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內蒙古伊泰煤炭股份有限公司

INNER MONGOLIA YITAI COAL CO., LTD.*

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

(Stock Code: 3948)

ENTERING INTO OF REVISED CONTINUING CONNECTED TRANSACTIONS FRAMEWORK AGREEMENT

References are made to the announcement of Inner Mongolia Yitai Coal Co., Ltd.* (the “**Company**”) dated 29 October 2020 and the circular dated 1 December 2020, in relation to, among others, the financial services framework agreement between the Company and Inner Mongolia Yitai Finance Co., Ltd. (“**Yitai Finance**”) (the “**Financial Services Framework Agreement**”). Unless otherwise specified, the capitalized terms used in this announcement shall have the same meanings as those defined in the aforesaid announcement and circular.

As the coal prices have increased significantly since the second half of 2021 and maintained at a high level in 2022, and the monetary funds of the Group increased as compared to previous years, the original annual caps under the Financial Services Framework Agreement for the year ending 31 December 2023 will not be sufficient for the development needs of the Company. Accordingly, with the resolution passed by the Board on 11 November 2022, the Company entered into the revised financial services framework agreement (the “**Revised Financial Services Framework Agreement**”) with Yitai Finance on 11 November 2022 to reflect the newly proposed annual caps and other new terms in the agreement. Upon consideration and approval by the shareholders at the shareholders’ general meeting of the Company, the Revised Financial Services Framework Agreement will come into effect and replace the Financial Services Framework Agreement from 1 January 2023.

I. REVISED FINANCIAL SERVICES FRAMEWORK AGREEMENT

1. Overview of the Revised Financial Services Framework Agreement

The Parties: the Company (as the Service Recipient); and Yitai Finance (as the Service Provider)

Date: 11 November 2022

* For identification purposes only

Type of transaction: Provision of financial services, including deposit services, loan services, transfer settlement services, entrusted loans, bank acceptance bill business, non-financing letter of guarantee and credit verification, underwriting of corporate bonds, etc.

Principal terms: Yitai Finance and/or its subsidiaries shall provide financial services, including deposit services, loan services, transfer settlement services, entrusted loans, bank acceptance bill business, non-financing letter of guarantee and credit verification, underwriting of corporate bonds and other financial services to the Company and/or its subsidiaries. The Revised Financial Services Framework Agreement shall be effective from 1 January 2023 and expired on 31 December 2023, and an extension agreement may be entered into upon mutual agreement of the parties.

Yitai Finance undertakes to provide the Company with financial services of high quality and efficiency, and to deliver notice to the Company in respect of certain agreed matters promptly, in order to maintain the security of the Company's financial assets and take mitigation measures where appropriate.

During the term of the Revised Financial Services Framework Agreement, in respect of the deposit services, the Group's daily deposit balance (inclusive of accrued interests occurred) in Yitai Finance shall not be more than RMB18,000.00 million; in respect of the loan services, the total credit facilities provided by Yitai Finance to the Group shall not be more than RMB22,000.00 million (of which, the upper limit of daily average loan balance is RMB8,000.00 million), and the loan interest paid by the Group throughout the year shall not be more than RMB312.80 million; in respect of other financial services, other financial service fees paid by the Group to Yitai Finance throughout the year shall not be more than RMB33.35 million.

Pricing policies: Yitai Finance has undertaken to provide the aforementioned financial services based on the following pricing policies for the Group:

- (1) The interest rate for the Group's deposit with Yitai Finance shall be no less than (i) the benchmark interest rate published by the People's Bank of China from time to time for deposits of same type and term; (ii) the interest rate offered by major commercial banks in the PRC (including but not limited to Bank of China, China Construction Bank, Industrial and Commercial Bank of China and Agricultural Bank of China) for deposits of same type and term; and (iii) interest rate offered by Yitai Finance to the Company and its connected companies for deposits of same type and term. The deposit interest rate ranges from 0.25% to 1.90%;
- (2) The transfer settlement services provided by Yitai Finance to the Group is free of charge;
- (3) Yitai Finance undertakes to provide favourable interest rate for loans granted to the Group, which should not be higher than the interest rate charged by major commercial banks in the PRC for the loans with the same type and term. During the term of the Revised Financial Services Framework Agreement, the loan interest rate ranges from 2% to 5% (of which, 5% interest rate is only applicable to the project loans totaling RMB1 billion provided by Yitai Finance to Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司) and Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司), other than which the loan interest rate ranges from 2% to 3.85%); and
- (4) The fee rate charged by Yitai Finance for other financial services must comply with the charging standards prescribed by the People's Bank of China, and is no higher than the fee rate charged by major commercial banks in the PRC for the same type of services.

**Risk control
measures:**

- (1) Yitai Finance guarantees that it is qualified to perform its obligations under the Revised Financial Services Framework Agreement or conduct all relevant financial services transactions. It also undertakes and ensures the compliance with all applicable regulations and regulatory requirements during the implementation of the Revised Financial Services Framework Agreement.

- (2) The Group has the right to view and obtain relevant information including the financial account books, financial statements, audit reports of Yitai Finance in accordance with requirements such as the Company Law of the People's Republic of China, the articles of association of Yitai Finance, and the regulatory rules of relevant securities regulatory authorities of the place where the shares of the Company are listed.
- (3) Before depositing funds with Yitai Group, the Group has the right to obtain and review the audited annual financial report of Yitai Finance, evaluate the operation qualification, business and risk status of Yitai Finance, and issue a risk appraisal report, and Yitai Finance should cooperate with the Group.
- (4) The Group has the right to assign specialized agencies and personnel to dynamically assess and supervise the risk status of funds deposited with Yitai Finance. The Group examines the operation status and financial position of Yitai Finance on a regular basis, and pay close attention to whether Yitai Finance is in violation of any relevant regulations including the Administrative Measures on Financial Companies of Group Enterprises issued by the CBIRC. In the event that major regulatory indicators of Yitai Finance are found to be inconsistent with relevant regulatory requirements and may result in material risks, the Group shall discontinue depositing at Yitai Finance.
- (5) Yitai Finance shall ensure the safe operation of the fund settlement network, ensure the safety of funds, control fund risks, and ensure the security of the Group's settlement and payment.
- (6) The Group will be able to withdraw funds for satisfying its flexible capital needs without limitation, and may, from time to time, transfer its deposit placed with Yitai Finance in full or in part to test and ensure the security and liquidity of relevant deposits.

- (7) Yitai Finance guarantees that upon occurrence of any event that may imperil or bring potential security risk to the deposit safety of the Group, it shall notify the Group in writing within two working days, take measures to avoid the occurrence or expansion of losses, and assist the Group in fulfilling its corresponding information disclosure obligations.

The leading team for financial risk prevention and disposal shall urge the Company to take risk response measures in due course, such as withdrawing full or partial deposits placed with Yitai Finance, suspending any deposits placement with Yitai Finance and requesting Yitai Finance to carry out rectification within a prescribed time limit, so as to ensure the safety of deposits of the Group placed with Yitai Finance. In the event of default where the deposits with Yitai Group become unable to be withdrawn, the Group is entitled to set off the amount of unrecovered deposits with the loan provided by Yitai Finance.

- (8) The Company and Yitai Finance agree to, under the requests and recommendations of relevant securities regulatory authorities where the shares of the Company are listed, independent non-executive directors of the Company and independent financial adviser (if any), adjust risk control measures mentioned above, including, but not limited to adding and modifying relevant risk control measures, upon agreement by negotiation.

2. Historical amounts, Approved Annual Caps under the Financial Services Framework Agreement and New Annual Caps under the Revised Financial Services Framework Agreement

Unit: RMB'0,000

		Historical amount for the year ended 31 December 2021	Historical amount for the ten months ended 31 October 2022	For the year ending 31 December 2023	
				Approved annual cap	New annual cap
Provision of deposits to the Group by Yitai Finance	Daily maximum deposit balance	1,169,974	1,169,996	1,170,000	–
	Annual deposit interest	3,500	3,055.99	18,840	–
	Daily maximum deposit balance (inclusive of accrued interests occurred)	–	–	–	1,800,000
Provision of loans to the Group by Yitai Finance	Annual loan interest	–	–	–	31,280
Provision of other financial services to the Group by Yitai Finance	Other financial service fees	0	1	3,335	3,335

Basis for the revision of annual caps:

Deposit services

When revising the proposed annual caps for the deposit services, the Company has considered the following:

Since the second half of 2021, the coal prices have risen sharply. The operating income of the Company in 2021 increased by 49.97% as compared with 2020. In 2022, coal prices have been running high. As of 30 June 2022, the operating income of the Company increased by 54.20% as compared with the same period in 2021, and the net cash flow from operating activities increased by 161.88% as compared with the same period of the previous year. Such growth rates are expected to continue to increase until the end of 2023. Besides, certain interest-bearing liabilities of the Company fallen due, and the interest-bearing liabilities expenses decreased. It is expected that the net cash flow of the Company will significantly increase in 2023.

With respect to the specific condition in 2022, in the first three quarters of 2022, the net cash flow generated from the consolidated operating activities of the Group was RMB16.148 billion, and the closing balance of monetary fund was RMB18.511 billion, based on which the net cash flow generated from the consolidated operating activities of the Group at the end of 2022 is expected to be approximately RMB22.531 billion; after deducting interest-bearing liabilities due in the fourth quarter and other expenses, the balance of consolidated monetary fund at the end of 2022 is expected to be RMB18.085 billion.

On basis of the foregoing and considering the deposit interest rate level¹, the Company expects that the upper limit of the Group's deposits in Yitai Finance will reach RMB18 billion in 2023.

The Company will endeavour to carry out adequate supervision over the transaction amount of the deposit services and the interest income for the whole year provided by Yitai Finance to the Group against the relevant annual caps in the future with a view to ensuring that necessary measures and appropriate actions for the compliance with applicable requirements under the Listing Rules will be promptly taken.

1 The deposit interest rate ranges from 0.25% to 1.9%: 0.25% is based on the nominal rate for demand deposits of major commercial banks with which the Group cooperates, and 1.9% is based on the deposit benchmark rate for agreement deposits of the People's Bank of China of 1.15% plus 75 BPs, which is currently the highest deposit rate for agreement deposits.

Deposit transaction is part of the Group's daily business activities. The commercial terms (including interest rate) provided by Yitai Finance in respect of such transactions are no less favourable than those provided to the Company by major commercial banks in the PRC in respect of similar services. The Directors are of the opinion that the deposit transaction has no effect on the Group's assets and liabilities; on the contrary, the Group can generate interest income from the deposit transactions. The Company has the rest of its cash deposited in a number of other independent financial institutions. The Company is of the opinion that arrangement with Yitai Finance in respect of deposits is helpful to risk diversification related to the Group's deposits.

Loan services

The terms on which Yitai Finance provides loan services to the Group are normal commercial terms and no less favourable than those provided to the Group by any independent third parties in respect of similar services in the PRC, and no assets will be pledged by the Group in respect of any loan services. Thus, the loan services shall be exempted from the reporting, annual review, announcement and seeking for the independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

The upper limit of total credit facilities provided by Yitai Finance to the Group is RMB22,000.00 million (of which the upper limit of daily average loan balance is RMB8,000.00 million). On this basis and calculated at the average loan interest rate of 3.91%¹, the Company expects that the total annual loan interest to be paid in 2023 will not exceed RMB312.80 million.

The Board of Directors is of the view that the increment of relevant proposed annual caps is fair and reasonable and on normal commercial terms. The Board of Directors is also of the view that the adjustments will be in compliance with the needs of the daily operation of the Company and its connected persons, and in compliance with the Company's business development and strategic needs, and will not have material adverse effect on the capital utilization of the Company.

1 The average loan interest rate of 3.91% is calculated based on the loan interest rate ranging from 2% to 5% (of which, 5% interest rate is only applicable to the project loans totaling RMB1 billion provided by Yitai Finance to Yitai Yili Mining Co., Ltd. (伊泰伊犁礦業有限公司) and Yitai Yili Energy Co., Ltd. (伊泰伊犁能源有限公司), other than which the loan interest rate ranges from 2% to 3.85%).

3. Reasons for and benefits of the transactions

The registered capital of Yitai Finance is RMB1 billion, of which RMB400 million is contributed by the Company in cash, representing a shareholding of 40%, and RMB600 million by Yitai Group in cash, representing a shareholding of 60%. The board of directors of Yitai Finance comprises of 3 directors, the Company being interested in 40% of Yitai Finance is entitled to appoint 1 director of Yitai Finance to oversee the operation and corporate finance of Yitai Finance.

Given that Yitai Finance is subject to the supervision of the CBIRC and provides its services in accordance with the rules and operational requirements of the CBIRC, the Company believes that the risk profile of Yitai Finance, as a financial services provider to the Company, is not significantly greater than that of other independent commercial banks in the PRC. If the following situation occurs, the Company will adopt risk response measures such as withdraw the deposit with Yitai Finance in full or in part, cease to deposit with Yitai Finance, require Yitai Finance to make rectifications within a fixed period (as the case may be), so as to effectively guarantee the security of the Company's deposit with Yitai Finance:

- (i) substantial withdrawal of deposits by other member companies; unable to pay its debt when it falls due; a substantial amount of overdue loan repayment and guarantee payment; information system breakdown; suffering robbery or fraud; material breach of law and/or commitment of criminal offense by directors and/or senior management of Yitai Finance;
- (ii) loss on investment in securities by Yitai Finance amounts to 50% of its registered capital;
- (iii) significant change in organizational structure, shareholding or operational risk of Yitai Finance which may affect the operation of Yitai Finance;
- (iv) the proportion of the daily maximum deposit amount and loan amount of Yitai Finance exceeds relevant rules and regulations of relevant regulatory body;
- (v) Yitai Finance is guilty of breaching relevant rules and regulations and is penalized by the CBIRC or other regulatory bodies;
- (vi) Yitai Finance is ordered by the CBIRC for rectification; and/or
- (vii) other matters which the Directors of the Company considered shall cause potential risks for the deposits placed by the Company.

If necessary, the Group will seek assistance from Yitai Group to ensure that the safety and liquidity of the Company's funds will not be affected. Yitai Finance only provides financial services to the members of Yitai Group and the Group. Yitai Finance will be in a better position to gain information of the member companies in a more timely and comprehensive manner as compared to other commercial banks and is also exposed to a lower level of potential risk compared to commercial banks which conduct business with clients of various credit ratings and background not comparable to the Company.

Having considered that (i) Yitai Finance is held as to 40% shareholding by the Company, and the Company is entitled to appoint a director for Yitai Finance to oversee its operation and corporate governance; (ii) the provision of financial services by Yitai Finance is limited only to member companies; (iii) Yitai Finance will operate under the relevant guidelines and requirements of the CBIRC as other independent financial institutions; (iv) if the Directors have confirmed that Yitai Finance breaches any guidelines and requirements of the CBIRC, the Company will cease to place any deposit in Yitai Finance; and (v) the Company seeks assistance from Yitai Group to ensure that the safety and liquidity of the Company's funds will not be affected. Directors are of the view that the risk profile of Yitai Finance is not significantly greater than that of other independent commercial banks in the PRC.

The Company and Yitai Finance will adopt various internal control and risk management measures in relation to the provision of financial services by Yitai Finance in order to ensure the protection of the interest of the shareholders. As advised by the management of the Company, there are internal control measures in place for monitoring of the compliance of Yitai Finance with the relevant regulations, the risk profile of Yitai Finance and the deposit services. Such measures include the establishment of a financial risk prevention and disposal leading group by the Company to be responsible for prevention and disposal of capital risks associated with Yitai Finance. The leading group is headed by the chief financial officer of the Company, and its members include department heads and related personnel of the financial management department, audit and supervision department, capital operation and compliance management department of the Company. The leading group is responsible for organizing and implementation of the prevention and disposal of financial business risks. Under the guidance of the leading group, the financial management department is responsible for daily supervision and management of specific businesses of Yitai Finance, and promptly reports to the leading group for prevention and disposal of risks according to the plan.

Yitai Finance will establish stringent internal control measures to ensure effective risk management. In accordance with the Company Law of the People's Republic of China and relevant laws and regulations, Yitai Finance has established a corporate governance structure under which the shareholders' general meeting, the board of directors, the supervisory committee and the management of mutual balancing and respective responsibilities and obligations, clearly define their responsibilities in internal control, has established a corporate governance structure under which the shareholders' general

meeting, the board of directors, the supervisory committee and the management perform their respective responsibilities, operate in a standardized manner and with mutual balancing. The shareholders' general meeting is the highest authority of Yitai Finance, and the board of directors is the standing body of the shareholders' general meeting, responsible for organizing and implementing major decisions of the shareholders' general meeting, and accountable to the shareholders' general meeting. The supervisory committee earnestly performs its supervision duties, and the management is responsible for the implementation of specific production and operation according to the objectives and directions of the board of directors' decisions. There are an internal control audit committee and a risk control committee under the board of directors. The general manager is fully responsible for the operation and management of the company. There are seven functional departments under the management, namely, the capital settlement department, the corporate business department, the general management department, the information technology department, the planning and finance department, the risk compliance department and the internal control and audit department, which manage the capital settlement business, credit business, comprehensive affairs, information technology, financial accounting, risk control and internal supervision, respectively. The organizational structure is complete, and provides necessary preconditions for the effectiveness of risk management.

The benefits of this transaction are set out as below:

- (i) It is an alternative choice for the Company in addition to obtain loans from other financial institutions, which can improve the liquidity within the Company, enhance the Company's overall solvency, and assist in financial risks monitoring;
- (ii) The Company will regard Yitai Finance as a platform for fund management to help the members of the Company to deploy their capital more efficiently;
- (iii) The interest rate on the deposit services offered to the Company, and handling charges related to other financial services charged by Yitai Finance shall be no less favorable (as the case may be) than those offered by any independent third parties to the Company; and
- (iv) The arrangements under the Revised Financial Services Framework Agreement would help in saving financial costs so as to enhance the Company's profitability.

The Directors consider it will be in the interest of the Company to cooperate with Yitai Finance for diversifying the financing platform of the Company. As advised by the Directors, the Company is neither obliged nor committed to engage Yitai Finance to provide the deposit services under the Revised Financial Services Framework Agreement, and Yitai Finance is merely one of the financial institutions which provides deposit services to the Company. This arrangement allows the Company to have the flexibility and discretion to select the appropriate provider for deposit services. It is expected that Yitai

Finance, as an inter-group service provider, is more familiar with the Company's operation and will have better and more efficient communication with the Company compared with other commercial banks and financial institutions in the PRC for the deposit services under the Revised Financial Services Framework Agreement. In addition, the interest rate offered by Yitai Finance under the deposit services will not be lower than those that would have been offered to the Company by other major commercial banks in the PRC or those offered by Yitai Finance to third parties. According to the Revised Financial Services Framework Agreement, if Yitai Finance defaults payment when the Company withdraws its deposits, the Company shall withhold the repayment of outstanding loan to Yitai Finance. Having considered that the Company has its sole discretion to use the deposit services provided by other commercial banks and financial institutions when the relevant terms are more favourable than those offered by Yitai Finance, we are of the view that the deposit services provide the Company with an alternative choice of service provider for deposit services and allow the Company to select the service provider offering the most favorable terms to the Company.

II. MEASURES OF INTERNAL CONTROL

To ensure the Company's conformity with the above pricing policies from time to time, the Company will adopt a series of internal control policies for its daily operation. Such internal control policies shall be implemented and supervised by the capital operation and compliance management department and finance management department of the Company:

- the Company has established and adopted a management system on connected transactions. According to the system, the capital operation and compliance management department and finance management department are responsible for the information gathering on and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms;
- The finance management department of the Company is responsible for the information collection and monitoring of the Continuing Connected Transactions as well as submission of the monthly report to the capital operation and compliance management department. The capital operation and compliance management department will assess the fairness of the terms and conditions of the transactions, and ensures that the actual amount of the Continuing Connected Transactions shall not exceed the annual caps. If the actual amount reaches the cap soon, the finance management department will notify the capital operation and compliance management department in time, and the capital operation and compliance management department shall perform the corresponding review and disclosure procedures according to relevant rules;

- The audit and supervision department of the Company will conduct regular audit according to the established Internal Audit System to ensure that the transaction price is fair and reasonable and is in line with the price terms of general services agreement and the terms offered by the provider to the Company are consistent with those available to independent third parties or better;
- prior to the implementation of certain financial services, the principal officers for relevant matters shall lodge applications to the financial management department, and such applications would only be approved upon preliminary review and final review conducted by the head of the financial management department and the chief financial officer of the Company pursuant to the relevant internal control policies of the Group;
- before the placement of funds with Yitai Finance, the Company will obtain and review the audited annual financial report of Yitai Finance, evaluate the operation qualification, business and risk status of Yitai Finance, issue the risk appraisal report, and assign special agencies and personnel to dynamically evaluate and supervise the risk status of the funds placed with Yitai Finance; and
- the independent non-executive Directors of the Company have also reviewed and will continue to review the Continuing Connected Transactions to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company will also conduct an annual review on the pricing and annual caps of such Continuing Connected Transactions.

III. LISTING RULES IMPLICATION

As at the date of this announcement, Yitai Group, directly and indirectly, holds 58.76% of the existing issued share capital of the Company and is a Controlling Shareholder of the Company, and thus constitutes a connected person of the Company. Meanwhile, the Company and Yitai Group hold 40% and 60% of shareholdings in Yitai Finance respectively, thus Yitai Finance constitutes a connected person of the Company. Therefore, the Revised Financial Services Framework Agreement entered into between the Company and Yitai Finance and the transactions contemplated thereunder constitute the Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

As each of the highest applicable percentage ratio under the Listing Rules of the annual cap in respect of the deposit services proposed to be provided for the Group under the Revised Financial Services Framework Agreement exceeds 25%, thus such transactions constitute the Continuing Connected Transactions and major transactions at the same time and shall be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

As the provision of loan services to the Group contemplated under the Revised Financial Services Framework Agreement are normal commercial terms and no less favourable than those provided to the Group by any independent third parties in respect of similar services in the PRC, and no assets will be pledged by the Group in respect of any loan services. Thus, the loan services shall be exempted from the reporting, annual review, announcement and seeking for the independent shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

As each of the highest applicable percentage ratio under the Listing Rules of the annual cap in respect of other financial services proposed to be provided for the Group under the Revised Financial Services Framework Agreement exceeds 0.1% but is less than 5%, thus such transactions constitute the Continuing Connected Transactions and shall be subject to the reporting, annual review and announcement requirements but exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board has considered and approved the resolution regarding the entering into of the Revised Financial Services Framework Agreement. As Mr. Zhang Jingquan, Mr. Liu Chunlin, Mr. Ge Yaoyong, Mr. Zhang Dongsheng, Mr. Liu Jian, Mr. Lv Junjie and Mr. Zhao Like, all being Directors of the Company, are deemed to have material interests in the above transactions, they have abstained from voting on the above resolution accordingly. Save for the above persons, other Directors have no interests in the above resolution.

The Directors (including the independent non-executive Directors) are of the view that the entering into of the Revised Financial Services Framework Agreement and new annual caps contemplated thereunder are entered into on normal commercial terms in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Group and the Shareholders as a whole.

The Company has appointed Gram Capital Limited (a corporation licensed to carry on Type 6 (advising on corporate finance) regulated activities under the SFO) as the independent financial adviser to advise the independent board committee and the Independent Shareholders as to whether the proposed provision of deposit services to the Company contemplated under the Revised Financial Services Framework Agreement and its new annual cap are entered into on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how they should vote in respect of the above resolution at the extraordinary general meeting of the Company. The independent board committee comprising all independent non-executive Directors has been established by the Company to advise the Independent Shareholders as to whether the proposed provision of deposit services to the Company contemplated under the Revised Financial Services Framework Agreement and its new annual cap are entered into on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how they should vote in respect of the above resolution, after taking into account the recommendations of the independent financial adviser.

IV. GENERAL INFORMATION

Information on the Company

The Company is a joint stock limited liability company incorporated in the PRC on 23 September 1997, which is the largest local coal enterprises in Inner Mongolia Autonomous Region and one of the large-scale coal enterprises in the PRC. The principal businesses of the Company include coal operations, transportation operations, coal related chemical operations and other operations. The ultimate beneficial owner of the Company is Yitai Investment.

Information on Yitai Group

Yitai Group is one of the Company's Controlling Shareholders, which is a limited liability company duly incorporated in the PRC. Yitai Group is a large-scale clean energy enterprise integrating railway and coal-related chemical industry with coal production, transportation and sales as the basis and ecological restoration, organic agriculture and other non-coal industries as the complementation. The ultimate beneficial owner of Yitai Group is Yitai Investment.

Information on Yitai Investment

Yitai Investment is a stock limited company incorporated under the PRC law in December 2005, changed from a limited liability company to a stock limited company on June 2017 and the company name changed from Inner Mongolia Yitai Investment Limited Liability Company to Inner Mongolia Yitai Investment Co., Ltd. The operations of Yitai Investment include investment of energy industry and railway construction. Yitai Investment has no de facto controller, and its shareholders are more than 2,000 individual shareholders (including a large number of third-party individual shareholders who are not connected persons of the Company, and certain Directors, Supervisors and senior management members of the Company), of which Mr. Zhang Shuangwang (not a connected person of the Company), the single largest shareholder, holds 15% of the shares, and none of the rest of the shareholders holds more than 5% of the shares.

Information on Yitai Finance

Yitai Finance obtained approval for establishment from the CBIRC on 1 July 2015 and obtained approval for incorporation. The operations of Yitai Finance include: providing financial and financing advisory, credit appraisal and related consulting; agency service for its members; assisting its members in collecting and making transaction payments; approved insurance agency business; providing security and guarantee for its members; handling entrusted loan among its members; handling bill acceptance and discounting affairs for its members; conducting internal financial transfers between members and the corresponding settlement, clearing design; absorbing deposits from its members; providing loans and finance lease to its members; engaging in inter-bank borrowings. The ultimate beneficial owner of Yitai Finance is Yitai Investment.

V. DESPATCH OF CIRCULAR

A circular containing, inter alia, (i) details of the Revised Financial Services Framework Agreement; (ii) a letter from the independent financial adviser containing its recommendation to the independent board committee and the Independent Shareholders in respect of the proposed provision of deposit services to the Company contemplated under the Revised Financial Services Framework Agreement and its new annual cap; and (iii) a letter from the independent board committee containing its recommendation in respect of the proposed provision of deposit services to the Company contemplated under the Revised Financial Services Framework Agreement and its new annual cap, is expected to be dispatched to the Shareholders in accordance with the Listing Rules. As additional time is required for the Company to prepare the information to be included in circular, a circular containing, among others, the letter from the independent board committee, the letter from the independent financial adviser, together with the notice convening the extraordinary general meeting of the Company, is expected to be dispatched to the Shareholders on or before 13 December 2022.

By order of the Board
Inner Mongolia Yitai Coal Co., Ltd.*
Zhang Jingquan
Chairman

Inner Mongolia, the PRC, 11 November 2022

As at the date of this announcement, the executive directors of the Company are Mr. Zhang Jingquan, Mr. Liu Chunlin, Mr. Ge Yaoyong, Mr. Zhang Dongsheng, Mr. Liu Jian, Mr. Lv Junjie and Mr. Zhao Like; and the independent non-executive directors of the Company are Mr. Huang Sujian, Mr. Wong Hin Wing, Ms. Du Yingfen and Mr. E Erdun Tao Ketao.

* *For identification purposes only*