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



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

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

**CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE
TRANSACTION
AND
NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



An EGM of the Company is to be held at 15:00 on Tuesday, 21 November 2023 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC and the notice of the EGM is set out on pages 74 to 76 of this circular.

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

* *For identification purpose only*

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DEFINITIONS

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

“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 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
“CNCDC”	China National Coal Development Co., LTD.* (中國煤炭開發有限責任公司), a limited liability company incorporated under the laws of the PRC and a wholly-owned subsidiary of the Company
“Company”	China Coal Energy Company Limited* (中國中煤能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange under the stock code of 01898 and the A Shares of which are listed on the Shanghai Stock Exchange under the stock code of 601898
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	the director(s) of the Company

DEFINITIONS

“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 Non-exempt Continuing Connected Transactions”	the transactions under the 2021 Coal Supply Framework Agreement, the 2021 Integrated Materials and Services Mutual Provision Framework Agreement, the 2021 Project Design, Construction and General Contracting Services Framework Agreement, and the 2021 Financial Services Framework Agreement
“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 Proposed 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 Proposed 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 Proposed Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof

DEFINITIONS

“Independent Shareholders”	shareholders of the Company who have no material interest in Proposed 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
“Latest Practicable Date”	30 October 2023, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“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
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC” or “China”	the People’s Republic of China, but for the purposes of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Proposed Annual Caps”	annual caps for the three years ending 31 December 2026
“Proposed 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)
“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

DEFINITIONS

“Shareholder(s)”	the shareholder(s) of the Company, including holder(s) of H Shares and holder(s) of A Shares
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on 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
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“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 July 5 2022 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 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 Financial Services Framework Agreement”	the financial services framework agreement dated 25 October 2023 and entered into between China Coal Finance Company and the Parent

DEFINITIONS

“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

LETTER FROM THE BOARD



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)

Executive Director:

Wang Shudong
Liao Huajun
Zhao Rongzhe

Registered office:

Huangsidajie No. 1
Chaoyang District
Beijing, 100120, China

Non-executive Director:

Xu Qian

*Principal place of business
in Hong Kong:*

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

Independent Non-executive Directors:

Zhang Chengjie
Jing Fengru
Hung Lo Shan Lusan

3 November 2023

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTIONS

I. INTRODUCTION

References are made to (i) the announcements of the Company dated 28 April 2020, 22 April 2021, 27 October 2021 and 5 July 2022 and the circulars dated 29 April 2020 and 11 July 2022 in relation to, among others, the Existing Non-exempt Continuing Connected Transactions and the annual caps thereof for the three years ending 31 December 2023; and (ii) the announcement of the Company dated 25 October 2023 in relation to the Proposed Non-exempt Continuing Connected Transactions and the annual caps thereof for the three years ending 31 December 2026.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with all the information regarding, among other matters, (i) details of the Proposed Non-exempt Continuing Connected Transactions and the annual caps thereof for the three years ending 31 December 2026; and (ii) the notice of the EGM, so as to enable you to make an informed decision on whether to vote for or against the proposed resolutions at the EGM.

II. PROPOSED NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND THE ANNUAL CAPS THEREOF FOR THE THREE YEARS ENDING 31 DECEMBER 2026

(1) 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.

LETTER FROM THE BOARD

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>

LETTER FROM THE BOARD

Historical Annual Caps

The annual caps in respect of the procurement of coal products and acceptance of services by the Group from the Parent Group under the 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 Latest Practicable Date, 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

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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

LETTER FROM THE BOARD

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.

(2) **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,

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

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.

LETTER FROM THE BOARD

As for the bulk equipment and raw materials provided by the Group to the Parent Group, the Group shall strictly comply with the Invitation and Submission of Bids Law of the PRC (《中華人民共和國招標投標法》) and all the essential requirements set out in the bid invitation of the Parent Group during the bidding process. In preparing for the submission of a tender, tender review meeting of the relevant subsidiary of the Group will be held to perform a thorough analysis of the project management guidelines, the collection of cost and other essential data. In pricing a tender, the relevant department of the Group will also make references to recent project quotations and related market information 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.

LETTER FROM THE BOARD

- (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.

LETTER FROM THE BOARD

As for the mutual provision of raw materials and ancillary materials between the Parent Group and the Group, the payment shall be implemented by 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.

LETTER FROM THE BOARD

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 ^(Note)
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

LETTER FROM THE BOARD

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 Latest Practicable Date, 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

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- (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.

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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

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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.

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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.

(3) 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	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.

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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.

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.

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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 ^(Note)

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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 latest practicable date, 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

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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 RMB 0.54 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.

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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;

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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.

(4) 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;

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(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);

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- (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; and

- (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.

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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)
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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
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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)
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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
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The Directors have been monitoring the transaction amount contemplated under the 2021 Financial Services Framework Agreement. As at the Latest Practicable Date, 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.

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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
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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.

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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;

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- (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.

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III. HONG KONG LISTING RULES IMPLICATIONS

The Parent is the controlling shareholder of the Company and therefore a connected person of the Company under the Hong Kong Listing Rules. Accordingly, the transactions contemplated between the Company and the Parent constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14A.06 of the Hong Kong Listing Rules) in respect of the highest Proposed Annual Caps for (i) the transactions under the 2024 Coal Supply Framework Agreement, (ii) the transactions under the 2024 Integrated Materials and Services Mutual Provision Framework Agreement, (iii) the transactions under the 2024 Project Design, Construction and General Contracting Services Framework Agreement and (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, 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 highest Proposed Annual Caps for provision of loans by China Coal Finance Company to the Parent Group under the 2024 Financial Services Framework Agreement 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 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 (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 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.

LETTER FROM THE BOARD

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 transactions contemplated 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, 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 aforesaid continuing connected transactions.

IV. GENERAL INFORMATION OF THE PARTIES OF THE TRANSACTIONS

The Company

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

The Parent

The Parent is a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company, holding, directly and indirectly, approximately 58.37% of the issued share capital of the Company as at the Latest Practicable Date. The Parent is principally engaged in the production and trading of coal, coal chemical business, pithead power generation, construction of coal mines, manufacturing of coal mining equipment and the provision of related engineering technologies and services. The ultimate controller of the Parent is SASAC. SASAC is an ad-hoc ministerial-level organization directly subordinated to the State Council, and is mainly responsible for supervising and managing the state-owned assets of enterprises (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 Latest Practicable Date, 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 SASAC.

LETTER FROM THE BOARD

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.

V. GENERAL INFORMATION

A notice convening the EGM to be held at 15:00 on Tuesday, 21 November 2023 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the PRC is set out on pages 74 to 76 of this circular.

As at the Latest Practicable Date, the Parent and its associates, directly or indirectly, hold 7,739,094,708 Shares of the Company (representing approximately 58.37% 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 Proposed Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof at the EGM.

To the best of the Directors' knowledge, information and belief, other than the Parent and its associates, none of connected persons of the Company, Shareholders or their associates has a material interest in the Proposed Non-exempt Continuing Connected Transactions or the Proposed Annual Caps thereof, or is required to abstain from voting at the EGM.

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.

LETTER FROM THE BOARD

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

VI. RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out in this circular which contains the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Proposed Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof; and (ii) the letter from Gram Capital set out in this circular which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the the Proposed Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof and the principal factors and reasons taken into account by Gram Capital in arriving at its advice.

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

Accordingly, the Directors recommend the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM in relation to the Proposed Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof.

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

Independent Board Committee

Mr. Zhang Chengjie

Mr. Jing Fengru

Ms. Hung Lo Shan Lusan

3 November 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS AND
DISCLOSEABLE TRANSACTION**

We refer to the circular of the Company dated 3 November 2023 (the “**Circular**”) of which this letter forms a part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

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

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

Your attention is also drawn to the letter from the Board and the additional information set out in the Appendix to the Circular.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having considered the Proposed Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof, the interests of the Independent Shareholders and the advice of Gram Capital, we are of the opinion that 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 were entered into in the ordinary and usual course of business of the Group, and the terms and conditions of the Proposed Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and its Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM so as to approve the Proposed Non-exempt Continuing Connected Transactions and the Proposed Annual Caps thereof.

Yours faithfully,

The Independent Board Committee

Mr. Zhang Chengjie

Mr. Jing Fengru

Ms. Hung Lo Shan Lusan

Independent non-executive Directors

LETTER FROM GRAM CAPITAL

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



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

3 November 2023

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

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) transactions contemplated under the 2024 Coal Supply Framework Agreement (the “**Coal Transactions**”); (ii) the Group’s purchase of materials and services from the Parent Group (the “**Procurement Transactions**”) and the Group’s supply of materials and services to the Parent Group (the “**Supply Transactions**”) pursuant to the 2024 Integrated Materials and Services Mutual Provision Framework Agreement; (iii) transactions contemplated under the 2024 Project Design, Construction and General Contracting Services Framework Agreement (the “**Services Transactions**”); and (iv) transactions (excluding provision of other financial services and deposit services by China Coal Finance Company to the Parent Group) contemplated under the 2024 Financial Services Framework Agreement (the “**Financial Services**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 3 November 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 25 October 2023, the Group 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, to renew the Existing Non-exempt Continuing Connected Transactions (including their annual caps for the three years ending 31 December 2023).

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, each of the Proposed Non-exempt Continuing Connected Transactions constitutes a non-exempt continuing connected transaction of the Company and shall be subject to the reporting, announcement, annual review and independent shareholders' approval requirements under the Hong Kong Listing Rules. The provision of loans by China Coal Finance Company to the Parent Group under the 2024 Financial Services Framework Agreement also constitutes a discloseable transaction of the Company.

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

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser in relation to continuing connected transactions (details of which were set out in the Company's circular dated 11 July 2022). Save for the aforesaid engagement, there was no other service provided by Gram Capital to the Company relating to any transaction of the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the aforesaid engagement, we were not aware of any relationships or interests between Gram Capital and the Company, or any other parties during the past two years immediately preceding the Latest Practicable Date that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered the above and that (i) none of the circumstances as set out under the Rule 13.84 of the Hong Kong Listing Rules existed as at the Latest Practicable Date; and (ii) the aforesaid past engagement was only independent financial adviser engagement and will not affect our independence to act as the Independent Financial Adviser, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and/or the management of the Company (the "**Management**"). We have assumed that all information and representations that have been provided by the Directors

LETTER FROM GRAM CAPITAL

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

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

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

LETTER FROM GRAM CAPITAL

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

Background of the Proposed Non-exempt Continuing Connected Transactions

Information on the Company

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

Information on the Parent

With reference to the Board Letter, the Parent is a state-owned enterprise established under the laws of the PRC and the controlling shareholder of the Company, holding, directly and indirectly, approximately 58.37% of the issued share capital of the Company as at the Latest Practicable Date. The ultimate controller of the Parent is SASAC. The Parent is principally engaged in production and trading of coal, coal chemical business, pithead power generation, construction of coal mines, manufacturing of coal mining equipment and provision of related engineering technologies and services.

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

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

- the 2024 Coal Supply Framework Agreement enables (i) the Group to secure a stable source of coal products from the Parent Group in the Group's ordinary course of business at market prices; and (ii) the Group to avoid potential competition between the Parent Group's coal products with the Group's coal products;
- the 2024 Integrated Materials and Services Mutual Provision Framework Agreement enables (i) the Group to secure a stable source of relevant materials and services from the Parent Group in the Group's ordinary course of business at market prices; and (ii) the Group to have a stable customer of the Group's relevant materials and services in the Group's ordinary course of business at market prices;

LETTER FROM GRAM CAPITAL

- 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 the Group's ordinary course of business at market prices; and
- the 2024 Financial Services Framework Agreement will strengthen centralized financial management and capital collection, provide space for increasing 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.

As confirmed by the Management, as the Proposed Non-exempt Continuing Connected Transactions are conducted in the ordinary and usual course of business of the Group and on a frequent basis, it would be (i) costly and impracticable to make regular disclosure of each of the relevant transactions and obtain prior approval from the Independent Shareholders as required by the Hong Kong Listing Rules, if necessary; and (ii) impracticable to seek Independent Shareholders' approval upon confirmation of supplier/provider under tendering/bidding process (if necessary) of the Proposed Non-exempt Continuing Connected Transactions that require such tendering/bidding process. Accordingly, the Management is of the view that entering into framework agreements in respect of the Proposed Non-exempt Continuing Connected Transactions is beneficial to the Company and the Shareholders as a whole.

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 clearing 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. As advised by the Management, China Coal Finance Company has been providing credit services, deposit services and financial services to the Parent Group since 2014. According to the audited financial report of China Coal Finance Company for the year ended 31 December 2022 ("FY2022"), most of China Coal Finance Company's total revenue for the two years ended 31 December 2022 were derived from net interest income (including those generated from provision of loan services to the Parent Group).

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

LETTER FROM GRAM CAPITAL

A. THE COAL TRANSACTIONS

Principal terms of the Coal Transactions

Summarised below are the major terms of the Coal Transactions, details of which are set out under the section headed “(1) 2024 Coal Supply Framework Agreement” of the Board Letter:

Date

25 October 2023

Parties

The Company and the Parent

Continuing transactions

The Parent Group has agreed to supply the coal products produced from 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 Group’s requirements.

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.

As for the coal supplied by the Parent Group to the Group, the account shall be settled by several batches (including the acceptance check upon delivery and receiving of all settlement documents) collectively as provided in relevant agreement in cash or other methods agreed by the parties (the “**Payment Terms of Coal Transactions**”). The payment method of purchase prices under the 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.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Group adopted certain procedures to ensure that the Coal Transactions will be executed in compliance with its pricing principles. Details of the internal control procedures are set out under the sub-section headed “Internal control measures” under the section headed “(1) 2024 Coal Supply Framework Agreement” of the Board Letter. As (i) 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; and (ii) 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, we consider that effective implementation of the internal control procedures will ensure fair pricing of the Coal Transactions.

Upon our request, the Management confirmed that the Company’s relevant subsidiaries (which were involved in the Coal Transactions) (i) were aware of internal control procedures in respect of the Coal Transactions; and (ii) complied with such internal control procedures before conducting individual transactions contemplated under the 2021 Coal Supply Framework Agreement. As part of our due diligence work, we also interviewed staffs of the Company’s relevant subsidiaries for the aforesaid matters. Having considered the Management’s confirmation and our discussion with relevant staffs, we are of the view that the internal control procedures were effectively implemented.

Proposed annual caps

Set out below are (i) historical amounts of the Coal Transactions for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 with existing annual caps; and (ii) proposed annual caps of the Coal Transactions for the three years ending 31 December 2026 (the “**Coal Cap(s)**”):

	For the year ended 31 December 2021 RMB’000	For the year ended 31 December 2022 RMB’000	For the year ending 31 December 2023 RMB’000
Historical amounts	5,972,370	17,571,810	12,863,325 ^(Note)
Existing annual caps	10,700,000	22,200,000	27,600,000
Utilisation rates	55.8%	79.2%	N/A
	For the year ending 31 December 2024 (“FY2024”) RMB’000	For the year ending 31 December 2025 (“FY2025”) RMB’000	For the year ending 31 December 2026 (“FY2026”) RMB’000
Coal Caps	24,700,000	26,800,000	27,700,000

Note: the figure was for the nine months ended 30 September 2023.

LETTER FROM GRAM CAPITAL

The basis for determining Coal Caps for the three years ending 31 December 2026 is set out under the sub-section headed “Proposed Annual Caps” under the section headed “(1) 2024 Coal Supply Framework Agreement” of the Board Letter.

Based on the above table, utilisation rates of existing annual caps for the two years ended 31 December 2022 were approximately 55.8% and approximately 79.2% respectively.

To assess the fairness and reasonableness of the Coal Caps, we obtained the Coal Caps calculation from the Company.

According to the calculation, the Coal Cap for each of the three years ending 31 December 2026 was calculated by (i) estimated purchase of coal (in tonne) from the Parent Group for the year; and (ii) estimated average purchase price of coal for the year.

The Management provided us a breakdown of the estimated purchase of coal (in tonne) from each relevant member of the Parent Group (the “**2023 Estimated Coal Volume**”) with corresponding estimated average price of coal (the “**2023 Estimated Coal Price**”) for the year ending 31 December 2023 (“**FY2023**”). We noted that (i) the 2023 Estimated Coal Volume was derived by annualising the actual volume for the first half of 2023 (“**1H2023**”); and (ii) the 2023 Estimated Coal Price was calculated as total actual purchase cost of coal from relevant members of the Parent Group for 1H2023 divided by total actual purchase (in tonne) of coal from relevant members of the Parent Group for 1H2023. Having considered the above, we are of the view that the 2023 Estimated Coal Volume and the 2023 Estimated Coal Price are justifiable.

In respect of the estimated purchase of coal (in tonne) from the Parent Group for FY2024, the Management provided us a breakdown of the estimated purchase of coal (in tonne) from each relevant member of the Parent Group. The estimated purchase of coal (in tonne) from the Parent Group for FY2024 increases by approximately 11 million tonnes as compared to the 2023 Estimated Coal Volume. As explained by the Management, such increase was mainly due to estimated increase in the purchase from certain members of the Parent Group (which was also reflected in the aforesaid breakdown), as a result of the Parent Group’s participation in the integration of coal-related resources of enterprises under supervision of the PRC Central Government (“**Coal-related Resources Integration**”) in recent years and possible increase of coal supply by the Parent Group arising therefrom.

Having considered the above analyses, we are of the view that the estimated purchase of coal (in tonne) from the Parent Group for FY2024 to be justifiable.

We noted that the estimated average purchase price of coal for FY2024 is close to the 2023 Estimated Coal Price. Accordingly, we consider the estimated average purchase price of coal for FY2024 to be justifiable.

Based on the above factors, we are of the view that the Coal Cap for FY2024 is fair and reasonable.

LETTER FROM GRAM CAPITAL

According to the Coal Caps calculation, (i) the estimated purchase of coal from the Parent Group for FY2023 (estimated volume times estimated price) increases by approximately 14% as compared to the historical amount of Coal Transactions for FY2022; and (ii) the estimated purchase of coal from the Parent Group for FY2024 (estimated volume times estimated price, which is also the Coal Cap for FY2024) increases by approximately 28% as compared to that for FY2023.

According to the Coal Caps calculation, the Coal Cap for FY2025 increased by approximately 8.5% as compared to that for FY2024; and the Coal Cap for FY2026 increased by approximately 3.4% as compared to that for FY2025. As advised by the Management, the aforesaid lower increases were mainly due to diminishing impact of the Parent's Group participation in the Coal-related Resources Integration. Having considered the above, we are of the view that the Coal Caps for the two years ending 31 December 2026 are fair and reasonable.

Shareholders should note that as the Coal Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of cost to be incurred from the Coal Transactions. Consequently, we express no opinion as to how closely the actual cost to be incurred from the Coal Transactions will correspond with the Coal Caps.

Having considered the above, including the principal terms of the transactions contemplated under the 2024 Coal Supply Framework Agreement and the Coal Caps, we are of the view that the terms of the Coal Transactions are fair and reasonable.

B. THE PROCUREMENT TRANSACTIONS AND SUPPLY TRANSACTIONS

Principal terms of the Procurement Transactions and Supply Transactions

Summarised below are the major terms of the Procurement Transactions and the Supply Transactions, details of which are set out under the section headed "(2) 2024 Integrated Materials and Services Mutual Provision Framework Agreement" of the Board Letter:

Date

25 October 2023

Parties

The Company and the Parent

LETTER FROM GRAM CAPITAL

Continuing transactions

- Procurement Transactions: 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, labour contracting, entrusted management and others; and (2) social and support services including staff training, medical services and emergence rescues, communication, property management services and others; and
- Supply Transactions: the Group shall supply the Parent Group (1) production materials and ancillary services, among others, including coal^(Note), coal mining facilities, raw materials, auxiliary materials, electricity and heat supplies, transportation, loading and unloading services, equipment maintenance and leasing, labour contracting, entrusted management, information service 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.

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, prices will be based on the following pricing policy and order:

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

LETTER FROM GRAM CAPITAL

Details of the above pricing policies are set out under the sub-section headed “Price determination” under the section headed “(2) 2024 Integrated Materials and Services Mutual Provision Framework Agreement” of the Board Letter.

With reference to the Board Letter, the Group adopted certain procedures to ensure that the Procurement Transactions and Supply Transactions will be executed in compliance with their pricing principles. Details of the internal control procedures are set out under the section headed “Internal control measures” under the section headed “(2) 2024 Integrated Materials and Services Mutual Provision Framework Agreement” of the Board Letter. For Procurement Transactions, (i) 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; and (ii) CNCDC is responsible for monitoring, collecting and evaluating the market prices of relevant equipment and raw materials with the same specifications and similar functions, on a regular basis. For Supply Transactions; (i) 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, on a regular basis; and (ii) the relevant members of the Group will hold tender discussion meetings to determine the tender price with reference to, among others, recent project quotations and related market information, and is subject to the final approval. Based on the aforesaid, we consider that the effective implementation of the internal control procedures will ensure fair pricing of the Procurement Transactions and Supply Transactions.

Upon our request, the Management confirmed that the Company’s relevant subsidiaries (which were involved in the Procurement Transactions and Supply Transactions) (i) were aware of internal control procedures in respect of the Procurement Transactions and the Supply Transactions (as the case may be); and (ii) complied with such internal control procedures before conducting individual transactions contemplated under the 2021 Integrated Materials and Services Mutual Provision Framework Agreement. As part of our due diligence work, we also interviewed staffs of the Company’s relevant subsidiaries for the aforesaid matters. Having considered the Management’s confirmation and our discussion with relevant staffs, we are of the view that the internal control procedures were effectively implemented.

LETTER FROM GRAM CAPITAL

Proposed annual caps

A. Procurement Caps

Set out below are (i) historical amounts of the Procurement Transactions for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 with existing annual caps; and (ii) proposed annual caps of the Procurement Transactions for the three years ending 31 December 2026 (the “**Procurement Cap(s)**”):

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the year ending 31 December 2023 RMB'000
Historical amounts	5,523,350	5,668,810	3,872,063 ^(Note)
Existing annual caps	6,800,000	7,000,000	7,100,000
Utilisation rates	81.2%	81.0%	N/A
	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000
Procurement Caps	7,200,000	7,200,000	7,200,000

Note: the figure was for the nine months ended 30 September 2023.

The basis for determining Procurement Caps for the three years ending 31 December 2026 are set out under the sub-section headed “Proposed Annual Caps” under the section headed “(2) 2024 Integrated Materials and Services Mutual Provision Framework Agreement” of the Board Letter.

Based on the above table, utilisation rates of existing annual caps for the two years ended 31 December 2022 were approximately 81.2% and 81.0% respectively.

LETTER FROM GRAM CAPITAL

To assess the fairness and reasonableness of the Procurement Caps, we obtained the Procurement Caps calculation from the Company. We noted from the Procurement Caps calculation that estimated Procurement Transactions amount of five of the Company's subsidiary groups represents over 90% of total estimated Procurement Transactions amount for FY2024 which is approximately the same as to the Procurement Cap for FY2024 (the remaining portion of Procurement Cap is cater for possible Procurement Transactions amount of the Company's other subsidiaries), with details below:

- The estimated Procurement Transactions amount of a subsidiary group (“**Subsidiary Group A**”) represents approximately 45.1% of total estimated Procurement Transactions amount for FY2024, including services for mine installation, mine excavation, mining outsourcing, coal washing, etc..

The estimated Procurement Transactions amount of Subsidiary Group A for FY2024 represents an increase of approximately 14.1% as compared to the average historical amount for the two years ended 31 December 2022. As advised by the Management, such increase is mainly due to commencement of official operation (in 2024) of two subsidiaries companies responsible for heating and electricity supply of the Subsidiary Group A's mining area.

- The estimated Procurement Transactions amount of a subsidiary group (“**Subsidiary Group B**”) represents approximately 14.0% of total estimated Procurement Transactions amount for FY2024, including (i) estimated purchase of coal as fuel for the Subsidiary Group B's thermal power project daily operation; and (ii) procurement of auxiliary materials and ancillary services, such as power operation and maintenance, coal blending processing, equipment maintenance, etc..

The estimated Procurement Transactions amount of Subsidiary Group B for FY2024 represents a decrease of approximately 11.7% as compared to the average historical amount for the two years ended 31 December 2022. The Management advised us that such decrease is mainly due to (i) shut down of several coal mines in 2023, resulting decrease in demand of coal as fuel for daily operation; and (ii) significant reduction in labor expenditure due to relevant PRC regulations.

- As advised by the Management, a subsidiary group (“**Subsidiary Group C**”) is mainly responsible for the buy-out and sales of raw materials and auxiliary materials (such as small granular urea and crude benzene) produced by the Parent Group's subsidiaries for the purpose of avoiding potential competition between auxiliary materials produced by the Parent Group and auxiliary materials produced by the Group. The estimated Procurement Transactions amount of a subsidiary group (“**Subsidiary Group C**”) represents approximately 13.6% of total estimated Procurement Transactions amount for FY2024, including raw materials buy-outs as mentioned below.

The estimated Procurement Transactions amount of Subsidiary Group C for FY2024 represents significant increase of approximately 6,723.4% (equivalent to approximately RMB965.6 million) as compared to the historical amount for FY2022.

LETTER FROM GRAM CAPITAL

The Management advised that such increase is mainly due to (i) expected production commencement of coal chemical project of a Parent Group's subsidiary by early 2024, and the Group's buy-out of the project's small granular urea and some by-products (the "**Buy-out Plan**"); (ii) planned additional purchase of auxiliary materials produced by several Parent Group's subsidiaries (the "**Auxiliary Materials Plan**").

Upon our request, the Management provided us (i) the Buy-out Plan which demonstrated production capacity and weighted average selling price of the aforesaid small granular urea and by-products, the product of which equals to the aforesaid increase in estimated Procurement Transactions amount of Subsidiary Group C for FY2024 due to the Buy-out Plan; and (ii) the Auxiliary Materials Plan which demonstrated production capacity and weighted average selling price of the aforesaid auxiliary materials, the product of which equals to the aforesaid increase in estimated Procurement Transactions amount of Subsidiary Group C for FY2024 due to the Auxiliary Materials Plan. We noted that the sum of the aforesaid increases in estimated Procurement Transactions amount of Subsidiary Group C for FY2024 due to the Buy-out Plan and the Auxiliary Materials Plan is close to the aforementioned increase of approximately RMB965.6 million in estimated Procurement Transactions amount of Subsidiary Group C for FY2024 as compared to the historical amount for FY2022.

- The estimated Procurement Transactions amount of a subsidiary group ("**Subsidiary Group D**") represents approximately 11.9% of the total estimated Procurement Transactions amount for FY2024, including coal mine construction, coal sales, installation and operation of underground equipment, etc..

The estimated Procurement Transactions amount of Subsidiary Group D for FY2024 represents increase of approximately 37.8% as compared to the average historical amount for the two years ended 31 December 2022. The Management advised us that such increase is mainly due to expected increases in (i) procurement of supporting materials and logistics and property services; and (ii) installation and operation of underground equipment.

- The estimated Procurement Transactions amount of a subsidiary/subsidiary group ("**Subsidiary Group E**") represents approximately 6.1% to the total estimated Procurement Transactions amount for FY2024, including mine excavation, coal processing and sales, electricity production, etc..

The estimated Procurement Transactions amount of Subsidiary Group E for FY2024 remains relatively stable as compared to the average historical amount for the two years ended 31 December 2022.

In light of the above, we consider that the Procurement Cap for FY2024 is fair and reasonable.

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According to the table above, the Procurement Caps for FY2025 and FY2026 are the same as that for FY2024. As advised by the Management, they do not expect additional factors which may stimulate increase in possible Procurement Transactions amount for FY2025 and FY2026. Accordingly, we are of the view that the Procurement Caps for FY2025 and FY2026 are fair and reasonable.

B. Supply Caps

Set out below are (i) historical amounts of the Supply Transactions for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 with existing annual caps; and (ii) proposed annual caps of the Supply Transactions for the three years ending 31 December 2026 (the “Supply Cap(s)”):

	For the year ended 31 December 2021 <i>RMB'000</i>	For the year ended 31 December 2022 <i>RMB'000</i>	For the year ending 31 December 2023 <i>RMB'000</i>
Historical amounts	3,649,360	3,657,720	6,934,587 ^(Note)
Existing annual caps	3,800,000	9,800,000	9,400,000
Utilisation rates	96.0%	37.3%	N/A
	For the year ending 31 December 2024 <i>RMB'000</i>	For the year ending 31 December 2025 <i>RMB'000</i>	For the year ending 31 December 2026 <i>RMB'000</i>
Supply Caps	22,970,000	23,700,000	38,300,000

Note: the figure was for the nine months ended 30 September 2023.

The basis for determining Supply Caps for the three years ending 31 December 2026 are set out under the sub-section headed “Proposed Annual Caps” under the section headed “(2) 2024 Integrated Materials and Services Mutual Provision Framework Agreement” of the Board Letter.

Based on the above table, utilisation rates of the existing annual caps for the two years ended 31 December 2022 were approximately 96.0% and 37.3% respectively.

LETTER FROM GRAM CAPITAL

To assess the fairness and reasonableness of the Supply Caps, we obtained the Supply Caps calculation from the Company. Based on the calculation, We noted from the Supply Caps calculation that estimated Supply Transactions amounts of two of the Company's subsidiary groups represents over 90% of total estimated Supply Transactions amount for FY2024, which is equivalent to the Supply Cap for FY2024 (the remaining portion of Supply Cap is cater for possible Supply Transactions amount of the Company's other subsidiaries), with details below:

- The estimated Supply Transactions amount of a subsidiary group (“**Subsidiary Group F**”) represents approximately 87.4% of total estimated Supply Transactions amount for FY2024, including coals, coal related products, fertilizers etc..

The estimated Supply Transactions amount of Subsidiary Group F for FY2024 increases by approximately 1,216.8% (equivalent to approximately RMB18.5 billion) as compared to the average historical amount for the two years ended 31 December 2022. Upon our enquiry, the Management advised that such increase was mainly due to (i) expected increase in coal supply of approximately RMB9.6 billion for five new coal-fired power plants that the Parent Group planned to commence operation in 2024 (the “**2024 New Power Plants Plan**”); and (ii) other estimated increase of approximately RMB8.9 billion in coal demand of the Parent Group (the “**2024 Other Estimated Increase of Coal Demand**”).

In respect of the 2024 New Power Plants Plan, the Management advised us installed capacity, power generation capacity and estimated coal consumption (with corresponding coal price) of each of the aforesaid five new coal-fired power plants. We noted that the sum of the products of estimated coal consumption and corresponding coal price for each of the aforesaid five new coal-fired power plants equals to approximately RMB9.6 billion.

In respect of the 2024 Other Estimated Increase of Coal Demand, the Management advised us that it was mainly due to expected increase in coal demand for the Parent Group's existing coal-fired power plants (including those commenced operation in 2023).

- The estimated Supply Transactions amount of a subsidiary group (“**Subsidiary Group G**”) represents approximately 3.7% of total estimated Supply Transactions amount for FY2024, including coal machinery equipment.

The estimated Supply Transactions amount of Subsidiary Group G for FY2024 represents significant increase of approximately 44.5% (equivalent to approximately RMB258.5 million) (the “**Increase in Supply of Subsidiary Group G**”) as compared to the average historical amount for the two years ended 31 December 2022. Upon our further enquiry, the Management advised that such increase was mainly due to provision of coal machinery equipment (such as hydraulic supports, scraper conveyors, etc.) under an equipment purchase agreement signed in May 2023 and expected to be completed in 2024.

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In light of the above, we consider that the Supply Cap for FY2024 is fair and reasonable.

According to the table above, the Supply Cap for FY2025 represents increase of approximately 3.2% as compared to that for FY2024. As advised by the Management, they do not expect additional factors which may stimulate material increase in possible Supply Transactions amount for FY2025. Accordingly, we are of the view that the Supply Cap for FY2025 is fair and reasonable.

According to the table above, the Supply Cap for FY2026 represents significant increase of approximately 61.6% (i.e. increase of RMB14.6 billion) as compared to that for FY2025. As advised by the Management, such increase was mainly due to expected increase in coal supply of approximately RMB14.6 billion for seven new coal-fired power plants that the Parent Group planned to commence operation in 2026 (the “**2026 New Power Plants Plan**”). The Management also advised us installed capacity, power generation capacity and estimated coal consumption (with corresponding coal price) of each of the aforesaid seven new coal-fired power plants. We noted that the sum of the products of estimated coal consumption and corresponding coal price for each of the aforesaid seven new coal-fired power plants equals to approximately RMB14.6 billion. Accordingly, we are of the view that the Supply Cap for FY2026 is fair and reasonable.

Shareholders should note that as the Procurement Caps and Supply Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of revenue/cost/expense to be generated/incurred from the Purchase Transactions and Supply Transactions. Consequently, we express no opinion as to how closely the actual revenue/cost/expense to be generated/incurred from the Purchase Transactions and Supply Transactions will correspond with the Procurement Caps and Supply Caps respectively.

Having considered the above, including the principal terms of the transactions contemplated under the 2024 Integrated Materials and Services Mutual Provision Framework Agreement, the Procurement Caps and the Supply Caps, we are of the view that the terms of the Procurement Transactions and the Supply Transactions are fair and reasonable.

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C. THE SERVICES TRANSACTIONS

Principal terms of the Services Transactions

Summarised below are the major terms of the Services Transactions, details of which are set out under the section headed “(3) 2024 Project Design, Construction and General Contracting Services Framework Agreement” of the Board Letter:

Date

25 October 2023

Parties

The Company and the Parent

Continuing transactions

The Parent Group 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

Under the 2024 Project Design, Construction and General Contracting Services Framework Agreement, service provider and price of project design, construction and general contracting services shall be determined through 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 prepared by the Group. Details of bidding process are set out under the sub-section headed “Price determination” under the section headed “(3) 2024 Project Design, Construction and General Contracting Services Framework Agreement” of the Board Letter.

With reference to the Board Letter, as for project design services provided by the Parent Group to the Group, payment shall be made by the Group by instalments in accordance with the time nodes or other methods agreed by the parties. If the Parent Group provides engineering design results at one time, payment will be paid at one time according to acceptance check result, and if the Parent Group provides engineering design results in stages, payment will be paid in instalments according to staged acceptance check results. As for construction services provided by the Parent Group to the Group, payment shall be implemented by instalments in

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

With reference to the Board Letter, the Group adopted certain procedures to ensure that the Services Transactions will be executed in compliance with its pricing principles. Details of the internal control procedures are set out under the sub-section headed “Internal control measures” under the section headed “(3) 2024 Project Design, Construction and General Contracting Services Framework Agreement” of the Board Letter. As (i) relevant members of the Group is responsible for composing bid invitation documents encompassing all substantial requirements and all key terms for the conclusion of contracts, subject to the preliminary review by 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; and (ii) 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 relevant areas on a regular basis, we consider that effective implementation of the internal control procedures will ensure fair pricing of the Services Transactions.

Upon our request, the Management confirmed that the Company’s relevant subsidiaries (which were involved in the Services Transactions) (i) were aware of internal control procedures in respect of the Services Transactions; and (ii) complied with such internal control procedures before conducting individual transactions contemplated under the 2024 Project Design, Construction and General Contracting Services Framework Agreement. As part of our due diligence work, we also interviewed staffs of the relevant subsidiaries for the aforesaid matters. Having considered the Management’s confirmation and our discussion with relevant staffs, we are of the view that the internal control procedures were effectively implemented.

LETTER FROM GRAM CAPITAL

Proposed annual caps

Set out below are (i) historical amounts of the Services Transactions for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 with existing annual caps; and (ii) proposed annual caps of the Services Transactions for the three years ending 31 December 2026 (the “**Services Cap(s)**”):

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the year ending 31 December 2023 RMB'000
Historical amounts	3,423,490	2,896,090	1,485,101 ^(Note)
Existing annual caps	5,800,000	2,900,000	2,900,000
Utilisation rates	59.0%	99.9%	N/A

	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000
Services Caps	7,600,000	7,400,000	5,300,000

Note: the figure was for the nine months ended 30 September 2023.

The basis for determining Services Caps for the three years ending 31 December 2026 are set out under sub-section headed “Proposed Annual Caps” under the section headed “(3) 2024 Project Design, Construction and General Contracting Services Framework Agreement” of the Board Letter.

Based on the above table, utilisation rates of existing annual caps for the two years ended 31 December 2022 were approximately 59.0% and 99.9%.

As advised by the Management, they estimated demand of Services Transactions for the three years ending 31 December 2026 mainly with reference to (i) historical Services Transactions amount for FY2022; and (ii) significant increase in demand of Services Transactions by the Subsidiary Group A, the Subsidiary Group D and the Subsidiary Group E.

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To assess the fairness and reasonableness of the Services Caps, we obtained the Services Caps calculation from the Company. The Services Caps for the three years ending 31 December 2026 were calculated by rounding up the sum of estimated Services Transactions of certain Company's subsidiary groups involved. We also discussed with the Management in respect of the significant increase in Service Cap for FY2024 as compared to the historical Services Transaction amount for FY2022. We noted the followings:

- The estimated Services Transactions amount of Subsidiary Group A represents approximately 10.1% of total estimated Services Transactions amount for FY2024.

As advised by the Management, increase in estimated Services Transactions amount of Subsidiary Group A is mainly due to (i) increase in demand of coal mine engineering construction services; and (ii) increase in demand of installation services for new energy projects.

- The estimated Services Transactions amount of Subsidiary Group D represents approximately 29.0% to the total estimated Services Transactions amount for FY2024.

As advised by the Management, increase in estimated Services Transactions amount of Subsidiary Group D is mainly due to progress of its (i) advanced coal mine water treatment in Tuke area and other technical renovation projects (the “**Tuke Coal Mine Water Treatment Projects**”) which are expected to commence construction in 2023; (ii) technical renovation of No.2 coal mine in Nalinhe (the “**Nalinhe Technical Renovation Project**”) which is expected to commence construction in 2023; and (iii) mine underground drainage of Mudu Chaideng (the “**Mudu Chaideng Underground Drainage Project**”) which is expected to commence construction in 2024.

Based on the information provided by the Company, the Tuke Coal Mine Water Treatment Projects mainly include (i) several sub-projects; (ii) construction of new sewage treatment facility; and (iii) construction of mine water treatment facility. As advised by the Management, they expect total investment to be approximately RMB1.9 billion and completion to take place gradually in 2024 and 2025.

Based on the information provided by the Company, the Nalinhe Technical Renovation Project mainly includes (i) several sub-projects; (ii) design and construction of (a) coal storage and transportation system; and (b) power supply and distribution system; and (iii) construction of staff dormitory. As advised by the Management, they expect total investment to be approximately RMB239.6 million and completion to take place gradually in 2024 and 2025.

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Based on the information provided by the Company, Mudu Chaideng Underground Drainage Project mainly includes (i) several sub-projects; (ii) expansion of main drainage and disaster-resistant drainage system; and (iii) construction of mine air return shaft for coal mine held by the Subsidiary Group D. As advised by the Management, they expect total investment to be approximately RMB554.9 million and completion to take place gradually in 2024 and 2025.

- The estimated Services Transactions amount of Subsidiary Group E represents approximately 32.1% of total estimated Services Transactions amount for FY2024.

As advised by the Management, the increase in estimated Services Transactions amount of Subsidiary Group E was mainly due to the smooth progress of its (i) Libi coal mine project which commenced construction in 2019; and (ii) Wangjialing coal mine development project which commenced construction in 2022.

Based on the information provided by the Company, the Libi coal mine project mainly includes construction of a 4 million tonnes/year coal mine and an auxiliary coal preparation plant, with nearly 55% of construction work completed as at 31 December 2022. As advised by the Management, they expect total investment to be approximately RMB5.7 billion and completion to take place in 2025.

Based on the information provided by the Company, Wangjialing coal mine development project includes construction of four production partitions to be used for daily production for coal mines held by the Subsidiary Group E, with nearly 15% of construction work completed as at 31 December 2022. As advised by the Management, they expect total investment to be approximately RMB1.7 billion and completion to take place in 2025.

- The above-mentioned factors contributed to over 90% of total increase in estimated Services Transactions amount for FY2024 as compared to the historical Services Transactions amount for FY2022.

In light of the above, we consider that the Services Cap for FY2024 to be fair and reasonable.

According to the table above, the Services Cap decreased by approximately 3% from FY2024 to FY2025 and further decreased by approximately 28.4% from FY2025 to FY2026. As advised by the Management, they expect demand of Service Transactions for FY2025 to be slightly lower than that for FY2024 and to decrease in FY2026 as the aforementioned projects are expected to be completed in 2024 and 2025.

In light of the above, we consider that the Services Caps for FY2025 and FY2026 to be fair and reasonable.

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Shareholders should note that as the Services Caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of cost/expense to be incurred from the Services Transactions. Consequently, we express no opinion as to how closely the actual cost/expense to be incurred from the Services Transactions will correspond with the Services Caps.

Having considered the above, including the principal terms of the transactions contemplated under the 2024 Project Design, Construction and General Contracting Services Framework Agreement and the Services Caps, we are of the view that the terms of the Services Transactions are fair and reasonable.

D. THE FINANCIAL SERVICES

Principal terms of the Financial Services

Summarised below are the major terms of the Financial Services, details of which are set out under the section headed “(4) 2024 Financial Services Framework Agreement” of the Board Letter:

Date

25 October 2023

Parties

China Coal Finance Company and the Parent

Continuing transactions

China Coal Finance Company has agreed to provide among other things, the Financial Services, to the Parent Group.

Term and termination

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

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Price determination

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

- 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 arm's length basis with reference to factors such as the quoted lending market 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 a general financial institution 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.

According to the website of The People's Bank of China (the "PBOC"), LPR is the most preferential lending rate offered by a commercial bank to its prime clients. Other lending rates can be offered based on the LPR adding or subtracting certain basis points. The centralized quote and publish mechanism of LPR is that the authorized publisher calculates the quotes provided by the panel banks as the weighted average LPR and releases it to the public. Currently the one-year LPR and above-five-year LPR are published to the general public. PBOC authorised National Interbank Funding Center to announce the latest LPRs on or around the 20th day of each month since 20 August 2019. Based on our independent research, LPR was a most frequently used base lending rate in the PRC for money lending/borrowing purpose.

With reference to the Board Letter, the Group adopted certain procedures to ensure that the Financial Services will be provided in compliance with its pricing principles. Details of the internal control procedures are set out under the sub-section headed "Internal Control Environment and Risk Management Function of China Coal Finance Company" under the section headed "(4) 2024 Financial Services Framework Agreement" of the Board Letter. As there will be (i) pre-loan investigations, which will be conducted on loan applications by China Coal Finance Company's financial services department, to assess customers' creditworthiness and purpose of the loans according to relevant credit rules of the National Administration of Financial Regulation and the PBOC, examine, among others, amount and term of loans together with the caps of connected (or related party) transactions, determine the interest rate of each loan after arm's length negotiation with reference to the quoted lending market rate (LPR) of the loan issued by the PBOC; and (ii) China Coal Finance Company's various department/committee will be involved in review of loan application (including interest rate), we consider that the effective of implementation of the internal control procedures will ensure the fair interest rate determination of the Financial Services.

Upon our request, the Management confirmed that China Coal Finance Company (i) was aware of the internal control procedures in respect of the Financial Services; and (ii) complied with such internal control procedures before conducting the individual transactions contemplated under the 2024 Financial Services Framework Agreement. As part of our due diligence work, we also interviewed staff of China Coal Finance Company for the aforesaid matters. Having considered the Management's confirmation and our discussion with relevant staffs, we are of the view that the internal control procedures were effectively implemented.

LETTER FROM GRAM CAPITAL

Proposed annual caps

Set out below are (i) historical amounts of the Financial Services for the two years ended 31 December 2022 and for the nine months ended 30 September 2023 with existing annual caps; and (ii) proposed annual caps of the Financial Services for the three years ending 31 December 2026 (the “**Financial Services Cap(s)**”):

	For the year ended 31 December 2021 RMB'000	For the year ended 31 December 2022 RMB'000	For the year ending 31 December 2023 RMB'000
Historical amounts	6,199,900	4,172,380	7,357,222 ^(Note)
Existing annual caps (maximum daily balance of loans and financial leasing (including accrued interest) granted by China Coal Finance Company to the Parent Group)	8,500,000	9,000,000	9,000,000
	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000	For the year ending 31 December 2026 RMB'000
Financial Services Caps (maximum daily balance of loans and financial leasing (including accrued interest) granted by China Coal Finance Company to the Parent Group)	24,000,000	26,000,000	27,000,000

Note: the figure was for the nine months ended 30 September 2023.

The basis for determining proposed annual caps for the three years ending 31 December 2026 are set out under sub-section headed “Proposed annual caps” under the section headed “(4) 2024 Financial Services Framework Agreement” of the Board Letter.

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For our due diligence purpose, we obtained financial information showing China Coal Finance Company's deposit in the Central Bank (存放中央銀行款項) and deposit in other institutions (存放同業款項) (collectively, the "Finance Company Deposits") as at 31 December 2022. Based on the aforesaid financial information, the actual maximum day-end balance of loans and financial leasing (including accrued interest) granted by China Coal Finance Company to the Parent Group for FY2022 represented approximately 5.3% of the Finance Company Deposits as at 31 December 2022. The Financial Services Caps for the three years ending 31 December 2026 represents approximately 30.5%, 33.0% and 34.3% of the Finance Company Deposits as at 31 December 2022.

In addition, we noted that the Financial Services Caps for the three years ending 31 December 2026 represents approximately 22.7%, 24.6% and 25.5% respectively to the Parent Group's borrowings (including both short-term and long-term) as at 31 December 2022.

Having considered the above ratios and that China Coal Finance Company (i) will provide such services to the Parent Group only (a) after the relevant pricing policies and internal control procedures as set out under the section headed "Internal Control Environment and Risk Management Function of China Coal Finance Company" being fulfilled; and (b) when China Coal Finance Company has sufficient and available fund; and (ii) will have sole discretion on provision of unsecured loan services, we are of the view the Financial Services Caps for the three years ending 31 December 2026 to be fair and reasonable.

Shareholders should note that as the proposed annual caps are relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2026, and they do not represent forecasts of loan to be granted under or interest to be generated from the Financial Services. Consequently, we express no opinion as to how closely the actual loan to be granted under or interest to be generated from the Financial Services will correspond with the Financial Services Caps.

Having considered the above, including the principal terms of the transactions contemplated under the 2024 Financial Services Framework Agreement and the Financial Services Caps, we are of the view that the terms of the Financial Services are fair and reasonable.

E. HONG KONG LISTING RULES IMPLICATIONS

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

LETTER FROM GRAM CAPITAL

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

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

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

RECOMMENDATION

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

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

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

* *For identification purpose only*

1. RESPONSIBILITY STATEMENT

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

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

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

3. SUBSTANTIAL SHAREHOLDERS' INTERESTS

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

Name of Shareholders	Number of shares	Class of shares	Nature of interest	Capacity	Percentage of the respective class of shares in issue (%)	Percentage of the total shares in issue (%)
China National Coal Group Corporation	7,606,743,708	A Share(s)	N/A	Beneficial owner	83.10	57.37
Funde Sino Life Insurance Co., Ltd.	2,012,858,147	H Share(s)	Long position	Interests of controlled corporation by substantial shareholders	49.01	15.18

Notes:

1. As at the Latest Practicable Date, save as Wang Shudong, Liao Huajun and Zhao Rongzhe, there is no other Director who is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.
2. China Coal Group holds 100% equity interest in China Coal Hong Kong Limited, which in turn holds 132,351,000 H Shares, representing 1.00% of the total issued share capital of the Company. Pursuant to the SFO, China Coal Group is deemed to be interested in the H Shares owned by China Coal Hong Kong Limited. Therefore, China Coal Group holds a total of 7,739,094,708 Shares of the Company directly and indirectly, accounting for 58.37% of the total shares in issue of the Company.

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

4. MATERIAL ADVERSE CHANGES

As at the Latest Practicable Date, the Directors and the Supervisors were not aware of any material adverse changes in the financial position or trading position of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up.

5. INTERESTS OF DIRECTORS AND SUPERVISORS IN COMPETING BUSINESS

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

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

As at the Latest Practicable Date, none of the Directors nor the Supervisors had any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, or were proposed to be acquired or disposed of by or leased to any member of the Group. None of the Directors nor the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group.

7. DIRECTORS' AND SUPERVISORS' SERVICE CONTRACTS

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

8. LITIGATION

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

9. EXPERT'S QUALIFICATION AND CONSENT

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

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

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

10. EXPERT'S INTERESTS

As at the Latest Practicable Date, Gram Capital did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up, or were proposed to be acquired or disposed of by or leased to any member of the Group; and had no shareholding interest in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group.

11. METHOD OF VOTING AT THE EGM

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

12. MISCELLANEOUS

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

13. DOCUMENTS ON DISPLAY

The following documents will be published on the HKEXnews website of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the website of the Company at <http://www.chinacoalenergy.com> on display for a period of 14 days from the date of this circular (both days inclusive):

- (a) 2024 Coal Supply Framework Agreement;
- (b) 2024 Integrated Materials and Services Mutual Provision Framework Agreement;
- (c) 2024 Project Design, Construction and General Contracting Services Framework Agreement; and
- (d) 2024 Financial Services Framework Agreement.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 2023 second extraordinary general meeting (the “**Meeting**”) of China Coal Energy Company Limited (the “**Company**”) will be held at 15:00 on Tuesday, 21 November 2023 at China Coal Building, No. 1 Huangsidajie, Chaoyang District, Beijing, the People’s Republic of China (the “**PRC**”), to consider and, if thought fit, approve the following ordinary resolutions. Capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 3 November 2023 (the “**Circular**”) unless the context requires otherwise.

AS ORDINARY RESOLUTIONS

- 1.00 Resolutions on the determination of annual caps for continuing connected transactions of the Company for 2024-2026
 - 1.01 Resolution on the entering into of the 2024 Coal Supply Framework Agreement by the Company and China Coal Group and the application for the Proposed Annual Caps for the transactions thereunder
 - 1.02 Resolution on the entering into of the 2024 Integrated Materials and Services Mutual Provision Framework Agreement by the Company and China Coal Group and the application for the Proposed Annual Caps for the transactions thereunder
 - 1.03 Resolution on the entering into of the 2024 Project Design, Construction and General Contracting Services Framework Agreement by the Company and China Coal Group and the application for the Proposed Annual Caps for the transactions thereunder

NOTICE OF EXTRAORDINARY GENERAL MEETING

2.00 Resolution on renewal of the Financial Services Framework Agreement between the China Coal Group and China Coal Finance Company

2.01 Resolution on the entering into of the 2024 Financial Services Framework Agreement by China Coal Group and China Coal Finance Company and the application for the Proposed Annual Caps for the transactions thereunder

For details of the above resolutions, please refer to the Circular.

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

Beijing, the PRC
3 November 2023

As at the date of this notice, 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*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. ELIGIBILITY FOR ATTENDING THE MEETING

Holders of H shares of the Company whose names appear on the register of members of the Company maintained by Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, on Thursday, 16 November 2023 shall be entitled to attend the Meeting. To qualify for attendance and vote at the Meeting, all transfers of H shares of the Company accompanied by the relevant share certificate must be lodged with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 15 November 2023.

2. PROXY

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

3. REGISTRATION PROCEDURES FOR ATTENDING THE MEETING

A shareholder or his proxy shall produce his identification document when attending the Meeting. Where a shareholder is a legal person, the legal representative of that shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the written resolution of the board of directors or other governing body of such shareholder appointing such person to attend the Meeting.

4. CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from Thursday, 16 November 2023 to Tuesday, 21 November 2023 (both days inclusive), during which period no transfer of shares of the Company will be registered. In order to qualify for attendance and vote at the Meeting, all transfers of H shares of the Company accompanied by the relevant share certificate must be lodged with Computershare Hong Kong Investor Services Limited, the H share registrar and transfer office of the Company in Hong Kong, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Wednesday, 15 November 2023.

5. METHOD OF VOTING AT THE MEETING

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

6. MISCELLANEOUS

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

No. 1 Huangsidajie
Chaoyang District
Beijing, 100120
the PRC
Telephone: (+8610)82236028
Fax: (+8610)82256484