the Parent, for a term effective from 1 January 2024 to 31 December 2026; and
- (2) Non-exempt Continuing Connected Transactions, including, considering that the transactions between the Company and the Parent 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 Agreements and the 2021 Financial Services Framework Agreement will expire on 31 December 2023, the Company entered into the 2024 Coal Supply Framework Agreement, the 2024 Integrated Materials and Services Mutual Provision Framework Agreement, the 2024 Project Design, Construction and General Contracting Services Framework Agreement and the 2024 Financial Services Framework Agreement with the Parent to renew the above transactions, for a term effective from 1 January 2024 to 31 December 2026.

HONG KONG LISTING RULES IMPLICATIONS

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

According to the Hong Kong Listing Rules, for Partially-exempt Continuing Connected Transactions, excluding the procurement of coal products and coal related products and acceptance of services by the Group from Shanxi Coking Coal Group under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement with all the applicable percentage ratios in respect of the Proposed Annual Caps thereof below 0.1% and fully exempt, 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 thereof are above 0.1% but less than 5%, the above Exempt Continuing Connected Transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the Independent Shareholders' approval requirements of the Hong Kong Listing Rules. For Non-exempt Continuing Connected Transactions, excluding the provision of other financial services by China Coal Finance Company to the Parent Group under the 2024 Financial Services Framework Agreement with all the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the Proposed Annual Caps thereof below 0.1% and fully exempt, and excluding the provision of deposit services by China Coal Finance Company to the Parent Group under the 2024 Financial Services Framework Agreement which is fully exempt according to Rule 14A.90 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 thereof exceed 5%, the above Non-exempt Continuing Connected Transactions are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Furthermore, the provision of loans by China Coal Finance Company to the Parent Group under the 2024 Financial Services Framework Agreement also constitute discloseable transactions of the Company under Chapter 14 of the Hong Kong Listing Rules.

GENERAL INFORMATION

The Company intends to convene an EGM at 15:00 on Tuesday, 21 November 2023 for seeking the approval of the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof. An Independent Board Committee has been formed to advise the Independent Shareholders on the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof, and the Independent Board Committee has approved the appointment of Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Hong Kong Listing Rules.

In order to determine the list of Shareholders who are entitled to attend the EGM, the registers of holders of H Shares will be closed from Thursday, 16 November 2023 to Tuesday, 21 November 2023 (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 on Thursday, 16 November 2023 are entitled to attend the meeting. In order to attend and vote at the EGM, holders of H Shares of the Company 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 Wednesday, 15 November 2023. 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.

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

I. INTRODUCTION

References are made to (i) the announcement of the Company dated 28 April 2020 and the circular of the Company dated 29 April 2020 in relation to, among others, the Existing Continuing Connected Transactions and the annual caps thereof; (ii) the announcement of the Company dated 22 April 2021 in relation to revision of the annual caps for the three years ending 31 December 2023 for the transactions under the 2021 Coal Supply Framework Agreement; (iii) the announcement of the Company dated 27 October 2021 in relation to revision of the annual caps for the three years ending 31 December 2023 for the transactions under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement; and (iv) the announcement of the Company dated 5 July 2022 and the circular dated 11 July 2022 in relation to revision of the 2021 Integrated Materials and Services Mutual Provision Framework Agreement and the 2021 Coal Supply Framework Agreement and the annual caps for the transactions thereunder for the two years ending 31 December 2023.

On 25 October 2023, the Board considered and approved the following continuing connected transactions and determined their annual caps for the three years ending 31 December 2026:

- (1) Partially-exempt Continuing Connected Transactions, including (i) considering that the 2021 Coal and Coal Related Products and Services Supply Framework Agreement will expire on 31 December 2023, the Company entered into the 2024 Coal and Coal Related Products and Services Supply Framework Agreement with Shanxi Coking Coal to renew the transactions under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement, for a term effective from 1 January 2024 to 31 December 2026; and (ii) China Coal Finance Lease Company, a subsidiary of the Company, entered into the 2024 Finance Lease Cooperation Framework Agreement with the Parent, for a term effective from 1 January 2024 to 31 December 2026; and
- (2) Non-exempt Continuing Connected Transactions, including, considering that the transactions between the Company and the Parent 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 Agreements and the 2021 Financial Services Framework Agreement will expire on 31 December 2023, the Company entered into the 2024 Coal Supply Framework Agreement, the 2024 Integrated Materials and Services Mutual Provision Framework Agreement, the 2024 Project Design, Construction and General Contracting Services Framework Agreement and the 2024 Financial Services Framework Agreement with the Parent to renew the above transactions, for a term effective from 1 January 2024 to 31 December 2026.

On the same day, the Board also approved Land Use Rights Leasing Transactions and Property Leasing Transactions and determined their annual caps for the three years ending 31 December 2026, including the total value of newly added right-of-use assets under long-term leases and the total rent under short-term leases that the Group, as the lessee, expects to newly enter into with the Parent Group in accordance with IFRS 16 “Leases”. As such annual caps are lower than the minimum level of exemption as stipulated by the Rule 14A.76(1) (c) of the Hong Kong Listing Rules, Land Use Rights Leasing Transactions and Property Leasing Transactions are fully exempt from the reporting, announcement, annual review and independent shareholders’ approval requirements under Chapter 14A of the Hong Kong Listing Rules.

II. PARTIALLY-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND THE PROPOSED ANNUAL CAPS

(I) 2024 Coal and Coal Related Products and Services Supply Framework Agreement

Date: 25 October 2023

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

Continuing transactions Pursuant to the 2024 Coal and Coal Related Products and Services Supply Framework Agreement, the Group has agreed to purchase the coal and coal related products and accept services from Shanxi Coking Coal Group and Shanxi Coking Coal Group has agreed to purchase the coal and coal related products and accept services from the Group. The 2024 Coal and Coal Related Products and Services Supply Framework Agreement does not prevent the Group and Shanxi Coking Coal Group from freely selecting counterparty to the transaction and trading with any third party.

Term and termination The 2024 Coal and Coal Related Products and Services Supply Framework Agreement is for a term of three years commencing on 1 January 2024 and ending on 31 December 2026. Upon expiry, the 2024 Coal and Coal Related Products and Services Supply Framework Agreement will, subject to compliance with the relevant requirements under the Hong Kong Listing Rules and agreement of the parties, be renewed for a further term of three years.

Price determination Under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement, the prices will be based on the following pricing policy and order:

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

Under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement, the price of coal mining infrastructural project services provided by Shanxi Coking Coal Group to the Group shall be determined through a bidding process and in compliance with applicable laws, regulations and rules. The Group shall stringently follow the steps and/or measurements as stipulated by the Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》). The Group has stipulated the internal manual regarding the management of coal mining infrastructural project bidding process.

The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project's and equipment's technical requirements, the criteria for examination of the contractors and suppliers, the requirements for the bid price and the standard of evaluation of the bid and so on. The Group's bid evaluation committee is responsible for (i) adhering the process is in accordance with the Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》); (ii) reviewing, evaluating and monitoring documents from external suppliers based on the technical, commercial and pricing criteria and payment terms in respect of the price of infrastructural project, which will ensure the terms obtained by the Group from Shanxi Coking Coal Group is no less favourable than those available from independent third parties; and (iii) grading the external suppliers and writing recommendation advice. The Group's bid office is responsible for deciding which coal mining infrastructural project supplier will be awarded the 2024 Coal and Coal Related Products and Services Supply Framework Agreement.

Under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement, the price of coal mining facilities provided by the Group to Shanxi Coking Coal Group shall be determined through a bidding process and in compliance with applicable laws, regulations and rules. The Group shall strictly comply with the Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and all the essential requirements set out in the bid invitation of Shanxi Coking Coal Group in the bidding process. In preparing for the submission of a tender, a 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 to ensure that the tender price and the tender clause to be offered by the Group are fair and reasonable and no more favourable than the price and terms offered by the Group to the independent third parties.

The sales of coal products between the Group and Shanxi Coking Coal Group shall be paid in installments or at sight pursuant to the documents of settlement. As for the coal mine facilities provided by the Group to Shanxi Coking Coal Group, the payment shall be made by Shanxi Coking Coal Group by installments in accordance with the time nodes or other methods agreed by the parties. As for the coal mine construction services provided by Shanxi Coking Coal Group to the Group, the payment shall be made by installments in accordance with the progress of the projects or other methods agreed by the parties. The purchase prices under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement shall be paid in cash, notes or other methods agreed by the parties. The payment method of purchase prices and service fees under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement shall follow the separate implementation agreements entered into between the parties for each of the specific transactions contemplated under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement during the term thereof.

Annual Caps

Actual Transaction Values

The actual transaction values of the transactions under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 are set out below:

Transaction	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Procurement of coal products and coal related products and acceptance of services by Shanxi Coking Coal Group from the Group (fees paid by Shanxi Coking Coal Group to the Group)	854,440,000	1,228,930,000	941,194,000

Historical Annual Caps

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

Transaction	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (Revised) (RMB)	Year ending 31 December 2023 (Revised) (RMB)
Procurement of coal products and coal related products and acceptance of services by Shanxi Coking Coal Group from the Group (fees payable by Shanxi Coking Coal Group to the Group)	2,800,000,000	2,800,000,000	2,800,000,000

The Directors have been monitoring the transaction amount contemplated under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement. As at the date of this announcement, the annual caps for the continuing connected transactions contemplated under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement for the three years ending 31 December 2023 have not been exceeded.

Proposed Annual Caps

The Proposed Annual Caps for the transactions under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement for the three years ending 31 December 2026 are set out below:

Transaction	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Procurement of coal products and coal related products and acceptance of services by Shanxi Coking Coal Group from the Group (fees payable by Shanxi Coking Coal Group to the Group)	2,720,000,000	2,710,000,000	2,710,000,000

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

- (i) the actual transaction value of the procurement of coal products and coal related products and acceptance of services by Shanxi Coking Coal Group from the Group under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023; and
- (ii) It is expected that the Group's sales of coal to Shanxi Coking Coal Group in the next three years will increase as compared with the expected amount in 2023. Considering the expected coal selling price in the future, the relevant transaction value is expected to remain basically the same as in the previous year.

Implementation Agreements

Members of the Group and members of Shanxi Coking Coal Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement during the term thereof. Each implementation agreement will set out the specifications, quantities, prices and other relevant terms of the coal products and coal related products.

As the implementation agreements provide for the coal products and coal related products and services as contemplated under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2024 Coal and Coal Related Products and Services Supply Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

Reasons for Entering into the 2024 Coal and Coal Related Products and Services Supply Framework Agreement

The Company is of the view that the 2024 Coal and Coal Related Products and Services Supply Framework Agreement enables (i) the Group to secure a stable source of the coal products, coal mine construction and related services from Shanxi Coking Coal Group in its ordinary course of business at market prices; and (ii) Shanxi Coking Coal Group to secure a stable source of the coal products, coal mining facilities and related services from the Group in its ordinary course of business at market prices.

Internal Control Measures

- a) In determining the prices of coal to be provided by the Group to Shanxi Coking Coal Group under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement, the sales centre of the Company, with reference to the market price as well as the quality of the coal and different types of delivery, will be responsible for proposing the price, subject to the final review of the pricing committee of the Company. The Group will then draft the sales contracts based on the standard contract template composed by the legal and compliance department to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties; The sales centre of the Company is responsible for monitoring, collecting and evaluating the market data, and, in accordance with the market sales prices of coal, the category and quality of the coal under the transaction and the logistics expenses to be increased or decreased as per the delivery methods thereof, adjusting the contract prices and putting forward the proposal of price adjustment in respect of contracts, which is subject to the final approval by the pricing committee of the Company to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;
- b) 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;
- c) 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 2024 Coal and Coal Related Products and Services Supply Framework Agreement. Specifically, the connected transactions management departments of the Company such as the securities affairs department, the financial department and the legal and compliance 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;
- d) The independent non-executive Directors will review the continuing connected transactions contemplated under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and
- e) 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 2024 Coal and Coal Related Products and Services 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 2024 Coal and Coal Related Products and Services Supply Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

(II) 2024 Finance Lease Cooperation Framework Agreement

Date: 25 October 2023

Parties: (i) China Coal Finance Lease Company
(ii) the Parent

Continuing transactions Pursuant to the 2024 Finance Lease Cooperation Framework Agreement, China Coal Finance Lease Company agreed to provide finance leasing services to the Parent Group, which include:

- (1) Direct leasing services. China Coal Finance Lease Company shall purchase the leased items from the equipment suppliers at the request of the Parent Group, and then lease them to the Parent Group for use. The Parent Group agreed to lease the leased items from China Coal Finance Lease Company and pay the rent and handling fees;
- (2) Sale and leaseback services. China Coal Finance Lease Company shall purchase the leased items from the Parent Group, and then lease them back to the Parent Group. The Parent Group agreed to lease the leased items from China Coal Finance Lease Company and pay the rent and handling fees.

The above “leased items” include mining equipment, electric power and new energy equipment and existing production equipment in good condition owned by the Parent Group. During the lease period, the ownership of the leased items belongs to China Coal Finance Lease Company, and the Parent Group shall bear maintenance fee, tax and other relevant expenses relating to the leased items. The Parent Group could choose to purchase the leased items with a buy-back price after expiry of the lease or upon the consent of China Coal Finance Lease Company prior to the expiry of the lease, subject to compliance with the listing rules of the place where the Company is listed.

Term and termination The 2024 Finance Lease Cooperation Framework Agreement is for a term of three years commencing on 1 January 2024 and ending on 31 December 2026. Upon expiry, the 2024 Finance Lease Cooperation Framework Agreement will, subject to compliance with the relevant requirements under the Hong Kong Listing Rules and agreement of the parties, be renewed for a further term of three years.

Price determination The comprehensive fee rate of the above finance leasing services provided by China Coal Finance Lease Company to the Parent Group shall not be lower than the business expenses of comparable finance leasing services provided by China Coal Finance Lease Company to independent third parties in the same period.

The total amount of finance services includes the lease principal (which is the amount paid by China Coal Finance Lease Company to the equipment suppliers or the Parent Group for the purchase of leased items), the interest and handling fees of leasing services charged by China Coal Finance Lease Company from the Parent Group for finance leasing services. The lease principal under sale and leaseback services shall not exceed the net book value or appraised value of the leased items and shall be determined by the parties after arm's length negotiation, with reference to market practice. The lease principal under direct leasing services shall be determined after arm's length negotiation between China Coal Finance Lease Company and the equipment suppliers with reference to the market price of the leased items and on normal commercial terms. The interest of leasing services shall be determined by the parties with reference to, among others, market conditions, loan prime rate announced by the PBOC from time to time, lease period, principal amount, the credit assessment of lessee, regulatory policy orientation, industry development strategy and risk premiums of China Coal Finance Lease Company. Handling fees of leasing services shall be determined by the parties with reference to, among others, applicable fee rate announced by the PBOC from time to time.

The lease principal will be paid by China Coal Finance Lease Company by way of its internal funds or financing funds. The lease principal and the interest of leasing services will be paid by the Parent Group to China Coal Finance Lease Company in the form of rent quarterly, and handling fees of leasing services will be paid by the Parent Group to China Coal Finance Lease Company in a lump sum on or before the date when China Coal Finance Lease Company transfers the lease principal.

Proposed Annual Caps

The Proposed Annual Caps for the transactions under the 2024 Finance Lease Cooperation Framework Agreement for the three years ending 31 December 2026 are set out below:

Transaction	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Total amount of finance leasing services provided by China Coal Finance Lease Company to the Parent Group	720,000,000	680,000,000	860,000,000

In arriving at the above Proposed Annual Caps, the Directors have taken into account the following factors:

- (i) the estimated value and useful life of the equipment after considering the finance leasing needs of certain subsidiaries under the Parent Group for the use of major coal mining machinery and equipment in the next three years;
- (ii) China Coal Finance Lease Company's ability to provide finance leasing services to the Parent Group, including its capital position and business development plan in the next three years; and
- (iii) the interest and handling fees to be charged for the finance leasing services provided to the Parent Group in the next three years with reference to relevant factors set out in the 2024 Finance Lease Cooperation Framework Agreement.

Implementation Agreements

Members of the Group and members of Parent Group will enter into, from time to time and as necessary, separate implementation agreements for each of the specific transactions contemplated under the 2024 Finance Lease Cooperation Framework Agreement during the term thereof. Each implementation agreement will set out the relevant specific terms of the transaction to be offered.

As the implementation agreements provide for the relevant services as contemplated under the 2024 Finance Lease Cooperation Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2024 Finance Lease Cooperation Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

Reasons for Entering into the 2024 Finance Lease Cooperation Framework Agreement

By entering into the 2024 Finance Lease Cooperation Framework Agreement, China Coal Finance Lease Company will provide finance leasing services to the Parent Group to meet the business needs of the Group, and providing finance leasing services to it can provide the Group with stable and low-risk income.

Internal Control Measures

- a) In determining the finance leasing services to be provided by China Coal Finance Lease Company to the Parent Group under the 2024 Finance Lease Cooperation Framework Agreement, the business department of China Coal Finance Lease Company is responsible for collecting information and initiating the transactions under the finance lease agreement and will conduct due diligence. The risk control department and the planning and finance department of China Coal Finance Lease Company will review the details of transactions in accordance with the Administrative Measures for the Finance Lease Business of Beijing China Coal Financial Leasing Co., Ltd., the Administrative Measures for the Operating Lease Business of Beijing China Coal Financial Leasing Co., Ltd., the Administrative Measures for the Lease Project Review Meeting of Beijing China Coal Financial Leasing Co., Ltd., the Administrative Measures for Finance Lease Risk Reserves and the Risk Classification Management of Assets. A number of factors are considered when assessing specific transactions, including regulatory compliance, ownership and operation of the leased assets, litigation involved by the lessee, procurement status of the leased equipment, financial position, cash flow, solvency and accounts receivable controls of the lessee, the source of funds, financial costs used by China Coal Finance Lease Company for the transactions and returns of China Coal Finance Lease Company, which shall be submitted to the general manager meeting of China Coal Finance Lease Company for approval after being reviewed and approved by the project review meeting. Lease interest rate pricing refers to, among other things, current financial market conditions and loan prime rate issued by the People's Bank of China from time to time, lease term, principal amount, lessee's credit evaluation, regulatory policy orientation, industry development strategy, risk premiums of China Coal Finance Lease Company, etc. China Coal Finance Lease Company strengthens post-lease management and controls risks through post-lease management (including on-site inspection) and risk classification management of assets;
- b) 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;
- c) 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 2024 Finance Lease Cooperation Framework Agreement. Specifically, the connected transactions management departments of the Company such as the securities affairs department, the financial department and the legal and compliance 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;
- d) The independent non-executive Directors will review the continuing connected transactions contemplated under the 2024 Finance Lease Cooperation 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

- e) 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 2024 Finance Lease Cooperation 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 2024 Finance Lease Cooperation Framework Agreement will be conducted on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

III. NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND THE PROPOSED ANNUAL CAPS THEREOF

(I) 2024 Coal Supply Framework Agreement

Date: 25 October 2023

Parties: (i) the Company

(ii) the Parent

Continuing transactions Pursuant to the 2024 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 Three years commencing on 1 January 2024 and ending on 31 December 2026.

Price determination Under the 2024 Coal Supply Framework Agreement, the coal prices of long term contracts shall be determined in accordance with the Bohai Bay Thermal Coal Price Index, the CCTD Qinhuangdao Thermal Coal Comprehensive Trading Price and the NCEI, subject to adjustments on a monthly basis in accordance with the changes in the indexes. The spot sales prices of coal shall be determined in accordance with market prices, subject to prompt adjustments.

The Bohai Bay Thermal Coal Price Index is periodically published by the Qinhuangdao Coal Net (秦皇島煤炭網), which is an index system which reflects the offshore Free on Board (FOB) market price and price volatility of Bohai Bay thermal coal. The CCTD Qinhuangdao Thermal Coal Comprehensive Trading Price is published on the China Coal Market Network, reflecting the overall FOB delivery price level of mainstream thermal coal at the Qinhuangdao Port and surrounding ports. The NCEI is published by the National Coal Exchange, reflecting the actual price trend and market structure of seaborne thermal coal in the market.

The market prices to which reference shall be made when determining the coal prices under the 2024 Coal Supply Framework Agreement shall be determined referring to public price information including the China Coal Price Index of China Coal Transport and Distribution Association and China Coal Resources Network as well as information in respect of the actual transaction prices collected by prompt market researches.

As for the coal supplied by the Parent Group to the Group, the account shall be settled by several batches (including the acceptance check upon delivery and receiving of all settlement documents) collectively as provided in relevant agreement in cash or other methods agreed by the parties. The payment method of purchase prices under the 2024 Coal Supply Framework Agreement shall follow the separate implementation agreements entered into between the parties for each of the specific transactions contemplated under the 2024 Coal Supply Framework Agreement.

Annual Caps

Actual Transaction Values

The actual transaction values of procurement of coal products by the Group from the Parent Group for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 are set out below:

Transaction	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Procurement of coal products (fees paid to the Parent Group by the Group)	5,972,370,000	17,571,810,000	12,863,325,000 <i>(Note)</i>

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 2021 Coal Supply Framework Agreement for the three years ending 31 December 2023 are set out below:

Transaction	Year ended 31 December 2021 (RMB)	Year ended 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	22,200,000,000	27,600,000,000

Note: The utilization rate of the annual cap for the year ending 31 December 2023 for the transactions under the 2021 Coal Supply Framework Agreement on a pro-rata basis is lower than expected, mainly due to the reduction of the production volume of some coal mines and the pending of release of production volume of some new coal mines of the Parent Group in 2023, and the procurement of coal products being affected by seasonal reasons, leading to the transaction amount of the procurement of coal products by the Group from the Parent Group lower than expected.

The Directors have been monitoring the transaction amount under the 2021 Coal Supply Framework Agreement. As at the date of this announcement, the annual caps for the continuing connected transactions under the 2021 Coal Supply Framework Agreement for the three years ending 31 December 2023 have not been exceeded.

Proposed Annual Caps

The Proposed Annual Caps for the transactions contemplated under the 2024 Coal Supply Framework Agreement are set out below:

Transaction	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Procurement of coal products (fees payable to the Parent Group by the Group)	24,700,000,000	26,800,000,000	27,700,000,000

In arriving at the above Proposed Annual Caps, the Directors have mainly taken into account the following factors:

- (i) The actual transaction value of the transactions contemplated under the 2021 Coal Supply Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023;
- (ii) The volume of coal products to be procured by the Group from the Parent Group for the three years ending 31 December 2026 is expected to increase mainly due to: in recent years, the Group has further promoted the construction of its coal marketing system and continued to increase its efforts in the centralized purchase and sale of coal to the Parent Group in order to expand its market share in the sale of coal. Taking into account the Parent Group's production plan for coal products in the next three years, it is estimated that the amount of the transactions will increase by approximately RMB13.3 billion as compared with the average actual amount incurred per annum in the past three years; and
- (iii) Considering the strong implementation of the national policy of stabilizing prices and ensuring supply, and the continuous and effective release of coal production capacity, coal prices of long-term contracts will still play a basic "anchoring" role in market price levels, and maintain stable. It is expected that coal prices will continue to return to a rational range in the future. The Company expects that the average coal procurement unit price in the next three years will remain the same as the actual average procurement price in the first half of 2023.

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 2024 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 2024 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 2024 Coal Supply Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

Reasons for Entering into the 2024 Coal Supply Framework Agreement

The Company is of the view that the 2024 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 2024 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 legal and compliance department 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) 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 2024 Coal Supply Framework Agreement. Specifically, the connected transactions management departments of the Company such as the securities affairs department, the financial department and the legal and compliance 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 2024 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 2024 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 2024 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.

(II) 2024 Integrated Materials and Services Mutual Provision Framework Agreement

Date: 25 October 2023

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

Continuing transactions Pursuant to the 2024 Integrated Materials and Services Mutual Provision Framework Agreement,

- (i) the Parent Group shall supply the Group with (1) production materials and ancillary services, including raw materials, auxiliary materials, transportation, loading and unloading services, electricity and heat supplies, equipment maintenance and leasing, labor 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 with (1) production materials and ancillary services, among others, including coal (note), coal mining facilities, raw materials, auxiliary materials, electricity and heat supplies, transportation, loading and unloading services, equipment maintenance and leasing, labor contracting, entrusted management, information services and others; and (2) sole and exclusive coal export-related services including organizing product supplies, performing coal blending, coordinating logistics and transportation, provision of port related services, arranging inspection and quality verification and providing services relating to product delivery.

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

Note: The coal provided by the Group to the Parent Group under the 2024 Integrated Materials and Services Mutual Provision Framework Agreement does not include the coal purchased by the Group from the Parent Group under the 2024 Coal Supply Framework Agreement. Under the 2024 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 2024 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 Three years commencing on 1 January 2024 and ending on 31 December 2026.

Price determination Under the 2024 Integrated Materials and Services Mutual Provision Framework Agreement, the prices of various raw materials and services will be based on the following pricing policy and order:

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

The details of the above pricing policies are as follows:

- (i) Under the 2024 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 2024 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, and 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 2024 Integrated Materials and Services Mutual Provision Framework Agreement.

As for the bulk equipment and raw materials provided by the Group to the Parent Group, the Group shall strictly comply with the Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and all the essential requirements set out in the bid invitation of the Parent Group during the bidding process. In preparing for the submission of a tender, tender review meeting of the relevant subsidiary of the Group will be held to perform a thorough analysis of the project management guidelines, the collection of cost and other essential data. In pricing a tender, the relevant department of the Group will also make references to recent project quotations and related market information to ensure that the tender price to be offered by the Group is 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 2024 Integrated Materials and Services Mutual Provision Framework Agreement refer to the prices (i) charged when providing bulk equipment and raw materials of the same or similar quality to independent third parties, or (ii) charged by an independent third party when providing bulk equipment and raw materials of the same or similar quality, at that time under normal commercial terms in the place where the relevant products or services are provided or the nearby regions of such place.

- (ii) Under the 2024 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 Bay Thermal Coal 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 2024 Integrated Materials and Services Mutual Provision Framework Agreement. The agreed prices are based on the principle of reasonable costs plus reasonable profit margins to ensure that product prices are fair and reasonable. The cost includes the price of the raw materials, labor cost, manufacturing expense and so on. The expected range of profit of the products and services provided by the Parent Group to the Group is from 1% to 10% which is in line with the industry and not higher than the profit rate charged to independent third parties; and the expected range of profit of the products and services provided by the Group to the Parent Group is from 1% to 10%, which is line with the industry and not lower than the profit rate charged to independent third parties.

As for the mutual provision of raw materials and ancillary materials between the Parent Group and the Group, the payment shall be implemented by installments 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 installments 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 2024 Integrated Materials and Services Mutual Provision Framework Agreement shall be paid in cash or other methods agreed by the parties, generally in cash. The purchase prices and service fees under the 2024 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 2024 Integrated Materials and Services Mutual Provision Framework Agreement and will remain unchanged once signed by the parties.

Annual Caps

Actual Transaction Values

The actual transaction values of the transactions under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 are set out below:

Transaction	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Provision of materials and ancillary services and of the social and support services to the Group by the Parent Group	5,523,350,000	5,668,810,000	3,872,063,000 <i>(Note)</i>
Provision of materials and ancillary services and coal export-related services to the Parent Group by the Group	3,649,360,000	3,657,720,000	6,934,587,000

Historical Annual Caps

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

Transaction	Year ended 31 December 2021 (RMB)	Year ended 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	3,800,000,000	9,800,000,000	9,400,000,000

Note: The utilization rate of the annual cap for the year ending 31 December 2023 for the provision of materials and ancillary services and of the social and support services to the Group by the Parent Group under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement on a pro-rata basis is lower than expected, mainly due to the facts that the coal chemical project of Lingshi Chinacoal Chemical Co., Ltd., a subsidiary of the Parent Group is under technical renovation in 2023 and thus no products have been produced in the current period, and that some expected procurement of materials and ancillary services and of the social and support services by the Group from the Parent Group did not take place or ended at a price lower than expected.

The Directors have been monitoring the transaction amount under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement. As at the date of this announcement, the annual caps for the continuing connected transactions under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement for the three years ending 31 December 2023 have not been exceeded.

Proposed Annual Caps

The Proposed Annual Caps for the transactions under the 2024 Integrated Materials and Services Mutual Provision Framework Agreement are set out below:

Transaction	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Provision of materials and ancillary services and of the social and support services to the Group by the Parent Group	7,200,000,000	7,200,000,000	7,200,000,000
Provision of materials and ancillary services and coal export-related services to the Parent Group by the Group	22,970,000,000	23,700,000,000	38,300,000,000

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 mainly taken into account the following factors:

- (i) 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 under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023; and

- (ii) the coal chemical project of Lingshi Chinacoal Chemical Co., Ltd., a subsidiary of the Parent Group, is expected to complete its renovation and put into production by early 2024, and the Group will buy out its small granular urea and some of its by-products. Taking into account the estimated annual production capacity of the such raw materials, it is estimated that the transaction amount of raw materials provided by the Parent Group to the Group will increase by approximately RMB980 million as compared with that of 2023.

In arriving at the 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 mainly taken into account the following factors:

- (i) 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 under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023; and
- (ii) The Parent Group is actively engaged in specialized integration, and the number of newly merged power companies is increasing. The amount of coal for production to be sold by the Group to certain existing power plants and power generation companies under the Parent Group is expected to increase in tandem. Among them, the provision of coal for production by the Group to the new power plants of the Parent Group in 2024 and 2026 is expected to increase the transaction amount by approximately RMB9.58 billion and RMB13.53 billion respectively.

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 2024 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 2024 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 2024 Integrated Materials and Services Mutual Provision Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

Reasons for Entering into the 2024 Integrated Materials and Services Mutual Provision Framework Agreement

The Company is of the view that the 2024 Integrated Materials and Services Mutual Provision Framework Agreement enables (i) the Group to secure a stable source of the materials and services from the Parent Group in its ordinary course of business at market prices; and (ii) the Group to have a stable customer of the relevant materials and services of the Group in its ordinary course of business at market prices.

Internal Control Measures

- a) In determining the prices of the bulk equipment and raw materials to be procured by the Group from the Parent Group under the 2024 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 CNCDC 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;

CNCDC is responsible for monitoring, collecting and evaluating the market prices of relevant equipment and raw materials with the same specifications and similar functions, including but not limited to the prevailing and then market prices of the comparable prices of relevant industries, on a regular basis. Under the circumstances such as the prices of the relevant equipment and raw materials fluctuate, CNCDC 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 2024 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 relevant members of the Group will hold tender discussion 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. Such price is subject to the final approval by the management level of the Group. The relevant department of the relevant members of the Group is responsible for monitoring, collecting and evaluating the market prices of relevant equipment and raw materials with the same specifications and similar functions, including but not limited to the prevailing and then market prices of the comparable prices of relevant industries, on a regular basis. Under the circumstances such as the prices of the relevant equipment and raw materials fluctuate, the relevant department of the relevant members of the Group will put forward the proposal of price adjustment to ensure that the price is fair and reasonable, on normal commercial terms, as well as no less favourable to the Group than terms available to or from independent third parties;
- 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 2024 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 and compliance 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 2024 Integrated Materials and Services Mutual Provision Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and
- f) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2024 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 2024 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.

(III) 2024 Project Design, Construction and General Contracting Services Framework Agreement

Date: 25 October 2023

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

Continuing transactions Pursuant to the 2024 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 subcontracted by the Group.

Term and termination	Three years commencing on 1 January 2024 and ending on 31 December 2026.
Price determination	<p>Under the 2024 Project Design, Construction and General Contracting Services Framework Agreement, the service provider and the price of project design, construction and general contracting services shall be determined through a bidding process in principle and in compliance with applicable laws, regulations and rules. The Parent Group shall bid by stringently following the steps and/or measurements as stipulated by the Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and the specific requirements in bidding invitation documents made by the Group.</p> <p>The bid invitation documents made by the Group include all substantial requirements and all key terms for the conclusion of contracts, including: the project's technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and so on. The Group's bid evaluation committee is responsible for (i) ensuring that 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 service providers 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 providers and writing recommendation advice. The Group's bid office is responsible for deciding which service provider will be awarded the 2024 Project Design, Construction and General Contracting Services Framework Agreement.</p> <p>As for the project design services provided by the Parent Group to the Group, the payment shall be made by the Group by installments in accordance with the time nodes or other methods agreed by the parties. If the Parent Group provides the engineering design results at one time, payment will be paid at one time according to the acceptance check result, and if the Parent Group provides the engineering design results in stages, payment will be paid in installments according to the staged acceptance check results. As for the construction services provided by the Parent Group to the Group, the payment shall be implemented by installments in accordance with the progress of projects or other methods agreed by the parties. In this regard, the Group generally pays in instalments after acceptance check of the construction progress. As for the general contracting services provided by the Parent Group to the Group, the payment shall be made by the Group by installments according to the time nodes of design, procurement and construction or other methods agreed by the parties. Among which, the procurement is paid in accordance with the principle 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.</p>

The purchase prices under the 2024 Project Design, Construction and General Contracting Services Framework Agreement shall be paid in cash or other methods agreed by the parties, generally in cash. The service fees under the 2024 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 2024 Project Design, Construction and General Contracting Services Framework Agreement and will remain unchanged once signed by the parties.

Annual Caps

Actual Transaction Values

The actual transaction values of the transactions under the 2021 Project Design, Construction and General Contracting Services Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 are set out below:

Transaction	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
Provision of project design, construction and general contracting services to the Group by the Parent Group	3,423,490,000	2,896,090,000	1,485,101,000 <i>(Note)</i>

Historical Annual Caps

The 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:

Transaction	Year ended 31 December 2021 (RMB)	Year ended 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

Note: The utilization rate of the annual cap for the year ending 31 December 2023 for the transactions under the 2021 Project Design, Construction and General Contracting Services Framework Agreement on a pro-rata basis is lower than expected, mainly due to the construction of some coal mines of the Group was delayed due to the changes in safe production conditions and underground geological conditions.

The Directors have been monitoring the transaction amount under the 2021 Project Design, Construction and General Contracting Services Framework Agreement. As at the date of this announcement, the annual caps for the transactions under the 2021 Project Design, Construction and General Contracting Services Framework Agreement for the three years ending 31 December 2023 have not been exceeded.

Proposed Annual Caps

The Proposed Annual Caps for the transactions contemplated under the 2024 Project Design, Construction and General Contracting Services Framework Agreement are set out below:

Transaction	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
Provision of project design, construction and general contracting services to the Group by the Parent Group	7,600,000,000	7,400,000,000	5,300,000,000

In arriving at the above Proposed Annual Caps, the Directors have mainly taken into account the following factors:

- (i) The actual transaction value of the transactions contemplated under the 2021 Project Design, Construction and General Contracting Services Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023; and
- (ii) Based on the progress of the Group's engineering project construction, it is expected that the Group's demand for project design, construction and general contracting services provided by the Parent Group will increase significantly in the next three years (especially in 2024 and 2025). For example, in 2024, the Group's new projects including construction of coal mine in Tuke area and technical renovation of No. 2 Coal Mine in Nalinhe and Mudu Chaideng Coal Mine are expected to result in an increase in the amount of connected transactions of approximately RMB1.79 billion and Libi Coal Mine and coal preparation plant project and Wangjialing Coal Mine development project, which are expected to enter the main construction period, are expected to result in an increase in the amount of connected transactions of approximately RMB1.41 billion; in 2025, the Group's new photovoltaic power projects are expected to result in an increase in the amount of connected transactions of approximately RMB0.54 billion.

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 2024 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 2024 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 2024 Project Design, Construction and General Contracting Services Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

Reasons for Entering into the 2024 Project Design, Construction and General Contracting Services Framework Agreement

The Company is of the view that the 2024 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 2024 Project Design, Construction and General Contracting Services Framework Agreement, the relevant members of the Group are responsible for composing bid invitation documents encompassing all substantial requirements and all key terms for the conclusion of contracts, including project technical requirements, the criteria for examination of the contractors, the requirements for the bid price and the standard of evaluation of the bid and so on, subject to the preliminary review of the department of infrastructure management of the Company, which will be reviewed by pricing committee of the Company to ensure that the terms of the relevant bid invitation documents are compliant with applicable laws, regulations and rules, subject to the final approval by the bid determination committee of the Company;
- b) The department of infrastructure management of the Company 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 value 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 2024 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 and compliance 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 2024 Project Design, Construction and General Contracting Services Framework Agreement to ensure that such transactions are entered into in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of the related agreements are fair and reasonable, and in the interest of the Group and the Shareholders as a whole; and
- f) The auditors of the Company will also conduct an annual review on the pricing and annual caps of such continuing connected transactions.

Taking into account of: (i) the above methods and procedures comprise necessary components of an internal control system with designated department and responsible officer, clear approval process and monitoring system and detailed and explicit assessment criteria; and (ii) the above-mentioned review procedures and approval process against the detailed and explicit assessment criteria can ensure that the transactions will be executed in compliance with the pricing principles stipulated in the 2024 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 2024 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.

(IV) 2024 Financial Services Framework Agreement

Date: 25 October 2023

Parties: (i) China Coal Finance Company
(ii) the Parent

Continuing transactions Pursuant to the 2024 Financial Services Framework Agreement, China Coal Finance Company has agreed to provide the following financial services to the Parent Group within its business scope:

- (i) accepting deposits from the Parent Group;
- (ii) processing of the Parent Group's loans;
- (iii) discounting of bill of the Parent Group;
- (iv) handling the settlement and payment of funds of the Parent Group;
- (v) providing entrusted loans, bond underwriting, non-financial guarantees, financial consultancy, credit verification and advisory agency services to the Parent Group;
- (vi) acceptance of bill of the Parent Group; and
- (vii) other services approved by the National Administration of Financial Regulation.

Term and termination Three years commencing on 1 January 2024 and ending on 31 December 2026.

Price determination

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

- (i) China Coal Finance Company shall provide deposit services to the Parent Group on normal commercial terms (or better to China Coal Finance Company) where no security over assets of the Group shall be granted in respect of the deposit;
- (ii) Interest rate of the deposits of the Parent Group with China Coal Finance Company shall, subject to compliance with PRC laws, regulations and supervisory requirements, be determined by both parties on normal commercial terms and on arm's length with reference to the benchmark interest rate for deposits published by the PBOC (if any) and the interest rates provided by normal financial institutions in the PRC for comparable deposits; and under normal circumstances, the interest rate for deposits shall not exceed the upper limit prescribed by the PBOC (or the interest rate self-regulatory mechanism) (if any);
- (iii) The interest rates for loans provided to the Parent Group by China Coal Finance Company shall, subject to compliance with PRC laws, regulations and supervisory requirements, be determined by both parties on normal commercial terms and on an arm's length basis with reference to factors such as the Loan Prime Rate (LPR), credit ratings and the nature of the loan; and under normal circumstances, the interest rate of the loan shall not be lower than the interest rate determined by normal financial institutions in the PRC for a loan of the same type to the Parent Group or a third party of the same condition during the same period;
- (iv) The fee standard for other financial services (excluding the deposits and loans as mentioned above) shall be determined by China Coal Finance Company according to the corresponding service fees fixed by the PBOC, National Administration of Financial Regulation 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.

Annual Caps

Actual Transaction Values

The actual maximum daily balance of loans (including accrued interests) granted by China Coal Finance Company to the Parent Group under the 2021 Financial Services Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 are set out below:

Transaction	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Nine months ended 30 September 2023 (RMB)
the maximum daily balance of loans (including accrued interests) granted by China Coal Finance Company to the Parent Group	6,199,900,000	4,172,380,000	7,357,222,000

Historical Annual Caps

The annual caps for the loans granted by China Coal Finance Company to the Parent Group under the 2021 Financial Services Framework Agreement for the three years ending 31 December 2023 are set out below:

Transaction	Year ended 31 December 2021 (RMB)	Year ended 31 December 2022 (RMB)	Year ending 31 December 2023 (RMB)
the maximum daily balance of loans (including accrued interests) granted by China Coal Finance Company to the Parent Group	8,500,000,000	9,000,000,000	9,000,000,000

The Directors have been monitoring the transaction amount contemplated under the 2021 Financial Services Framework Agreement. As at the date of this announcement, the annual caps for the continuing connected transactions under the 2021 Financial Services Framework Agreement for the three years ending 31 December 2023 have not been exceeded.

Proposed Annual Caps

The Proposed Annual Caps for provision of loans by China Coal Finance Company to the Parent Group under the 2024 Financial Services Framework Agreement are set out below:

Transaction	Year ending 31 December 2024 (RMB)	Year ending 31 December 2025 (RMB)	Year ending 31 December 2026 (RMB)
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the maximum daily balance of
loans (including accrued
interests) granted by
China Coal Finance
Company to the
Parent Group

24,000,000,000 26,000,000,000 27,000,000,000

In arriving at the above Proposed Annual Caps in relation to the maximum daily balance of loans (including accrued interests) granted by China Coal Finance Company to the Parent Group, the Directors have mainly taken into account the following factors:

- (i) The actual transaction value of the transactions under the 2021 Financial Services Framework Agreement for the two years ended 31 December 2022 and for the nine months ended 30 September 2023;
- (ii) It is expected that the loans from China Coal Finance Company to the Parent Group will further increase in the future, mainly because: (1) the Parent Group will commence some construction projects soon, its capital demand is expected to peak from 2024 onwards. Therefore, it is expected that the scale of loans provided by China Coal Finance Company to the Parent Group will also increase rapidly and substantially by approximately RMB15 billion; (2) at present, most of the existing interest-bearing liabilities of the Parent Group are external bank loans, and the Parent Group also provides funding support to its members in the form of entrusted or internal loans, for which there is some room for substitution of the credit facilities provided by China Coal Finance Company; and (3) enterprises being or to be merged and consolidated by the Parent Group will become new members of the Parent Group, resulting in an increase in the scale of loans from China Coal Finance Company to the Parent Group; and
- (iii) The recent years have witnessed China Coal Finance Company's increasing efforts in the centralized management of funds and the scope of centralized funds has been expanding. Meanwhile, with the stable and improving coal market situation, the Parent Group's asset scale and stock of funds have been growing rapidly, and therefore the deposits received by China Coal Finance Company from the Parent Group are expected to increase in line with this growth, with a balance expected to exceed RMB28.0 billion, RMB32.0 billion and RMB37.0 billion respectively in the next three years, which will provide the basis for China Coal Finance Company to expand various loan services to the Parent Group to enhance the utilization rate of its funds.

Implementation Agreements

China Coal Finance Company and 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 2024 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 2024 Financial Services Framework Agreement, they do not constitute new categories of connected transactions. Any such implementation agreements will be within the ambit of the 2024 Financial Services Framework Agreement and the relevant annual caps, and if exceeded, the Company will comply with the relevant Hong Kong Listing Rules accordingly.

Reasons for Entering into the 2024 Financial Services Framework Agreement

Entering into the 2024 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 China Coal Finance Company, 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.

Internal Control Environment and Risk Management Function of China Coal Finance Company

China Coal Finance Company 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 committees, including but not limited to financial services department, risk management department, internal audit department and credit examining committee, have been set up by China Coal Finance Company for maintaining the risk management function and internal control environment. Financial services department conducts due diligence on the credit extension of credit customers every year; risk management department examines the risks relevant to the credit matters; credit examining committee offers examination opinions, and submits to the general manager for review and approval, and strictly strengthens risk management and control at the credit extension stage;
- (ii) Pre-loan investigations will be conducted on loan applications by financial services department, which will assess the customers' creditworthiness and the purpose of the loans according to the relevant credit rules of the National Administration of Financial Regulation and the PBOC, examine, among others, the amount and term of loans as well as the caps of connected (or related party) transactions, determine the interest rate of each loan after arm's length negotiation with reference to the Loan Prime Rate (LPR) issued by the PBOC to ensure the price policies aforementioned are strictly followed;

- (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 the Hong Kong Listing Rules including requirements regarding amount, term, interest rate and caps of connected (or related party) transactions;
- (iv) The loan applications will be then submitted to the general manager of China Coal Finance Company for overall review and approval;
- (v) 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, China Coal Finance Company 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, the National Administration of Financial Regulation performs regular inspections on China Coal Finance Company to check the implementation of its internal control and risk management systems. Since the establishment of China Coal Finance Company, there was no major issue on China Coal Finance Company raised by the National Administration of Financial Regulation.

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 2024 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 2024 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.

IV. HONG KONG LISTING RULES IMPLICATIONS

The Parent is the controlling shareholder of the Company and Shanxi Coking Coal is a substantial shareholder of China Coal Huajin (a significant subsidiary of the Company). Therefore, the Parent Group and Shanxi Coking Coal Group are connected persons of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated between the Group and the Parent Group and between the Group and Shanxi Coking Coal Group 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 (i) the transactions (excluding the procurement of coal products and coal related products and acceptance of services by the Group from Shanxi Coking Coal Group with all the applicable percentage ratios thereof below 0.1% and fully exempt) under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement; and (ii) the transactions under the 2024 Finance Lease Cooperation Framework Agreement are above 0.1% but less than 5%, they are subject to the reporting, annual review and announcement requirements, but are exempt from the Independent Shareholders' approval requirements under Rule 14A.76(2) 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 (i) the transactions under the 2024 Coal Supply Framework Agreement, (ii) the transactions under the 2024 Project Design, Construction and General Contracting Services Framework Agreement, (iii) the transactions under the 2024 Integrated Materials and Services Mutual Provision Framework Agreement, (iv) the transactions (excluding the provision of other financial services by China Coal Finance Company 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 China Coal Finance Company to the Parent Group which is fully exempt according to Rule 14A.90 of the Hong Kong Listing Rules) under the 2024 Financial Services Framework Agreement and (v) the transactions under the 2024 Finance Lease Cooperation 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 China Coal Finance Company to the Parent Group under the 2024 Financial Services Framework Agreement for the three years ending 31 December 2026 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 Directors (including the independent non-executive Directors) are of the view that the terms of the 2024 Coal and Coal Related Products and Services Supply Framework Agreement and the 2024 Finance Lease Cooperation Framework Agreement (i) have been negotiated on an arm's length basis; (ii) will be conducted on normal commercial terms, or on terms no less favourable than those available to or from independent third parties under prevailing local market conditions; (iii) are entered into in the ordinary and usual course of business of the Group; (iv) are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (v) that the Proposed Annual Caps for the transactions thereunder are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

The Directors (excluding the independent non-executive Directors who will express their views after taking into the advice of the Independent Financial Adviser) are of the view that the terms of the 2024 Coal Supply Framework Agreement, the 2024 Project Design, Construction and General Contracting Services Framework Agreement, the 2024 Integrated Materials and Services Mutual Provision Framework Agreement and the 2024 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 the 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 2026 are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Wang Shudong, Liao Huajun and Zhao Rongzhe, being the Directors of the Company, who are also directors or senior management of the Parent, are deemed to have material interests in the 2024 Coal and Coal Related Products and Services Supply Framework Agreement, the 2024 Finance Lease Cooperation Framework Agreement, the 2024 Coal Supply Framework Agreement, the 2024 Project Design, Construction and General Contracting Services Framework Agreement, the 2024 Integrated Materials and Services Mutual Provision Framework Agreement and the 2024 Financial Services Framework Agreement, and thus have abstained from voting on the relevant Board resolutions. Other than those Directors mentioned above, none of the other Directors has a material interest in the Partially-exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions.

V. GENERAL INFORMATION OF THE PARTIES OF THE TRANSACTIONS

The Company

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

The Parent

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

China Coal Finance Company

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

China Coal Finance Company is principally engaged in accepting deposits from members; providing loans to the members; providing bill discount services to the members; handling settlement and payment of funds among members; providing entrusted loans, bond underwriting, non-financial guarantees, financial consultancy, credit verification and advisory agency services to the members; interbank lending; providing bill acceptance services to the members; handling buyer's credit for products of the members; and other services in RMB or foreign currency as approved by the National Administration of Financial Regulation.

Shanxi Coking Coal

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

China Coal Finance Lease Company

As at the date of this announcement, China Coal Finance Lease Company is a subsidiary of the Company and is owned as to 100% by the Company. The ultimate controller of China Coal Finance Lease Company is also SASAC.

China Coal Finance Lease Company is principally engaged in the finance lease and operating lease of mining equipment, electric power and new energy equipment, and other leased items. The finance lease includes direct leasing and sale and leaseback, and the operating lease includes leasing of coal mining equipment, equipment overhaul and supply of accessories, as well as the purchase of leased assets, residual value treatment and maintenance, lease transaction consultation, receipt of rental deposits related to the finance lease business and the operating lease business, transfer and reception of finance lease or operating lease assets and other businesses.

VI. GENERAL INFORMATION

The Company intends to convene an EGM on Tuesday, 21 November 2023 for seeking the approval of the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof. An Independent Board Committee has been formed to advise the Independent Shareholders on the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof, and the Independent Board Committee has approved the appointment of Gram Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Hong Kong Listing Rules.

In order to determine the list of Shareholders who are entitled to attend the EGM, the registers of holders of H Shares will be closed from Thursday, 16 November 2023 to Tuesday, 21 November 2023 (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 on Thursday, 16 November 2023 are entitled to attend the meeting. In order to attend and vote at the EGM, holders of H Shares of the Company 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 Wednesday, 15 November 2023. 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.

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

A circular containing, among other things, further details of the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof, the letter from the Independent Board Committee and the recommendation from Gram Capital on the same, together with a notice convening the EGM, will be despatched to the Shareholders no more than 15 business days after the publication of this announcement in accordance with the Hong Kong Listing Rules.

VII. DEFINITIONS

“A Share(s)”	the 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 RMB
“associate”	has the meaning ascribed to it under the Hong Kong Listing Rules and the SSE Listing Rules
“Board”	the board of Directors of the Company
“China Coal Finance Company”	China Coal 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 Finance Lease Company”	Beijing China Coal Finance Lease Co., Ltd.* (北京中煤融資租賃有限責任公司), 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
“EGM”	the 2023 second extraordinary general meeting of the Company to be held at 15:00 on Tuesday, 21 November 2023 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC
“Existing Continuing Connected Transactions”	the transactions under the 2021 Coal and Coal Related Products and Services Supply Framework Agreement, the 2021 Coal Supply Framework Agreement, the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the 2021 Project Design, Construction and General Contracting Services Framework Agreement and the 2021 Financial Services Framework Agreement
“Group”	the Company and its subsidiaries
“H Share(s)”	the 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 comprising all of the independent non-executive Directors, who have no material interest in the Non-exempt Continuing Connected Transactions, namely Zhang Chengjie, Jing Fengru and Hung Lo Shan Lusan, which was established to advise the Independent Shareholders in relation to the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof
“Independent Financial Adviser” or “Gram Capital”	Gram Capital, 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 have no material interest in the Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof and thus are not required to abstain from voting on the relevant resolutions to be proposed at the EGM under the Hong Kong Listing Rules
“Land Use Rights Leasing Transactions”	considering that the 2006 Land Use Rights Leasing Framework Agreement dated 5 September 2006 entered into between the Company and the Parent will expire on 21 August 2026, the Company and the Parent entered into the 2026 Land Use Rights Leasing Framework Agreement to renew the transactions under the 2006 Land Use Rights Leasing Framework Agreement, which is effective from 22 August 2026 to 31 December 2026
“Non-exempt Continuing Connected Transactions”	the transactions under the 2024 Coal Supply Framework Agreement, the 2024 Integrated Materials and Services Mutual Provision Framework Agreement, the 2024 Project Design, Construction and General Contracting Services Framework Agreement and the 2024 Financial Services Framework Agreement (excluding the provision of other financial services and deposit services by China Coal Finance Company to the Parent Group)
“Parent Group”	the Parent and its associates (excluding the Group), for the purposes of the 2024 Coal Supply Framework Agreement and the 2024 Integrated Materials and Services Mutual Provision Framework Agreement, also including other companies related to the Parent that the Company voluntarily regulates as connected person
“Partially-exempt Continuing Connected Transactions”	the transactions under the 2024 Coal and Coal Related Products and Services Supply Framework Agreement and the 2024 Finance Lease Cooperation Framework Agreement
“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 announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Property Leasing Transactions”	considering that the 2015 Property Leasing Framework Agreement dated 23 October 2014 entered into between the Company and the Parent will expire on 31 December 2024, the Company and the Parent entered into the 2024 Property Leasing Framework Agreement to renew the transactions under the 2015 Property Leasing Framework Agreement, which is effective until 31 December 2026
“Proposed Annual Caps”	annual caps for the three years ending 31 December 2026

“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“Shanxi Coking Coal”	Shanxi Coking Coal Group Co., Ltd.* (山西焦煤集團有限責任公司), a limited liability company incorporated in the PRC and a substantial shareholder of China Coal Huajin
“Shanxi Coking Coal Group”	Shanxi Coking Coal and its associates
“Shanxi SASAC”	the State-owned Assets Supervision and Administration Commission of Shan Xi Provincial Government
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (《上海證券交易所股票上市規則》) amended from time to time
“subsidiary”	has the meaning ascribed to it under the Hong Kong Listing Rules and the SSE Listing Rules
“substantial shareholders”	has the meaning ascribed to it under the Hong Kong Listing Rules
“2021 Coal and Coal Related Products and Services Supply Framework Agreement”	the coal and coal related products and services supply framework agreement dated 28 April 2020 and entered into between the Company and Shanxi Coking Coal
“2021 Coal Supply Framework Agreement”	the coal supply framework agreement dated 28 April 2020 and the supplementary agreement to the coal supply framework agreement dated 5 July 2022 and entered into between the Company and the Parent
“2021 Financial Services Framework Agreement”	the financial services framework agreement dated 28 April 2020 and entered into between China Coal Finance Company and the Parent
“2021 Integrated Materials and Services Mutual Provision Framework Agreement”	the integrated materials and services mutual provision framework agreement dated 28 April 2020 and the supplementary agreement to the integrated materials and services mutual provision framework agreement dated 5 July 2022 and entered into between the Company and the Parent

“2021 Project Design, Construction and General Contracting Services Framework Agreements”	the project design, construction and general contracting services framework agreement dated 28 April 2020 and entered into between the Company and the Parent
“2024 Coal Supply Framework Agreement”	the coal supply framework agreement dated 25 October 2023 and entered into between the Company and the Parent
“2024 Finance Lease Cooperation Framework Agreement”	the finance lease cooperation framework agreement dated 25 October 2023 and entered into between China Coal Finance Lease Company and the Parent
“2024 Financial Services Framework Agreement”	the financial services framework agreement dated 25 October 2023 and entered into between China Coal Finance Company and the Parent
“2024 Integrated Materials and Services Mutual Provision Framework Agreement”	the integrated materials and services mutual provision framework agreement dated 25 October 2023 and entered into between the Company and the Parent
“2024 Project Design, Construction and General Contracting Services Framework Agreement”	the project design, construction and general contracting services framework agreement dated 25 October 2023 and entered into between the Company and the Parent
“%”	percent

By Order of the Board
China Coal Energy Company Limited
Wang Shudong
Chairman of the Board, Executive Director

Beijing, the PRC
25 October 2023

As at the date of this announcement, the Company’s executive directors are Wang Shudong, Liao Huajun and Zhao Rongzhe; non-executive director is Xu Qian; independent non-executive directors are Zhang Chengjie, Jing Fengru and Hung Lo Shan Lusan.

* *For identification purpose only*