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中国神华能源股份有限公司

CHINA SHENHUA ENERGY COMPANY LIMITED

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

(Stock Code: 01088)

CONNECTED TRANSACTION

ACQUISITION OF 50% EQUITY INTEREST IN GUONENG

XINJIANG COAL-TO-GAS CO., LTD.

THE ACQUISITION

On 23 October 2026, the Board considered and approved the Acquisition. Pursuant to the Equity Transfer Agreement, Xinjiang Energy proposes to acquire the 50% equity interest in Coal-to-Gas Company held by Western Energy for a cash consideration of approximately RMB617.674 million. Upon completion of the Acquisition, Xinjiang Energy will hold 100% equity interest in Coal-to-Gas Company, and Coal-to-Gas Company will become an indirect wholly-owned subsidiary of the Company and will be consolidated into the consolidated financial statements of the Company.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, China Energy is the Controlling Shareholder of the Company, and Western Energy is a wholly-owned subsidiary of China Energy. Therefore, Western Energy is a connected person of the Company. Pursuant to Chapter 14A of the Hong Kong Listing Rules, the Acquisition between Xinjiang Energy and Western Energy under the Equity Transfer Agreement constitutes a connected transaction of the Company.

Pursuant to Rules 14.22 and 14A.81 of the Hong Kong Listing Rules, if a series of transactions are all entered into or completed within the same 12-month period or are otherwise related to each other, such transactions shall be calculated on an aggregate basis and treated as a single transaction. Having considered the transactions of the same nature between the Company and its subsidiaries and China Energy and its associates which were entered into within the past 12 months, the Acquisition, when aggregated with such transactions, results in one or more of the applicable percentage ratios exceeding 25% but all being less than 100%. However, given that the Company's previous transactions regarding the acquisitions of equity interests in the relevant companies from China Energy and its subsidiaries (for details, please refer to the announcement of the Company dated 19 December 2025 and the circular of the Company dated 24 December 2025) have complied with the relevant requirements for major transactions under Chapter 14 of the Hong Kong Listing Rules, including obtaining Shareholders' approval, and the Acquisition will not result in a higher transaction classification on an aggregated basis, while all the applicable percentage ratios of the Acquisition calculated on a standalone basis are less than 5%, the Acquisition is not required to comply with the relevant requirements for major transactions under Chapter 14 of the Hong Kong Listing Rules again.

As one or more of the applicable percentage ratios of the Acquisition (calculated based on Rule 14.07 of the Hong Kong Listing Rules) exceed 0.1% but all of the percentage ratios are less than 5%, the Acquisition contemplated under the Equity Transfer Agreement is therefore subject to the reporting and announcement requirements under Chapter 14A of the Hong Kong Listing Rules but is exempt from the independent shareholders' approval requirement.

BACKGROUND

On 23 October 2026, the Board considered and approved the Acquisition. Pursuant to the Equity Transfer Agreement, Xinjiang Energy proposes to acquire the 50% equity interest in Coal-to-Gas Company held by Western Energy for a cash consideration of approximately RMB617.674 million. Upon completion of the Acquisition, Xinjiang Energy will hold 100% equity interest in Coal-to-Gas Company, and Coal-to-Gas Company will become an indirect wholly-owned subsidiary of the Company and will be consolidated into the consolidated financial statements of the Company.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Parties	(1) Western Energy (as the transferor); and (2) Xinjiang Energy (as the transferee).
Target of the Acquisition	50% equity interest in Coal-to-Gas Company held by Western Energy
Consideration and basis of pricing for the Acquisition	The cash consideration for the Acquisition is approximately RMB617.674 million, comprising: the appraised equity value of RMB367.674 million corresponding to Western Energy's proportion of approximately 43.21% of the paid-up capital contributions to the Target Company as at the Valuation Benchmark Date, and the paid-up capital contribution of RMB250 million made by Western Energy to the Target Company after the Valuation Benchmark Date.
Payment arrangements	Xinjiang Energy shall pay the consideration for the acquisition in cash to Western Energy within 30 days from the effective date of the Equity Transfer Agreement.
Transition period, creditor's claims and debts, closing and subsequent arrangements	From 31 March 2026 to the Completion Date (as defined below) of the Target of the Acquisition, the profit and loss of the Target of the Acquisition shall be enjoyed or borne by Western Energy, except for the production preparation expenses incurred due to the normal development of the project. The profit or loss of the Target of the Acquisition during the transition period shall be determined through a special audit conducted by an intermediary institution engaged by Western Energy.

The date on which Western Energy receives the consideration for the Acquisition shall be the completion date (the “**Completion Date**”). After the Completion Date, both parties shall promptly cooperate to complete the changes of property rights and industrial and commercial registration regarding the Target of the Acquisition. After the Completion Date, Western Energy shall no longer enjoy or bear the shareholder rights and obligations corresponding to the Target of the Acquisition, and Xinjiang Energy will enjoy the relevant shareholder rights and bear the shareholder obligations in accordance with its shareholding percentage in Coal-to-Gas Company.

The Acquisition does not involve the transfer or disposal of the creditor’s claims and debts of Coal-to-Gas Company. The original creditor’s claims and debts of Coal-to-Gas Company will continue to be enjoyed or borne by Coal-to-Gas Company upon completion of the Acquisition.

Effectiveness of the agreement

The Equity Transfer Agreement shall become effective upon being signed by the legal representatives or authorised representatives of both parties and affixed with their official seals.

Other terms

If any party breaches its material obligations, representations and warranties under the agreement, the non-defaulting party may notify the defaulting party in writing to remedy the breach within 30 days; failing which, the non-defaulting party is entitled to require the defaulting party to compensate for the losses caused by its breach.

INFORMATION ON COAL-TO-GAS COMPANY

Coal-to-Gas Company is a limited liability company incorporated in the PRC on 13 March 2024 with a registered capital of RMB3 billion. It is principally engaged in sales of coal and coal products; coal washing and processing; production of chemical products; sales of chemical products; general cargo warehousing services; ancillary activities for railway transportation; coal mining; gas operations; power generation, power transmission, power supply (distribution), etc. Prior to the Acquisition, Coal-to-Gas Company was held as to 50% by Western Energy and 50% by Xinjiang Energy, with each having subscribed for RMB1,500 million of its registered capital, and was consolidated into the financial statements of Western Energy. As at 31 March 2026 (being the Valuation Benchmark Date), the paid-up registered capital of Coal-to-Gas Company amounted to RMB820.50 million, of which RMB354.50 million and RMB466.00 million had been contributed by Western Energy and Xinjiang Energy, respectively. Subsequent to the Valuation Benchmark Date, Western Energy made an additional capital contribution of RMB250 million to Coal-to-Gas Company.

Coal-to-Gas Company is primarily responsible for the investment, development, construction and operation of the Zhundong 2 billion m³/year coal-to-gas project. The project is located in the Xiheishan Industrial Park, Zhundong Economic and Technological Development Zone, Xinjiang. Phase I of the project involves the construction of a 2 billion m³/year coal-to-gas production line. The total estimated investment of the project is RMB15.077 billion. The project commenced construction in October 2025 and is scheduled for trial operation with raw material feeding by the end of 2027. As at the end of March 2026, a cumulative investment of RMB1.775 billion has been completed.

Principal Financial Information of Coal-to-Gas Company

Set out below are the principal financial indicators based on the consolidated financial statements of Coal-to-Gas Company prepared in accordance with the Accounting Standards for Business Enterprises for the period from the date of incorporation to 31 December 2024, for the year ended 31 December 2025 and for the three months ended 31 March 2026:

Unit: RMB million

	As at 31 December 2024 (Audited)	As at 31 December 2025 (Audited)	As at 31 March 2026 (Audited)
Total assets	588.36	1,293.88	1,817.51
Total liabilities	163.86	473.38	997.01
Net assets	424.50	820.50	820.50
	For the period from the date of establishment of Coal-to-Gas Company to 31 December 2024 (Audited)	For the year ended 31 December 2025 (Audited)	For the three months ended 31 March 2026 (Audited)
Revenue	0	0	0
Profit before tax	0	0	0
Profit after tax	0	0	0

Note: Coal-to-Gas Company is currently in the project construction phase and its principal business has not yet been put into production and operation. All project investments are capitalised and recorded in asset items such as construction in progress. Therefore, no revenue or profit was recorded for the period from the date of its establishment to 31 December 2024, the year ended 31 December 2025 and the three months ended 31 March 2026.

Valuation and Pricing of the Target of the Acquisition

Basic Information of the Valuation

The asset valuer for the Acquisition is Guorongxinghua. As at the Valuation Benchmark Date, being 31 March 2026, the audited total assets of Coal-to-Gas Company were RMB1,817.51 million, the total liabilities were RMB997.01 million, and the net assets were RMB820.50 million. Based on the asset-based approach, the appraised value of the entire equity interests of Coal-to-Gas Company was RMB850.90 million, representing an appreciation of RMB30.40 million and an appreciation rate of 3.71%. As Coal-to-Gas Company is still in the construction phase and is expected to commence trial operation with raw material feeding by the end of 2027, it has not carried out any substantive business operations as at the Valuation Benchmark Date and lacks historical operating and financial data for support, while the assets already formed by Coal-to-Gas Company, such as construction in progress and land use rights are better able to fairly reflect the current asset position of the enterprise in the construction phase, Guorongxinghua therefore has adopted the valuation result under the asset-based approach as its valuation conclusion. The valuation results are currently undergoing the filing procedures in accordance with the relevant regulations. A summary of the Valuation Report containing, among other things, the valuation scope, valuation methods, valuation models and input parameters, and principal assumptions used in the preparation of the Valuation Report is set out in Appendix I to this announcement.

Pricing of the Acquisition

The consideration for the Acquisition was calculated with reference to the appraised value of the entire equity interests of Coal-to-Gas Company determined by Guorongxinghua using the asset-based approach, based on Western Energy's paid-up registered capital ratio of approximately 43.21% as at the Valuation Benchmark Date, plus the additional capital contribution of RMB250 million paid up by Western Energy after the Valuation Benchmark Date.

According to the Valuation Report, given that the paid-up capital contribution ratios of Xinjiang Energy and Western Energy as at the Valuation Benchmark Date were different from their respective subscribed equity interest ratios, Guorongxinghua allocated the appraised value of the entire equity interests of Coal-to-Gas Company based on the paid-up capital contribution ratios of both parties, thereby determining the appraised value of the equity interest held by Western Energy. In addition, considering that Western Energy made an additional paid-up capital contribution of RMB250 million to Coal-to-Gas Company after the Valuation Benchmark Date, which was not included in the appraised value of the shareholders' equity as at the Valuation Benchmark Date, the parties to the transaction agreed to include such additional capital contribution in the consideration for the Acquisition.

The Board is of the view that the consideration for the Acquisition was determined by the parties to the transaction upon negotiation with reference to the valuation results prepared by the independent valuer using the asset-based approach, the actual capital contribution status of both parties as at the Valuation Benchmark Date and the additional paid-up capital contribution made after the benchmark date, and its pricing basis is reasonable.

Reasons for, Benefits of and Impact on the Company of the Acquisition

Given that the raw coal and fuel coal required by Coal-to-Gas Company are principally supplied by the Hongshaquan Coal Mine of Xinjiang Energy, the Acquisition will facilitate the further deepening of industrial synergies within the Group's coal chemical business, optimise the industrial layout of its coal chemical business and reinforce its integrated operating model. In addition, the Acquisition will help reduce the continuing connected transactions in relation to coal supply between the Group and China Energy Group.

Upon completion of the Acquisition, Xinjiang Energy will hold 100% of the equity interest in Coal-to-Gas Company, and Coal-to-Gas Company will become an indirect wholly-owned subsidiary of the Company and will be consolidated into the consolidated financial statements of the Company. The consideration for the Acquisition will be settled in cash, with the required funds proposed to be provided by the Company through a capital injection into Xinjiang Energy. Upon completion of the Acquisition, the existing creditor's claims and debts of Coal-to-Gas Company will continue to be enjoyed and borne by Coal-to-Gas Company, respectively.

Coal-to-Gas Company is currently principally responsible for the construction and operation of the Zhundong 2 billion m³/year coal-to-natural gas project, which remains under construction. The Acquisition will facilitate the further deepening of the synergistic development of the Group's coal and coal chemical businesses, consolidate the advantages of its integrated operations, and provide support for the continued construction and future operation of the relevant project.

HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, China Energy is the Controlling Shareholder of the Company, and Western Energy is a wholly-owned subsidiary of China Energy. Therefore, Western Energy is a connected person of the Company. Pursuant to Chapter 14A of the Hong Kong Listing Rules, the Acquisition between Xinjiang Energy and Western Energy under the Equity Transfer Agreement constitutes a connected transaction of the Company.

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INFORMATION ON THE PARTIES TO THE TRANSACTION

The Company is the world's leading integrated coal-based energy company. The main business of the Group is the production and sales of coal and power, railway, port and ship transportation, and coal-to-olefins and other related chemical processing business. As at the date of this announcement, China Energy directly holds 15,175,957,642 A Shares of the Company and indirectly holds 11,593,528 A Shares of the Company through China Energy Capital Holdings Co., Ltd., in aggregate representing approximately 70.02% of the total number of issued shares of the Company.

Xinjiang Energy is a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company. Xinjiang Energy operates in the coal mining and washing industry and is mainly engaged in, among others, coal mining, washing and processing, and sales. As at the date of this announcement, Xinjiang Energy is a wholly-owned subsidiary of the Company and its ultimate beneficial owner is the SASAC of the State Council.

China Energy and its subsidiaries have various industrial sectors, including coal, thermal power, new energy, hydropower, transportation, chemical industry, technology and environmental protection and finance, and are principally engaged in coal production, power generation business, transportation, coal-based chemical processing business, as well as investment and finance activities. China Energy is the controlling shareholder of the Company. The ultimate beneficial owner of China Energy is the SASAC of the State Council.

Western Energy is a company established in the PRC with limited liability in 2024 and mainly engaged in coal mining, power generation, power transmission, power supply (distribution), road freight transportation, coal washing and processing, sales of coal and coal products, etc. As at the date of this announcement, Western Energy is a wholly-owned subsidiary of China Energy and its ultimate beneficial owner is the SASAC of the State Council.

BOARD APPROVAL

The Board has resolved and approved the Equity Transfer Agreement and the transactions contemplated thereunder on 23 October 2026. Among the Directors present at the Board meeting, Mr. Kang Fengwei and Mr. Li Xinhua, by virtue of their employment with China Energy, were regarded as having a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder and, accordingly, abstained from voting on the relevant resolutions. The Directors (including the independent non-executive Directors) are of the view that the Equity Transfer Agreement and the transactions contemplated thereunder will be conducted on normal commercial terms, and that the terms and conditions of such agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

DEFINITIONS

In this announcement, unless the content otherwise requires, the following expressions have the following meanings:

“Acquisition”	the transaction under the Equity Transfer Agreement in relation to the acquisition by Xinjiang Energy of the 50% equity interest in Coal-to-Gas Company held by Western Energy
“Board”	the board of Directors of the Company
“China Energy”	China Energy Investment Corporation Limited (國家能源投資集團有限責任公司)
“China Energy Group”	China Energy and its subsidiaries (excluding the Group)
“Coal-to-Gas Company” or “Target Company”	Guoneng Xinjiang Coal-to-Gas Co., Ltd. (國能新疆煤制氣有限公司)
“Company”	China Shenhua Energy Company Limited (中國神華能源股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the H Shares of which are listed and traded on the Hong Kong Stock Exchange
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the Equity Transfer Agreement proposed to be entered into between Xinjiang Energy and Western Energy in relation to the transfer of 50% equity interest in Coal-to-Gas Company
“Group”	the Company and its subsidiaries
“Guorongxinghua”	Beijing Guorongxinghua Assets Appraisal Co., Ltd. (北京國融興華資產評估有限責任公司)
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“PRC” or “China”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SASAC of the State Council”	the State-owned Assets Supervision and Administration Commission of the State Council (國務院國有資產監督管理委員會)
“Target of the Acquisition”	50% equity interest in Coal-to-Gas Company

“Valuation Benchmark Date”	31 March 2026
“Valuation Report”	the Asset Valuation Report on the Total Shareholders’ Equity Value of Guoneng Xinjiang Coal-to-Gas Co., Ltd. Involved in the Proposed Equity Transfer by China Energy Western Energy Investment Co., Ltd. (《國家能源集團西部能源投資有限公司擬股權轉讓涉及的國能新疆煤制氣有限公司股東全部權益價值資產評估報告》) (Guorongxinghua Ping Bao Zi [2026] No. 010388) issued by Guorongxinghua based on the Valuation Benchmark Date in respect of the valuation of the total shareholders’ equity value of Guoneng Xinjiang Coal-to-Gas Co., Ltd.
“Western Energy”	China Energy Western Energy Investment Co., Ltd. (國家能源集團西部能源投資有限公司)
“Xinjiang Energy”	China Energy Xinjiang Energy & Chemical Co., Ltd. (國能新疆能源化工有限公司)
“%”	per cent.

By order of the Board
China Shenhua Energy Company Limited
Zhang Changyan
Executive Director and Chief Executive Officer

Beijing, 23 October 2026

As at the date of this announcement, the Board comprises the following: Mr. Zhang Changyan as executive director, Mr. Kang Fengwei and Mr. Li Xinhua as non-executive directors, Ms. Zhang Mengjiao, Mr. Yih, Dieter Lai Tak and Mr. Wang Hong as independent non-executive directors, and Ms. Jiao Lei as employee director.

APPENDIX I – SUMMARY OF THE VALUATION REPORT

I. SUBJECT AND SCOPE OF VALUATION

The valuation subject is the total shareholders' equity value in Guoneng Xinjiang Coal-to-Gas Co., Ltd.* (國能新疆煤制氣有限公司). The scope of valuation comprises all audited assets and liabilities of Guoneng Xinjiang Coal-to-Gas Co., Ltd. (Unless otherwise indicated, all monetary amounts in Appendix I are denominated in RMB.)

II. VALUATION APPROACHES

Pursuant to the *Practice Standards for Asset Valuation — Enterprise Value* (《資產評估執業準則—企業價值》), the valuer considered the purpose of valuation, the valuation subject, the type of value, the information collected and other relevant factors in assessing the applicability of different valuation approaches. The valuation result under the asset-based approach was ultimately adopted as the final valuation conclusion.

This valuation was conducted on the assumption that the subject of the valuation would continue as a going concern. There are sufficient data and information serving as the basis for and support of the selection of the economic and technical parameters involved in applying the asset-based approach. The financial data have been audited, and there are no off-balance-sheet assets which have a material impact on the value of the valuation subject and are difficult to identify and value. Accordingly, the asset-based approach may be adopted for the valuation.

Reasons for selecting the valuation result under the asset-based approach: The appraised entity is still at the initial stage of construction and is expected to commence trial operations with raw material feeding only at the end of 2027. As of the benchmark date, it had not commenced substantive operating activities and lacked historical operating and financial data to support the valuation. The asset-based approach is based on the assets already held by the appraised entity, including construction in progress and land use rights. Its data sources are objective and verifiable, and it can better reflect the current asset position of the appraised entity during the construction period.

III. VALUATION MODEL AND INPUT PARAMETERS

Asset-based Approach

1. *Current Assets*

Current assets within the scope of valuation mainly comprise monetary funds, prepayments, other receivables and other current assets.

(1) *Monetary Funds*

The appraised value was determined by the verified carrying amount after verification of bank statements and other documents.

(2) *Prepayments*

The valuers reviewed the relevant material purchase contracts or supply agreements to understand the services and goods received during the period between the Valuation Benchmark Date and the on-site verification for the valuation. If the supplier is not found to be bankrupt, cancelled or unable to provide goods or services on time as stipulated in the contract, the verified carrying amount shall be taken as the appraised value.

(3) *Other Receivables*

On the basis that the accounts receivable had been verified as correct, the valuers determined the appraised value of each item based on its estimated recoverable amount after deducting the valuation risk loss. For accounts receivable where part of the amount was highly likely to be unrecoverable and the specific amount of such unrecoverable accounts receivable was difficult to determine, the appraised value of the accounts receivable was derived by specifically analysing the amount, aging and reasons for the arrears, recovery status and the financial position, creditworthiness and current operation and management conditions of the debtor and other relevant information based on historical data and information obtained through current investigations, and by estimating the valuation risk loss with reference to the accounting methods for making allowances for bad debts and deducting such loss from the receivables.

(4) *Other Current Assets*

The valuers verified that the breakdown accounts were consistent with the general account and financial statement balances, conducted sample checks of certain original vouchers, contracts and other relevant materials, and verified the authenticity of the transactions, business content and amounts. The appraised value was determined based on the verified carrying value.

2. *Non-current Assets*

Non-current assets within the scope of valuation mainly comprise vehicles, construction in progress and intangible assets.

(1) *Vehicles*

Based on the characteristics of various types of equipment, types of appraised value, data collection and other relevant conditions, the cost approach is mainly adopted for the appraisal of transportation equipment.

Cost approach:

Appraised value under the cost approach = Full replacement cost × Comprehensive newness rate

① Determination of full replacement cost of vehicles

According to the local vehicle market sales information and other recent vehicle market price data, the current tax-inclusive purchase price of the vehicle was determined. On this basis, vehicle purchase tax, licence plate fees and other expenses were included in accordance with the *Vehicle Purchase Tax Law of the People's Republic of China* (《中華人民共和國車輛購置稅法》). At the same time, taking into account the policy permitting the deduction of value-added tax on vehicle purchases under “Cai Shui [2016] No. 36” and “Announcement of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs [2019] No. 39”, replacement cost was determined using the following formula:

Replacement cost = Tax-inclusive purchase price + Vehicle purchase tax + Licence plate fees and other expenses – Deductible value-added tax

② Determination of Comprehensive newness rate

For vehicles, with reference to historical mandatory vehicle scrapping regulations and the *Handbook of Commonly Used Data for Asset Valuation* (《資產評估常用數據手冊》), the theoretical newness rate was determined based on the lower of the newness rate under the useful life method and the newness rate under the mileage method. Finally, a comprehensive adjustment coefficient was determined based on the on-site investigation, and the comprehensive newness rate was ultimately determined. The calculation formulae are as follows:

Newness rate under useful life method = (Economic useful life – Years used)/Economic useful life
× 100%

Newness rate under mileage method = (Economic mileage – Mileage travelled)/Economic mileage
× 100%

The theoretical newness rate was determined based on the lower of the newness rate under the useful life method and the newness rate under the mileage method.

Comprehensive newness rate = Theoretical newness rate × Adjustment coefficient

The comprehensive newness rate adopted in this valuation ranged from 90% to 99%.

③ Determination of appraised value

Appraised value of vehicles = Replacement cost × Comprehensive newness rate

(2) *Construction in Progress*

Construction in progress includes construction in progress-civil engineering projects, equipment installation projects, and engineering materials.

① Construction in progress-civil engineering projects and equipment installation projects

For projects under construction that commenced within six months prior to the Valuation Benchmark Date, the residual amount of the declared amount of construction in progress after verification against the accounting records and actual assets, and after excluding unreasonable expenditures, was adopted as the appraised value.

For projects under construction that commenced more than six months before the Valuation Benchmark Date and are under normal construction, where there had been no material fluctuations in the prices of equipment, materials, labour and other inputs involved in the investment during such period, the appraised value was determined based on the carrying value after deducting unreasonable expenses and adding an appropriate amount of capital costs. In this valuation, the capital cost interest rate applicable to each construction project was determined by taking into account the period of capital investment and the reasonable construction period. The capital cost interest rates adopted ranged from 3.11% to 3.16%.

② Engineering materials

Based on the list of engineering materials provided by the enterprise, and after verifying the quantities and unit prices recorded in the enterprise's accounts, the cost approach was adopted, according to the purpose for which such materials were held, for the valuation of engineering materials in use or held for use in construction projects, based on the market prices of engineering materials purchased as at the Valuation Benchmark Date. As the engineering materials had been held in inventory for a short period, had a relatively rapid turnover and were subject to minimal changes in market prices, the verified carrying value was recognised as the appraised value.

(3) *Intangible Assets – Land Use Rights*

Pursuant to the *Practice Standards for Asset Valuation – Real Estate*, and having regard to relevant factors including the characteristics of the Valuation Subject, the type of value and the information collected, the applicability of the three fundamental asset valuation approaches, namely the market approach, income approach and cost approach, as well as derivative methods including the hypothetical development method and benchmark land price adjustment method, was analysed in selecting the valuation method.

In accordance with the technical requirements for land price valuation, and based on the development of the local real estate market, the specific characteristics of the land parcel to be valued and the valuation purpose, the market approach was adopted for this valuation, principally based on the following considerations:

- ① Market comparison approach: Information on the tender, auction and listing-for-sale of industrial land in the relevant area is readily available in the recent period, the market is relatively active, transaction precedents have occurred, and such transaction precedents have been publicly released on the relevant government websites. Accordingly, the market comparison approach is appropriate for the valuation.
- ② With reference to the relevant provisions of Article 6.4.10 of the *Regulations for Urban Land Valuation* (GB/T18508-2014), which provides that: “The cost approximation approach is generally applicable to the valuation of land prices for newly developed land, or in areas where the land market is underdeveloped and there are few transaction precedents.” As the land market transactions for the land parcel to be valued are relatively active and there are numerous transaction precedents involving similar industrial land, the market approach is applicable and the cost approximation approach is therefore not appropriate for this valuation.
- ③ Hypothetical development approach: As there is no intention to sell the land parcel to be valued and income and cost data are not readily available, the hypothetical development approach is not appropriate for the valuation.

- ④ Income capitalisation approach: As no land rental transaction precedents comparable to the land parcel to be valued could be identified in the area in which such land parcel is located, the income capitalisation approach was not adopted.
- ⑤ Benchmark land price coefficient adjustment approach: As the local natural resources bureau in the area where the land to be valued is located was unable to provide the updated benchmark land price results report, the benchmark land price coefficient adjustment approach was not adopted for this valuation.

In summary, the market approach was principally adopted in this valuation to determine the market price of the Valuation Subject under the land grant conditions.

The market comparison approach compares the land to be valued with similar land transaction precedents that occurred in the relatively recent period, based on the principle of substitution. Based on the known prices of the latter and after adjustments for differences in transaction conditions, transaction date, regional factors and individual factors, the land price of the Valuation Subject as at the Valuation Benchmark Date is derived.

Formula: $V = VB \times A \times B \times C \times D$

Where:

V—price of the land parcel to be valued (the final appraised value of the industrial land parcel adopted in this valuation, after adjustments and calculations, was RMB17.82 per square metre);

VB—price of the comparable transaction precedent (the prices adopted for comparable industrial land transactions 1, 2 and 3 in this valuation were RMB18.00 per square metre, RMB18.00 per square metre and RMB18.12 per square metre, respectively);

A—transaction condition index of the land parcel to be valued/transaction condition index of the comparable transaction precedent;

B—land price index as at the Valuation Consultation Benchmark Date of the land parcel to be valued/land price index as at the transaction date of the comparable transaction precedent;

C—regional factor condition index of the land parcel to be valued/regional factor condition index of the comparable transaction precedent; and

D—individual factor condition index of the land parcel to be valued/individual factor condition index of the comparable transaction precedent.

(4) Intangible Assets – Intellectual Property Rights

For off-balance-sheet intellectual property rights, it was understood that the existing intellectual property assets have an ordinary level of technological content, have no material impact on the Company's production and operations, generate very limited benefits for the Company, and their income is difficult to quantify. As historical research and development investment costs were relatively low, the appraised value was determined in this valuation based on the registration application fees and entrusted agency fees. In this valuation, the appraised values adopted were RMB2,300.00 per item for patents and RMB870.00 per item for software copyrights.

3. Liabilities

The valuation of the enterprise's liabilities principally involved examination and verification. The valuers verified the relevant documents, contracts, accounting books and supporting vouchers and, after confirming their authenticity, determined the appraised value based on the verified carrying value or the actual liabilities to be assumed.

IV. APPRAISAL RESULTS AND APPRECIATION ANALYSIS

The valuation result under the asset-based approach was adopted as the final valuation conclusion. The specific valuation results and analysis of the increases and decreases in value are set out below:

As at the Valuation Benchmark Date, the book value of total assets of Guoneng Xinjiang Coal-to-Gas Co., Ltd. was RMB1,817.5087 million, and the appraised value was RMB1,839.4097 million, representing an appraised appreciation amount of RMB21.9009 million and an appraised appreciation rate of 1.20%; the book value of total liabilities was RMB997.0087 million, and the appraised value was RMB988.5095 million, representing an appraised depreciation amount of RMB8.4992 million and an appraised depreciation rate of 0.85%; the book value of the total shareholders' equity was RMB820.50 million, and the appraised value of the total shareholders' equity was RMB850.9002 million, representing an appraised appreciation amount of RMB30.4002 million and an appraised appreciation rate of 3.71%. For specific valuation results under the asset-based approach, please refer to the summary table of valuation results below:

Summary of Valuation Results under the Asset-based Approach

Valuation Benchmark Date: 31 March 2026

Appraised entity: Guoneng Xinjiang Coal-to-Gas Co., Ltd. *(國能新疆煤制氣有限公司)

Currency unit: RMB0'000

Items		Book value	Appraised value	Increase or decrease	Appreciation rate%
		A	B	C=B-A	D=C/A×100%
1	Current assets	12,794.91	12,794.91	–	–
2	Non-current assets	168,955.96	171,146.06	2,190.09	1.30
3	Of which: Debt investments	–	–	–	–
4	Other debt investments	–	–	–	–
5	Long-term receivables	–	–	–	–
6	Long-term equity investments	–	–	–	–
7	Other investments in equity instruments	–	–	–	–
8	Other non-current financial assets	–	–	–	–
9	Investment properties	–	–	–	–
10	Fixed assets	758.64	710.33	-48.31	-6.37
11	Construction in progress	100,176.18	102,343.41	2,167.23	2.16
12	Productive biological assets	–	–	–	–
13	Oil and gas assets	–	–	–	–
14	Right-of-use assets	–	–	–	–
15	Intangible assets	5,823.29	5,894.46	71.17	1.22
16	Development expenditure	–	–	–	–
17	Goodwill	–	–	–	–
18	Long-term deferred expenses	–	–	–	–
19	Deferred tax assets	–	–	–	–
20	Other non-current assets	62,197.85	62,197.85	–	–
21	Total assets	181,750.87	183,940.97	2,190.09	1.20
22	Current liabilities	9,916.60	9,916.60	–	–
23	Non-current liabilities	89,784.28	88,934.35	-849.92	-0.95
24	Total liabilities	99,700.87	98,850.95	-849.92	-0.85
25	Net assets (Owner's equity)	82,050.00	85,090.02	3,040.02	3.71

(II) Analysis of Increases and Decreases in the Valuation

Following the valuation of the total shareholders' equity of Guoneng Xinjiang Coal-to-Gas Co., Ltd. using the asset-based approach, the appraisal results varied as compared to the book value. The reasons for increases and decreases in the valuation are as follows:

1. Analysis of Increases and Decreases in the Valuation of Fixed Assets

The primary reason for the decrease in the valuation of the original value and net value of fixed assets – vehicles is the decline in the current purchase prices of vehicles, which led to a decrease in both the original value and net value.

2. Analysis of Increases and Decreases in the Valuation of Construction in Progress

The primary reason for the increase in the valuation of construction in progress is that, after excluding the book interest expenses, reasonable capital cost was considered based on the verified book value.

3. Analysis of Increases and Decreases in the Valuation of Intangible Assets

- (1) The primary reason for the increase in the valuation of the original value of intangible assets – land is that land use rights, as a scarce resource with both value preservation and appreciation attributes, have a market value significantly higher than their historical cost.
- (2) The primary reason for the increase in the valuation of intangible assets – patents and others is that the intellectual property rights are off-book assets, thereby resulting in an increase in valuation.

4. Analysis of Increases and Decreases in the Valuation of Deferred Income

The reason for the decrease in the valuation of deferred income is that two government grants do not need to be repaid in the later stage, and only income tax is required to be paid. This valuation was derived by multiplying the verified book value by the income tax rate.

V. PRINCIPAL ASSUMPTIONS

(I) Basic Assumptions

1. The open market assumption posits that for assets traded or intended to be traded in the market, both parties to the asset transaction are in equal positions and have the opportunity and time to obtain sufficient market information to make rational judgements regarding the asset's function, intended use, and transaction price.
2. The transaction assumption posits that all assets to be valued are already in the process of transaction, and the appraiser performs appraisal based on market conditions, including the transaction terms of the assets to be valued. The transaction assumption is one of the most fundamental assumptions for asset appraisal.
3. The going concern assumption posits that the appraised entity, based on the feasibility study report, will not cease its operations for various reasons in the foreseeable future, but will continue to operate lawfully and continuously with its existing business.

(II) General Assumptions

1. It is assumed that there are no significant changes in the current relevant laws, regulations, and policies, nor in the national macroeconomic situation; there are no significant changes in the political, economic, and social environment of the regions where all parties to this transaction are located;
2. It is assumed that there will be no significant changes after the Valuation Benchmark Date in the interest rates, exchange rates, tax bases, tax rates, policy-based levies and other factors relevant to the appraised entity;
3. It is assumed that the management of the appraised entity after the Valuation Benchmark Date will remain responsible and stable, with the ability to perform their duties;
4. Unless otherwise stated, it is assumed that the company fully complies with all relevant laws and regulations;
5. It is assumed that the parameter values used in this appraisal calculation are determined based on the prevailing price system, without taking into account the impact of inflation factors after the Valuation Benchmark Date;
6. It is assumed that after the Valuation Benchmark Date, there will be no force majeure or unforeseen factors that cause significant adverse effects on the appraised entity.

(III) Special Assumptions

1. It is assumed that the general information, property rights information, policy documents and other relevant materials provided by the entrusting party and the appraised entity are authentic and effective;
2. It is assumed that the purchase, acquisition and construction of the assets involved in the valuation subject comply with relevant national laws and regulations;
3. It is assumed that the physical assets involved in the valuation subject have no major technical failures that affect their continued use, and that their key components and materials have no potential major quality defects;
4. It is assumed that there is no significant difference between the accounting policies adopted in the financial information provided by the appraised entity over the years and the accounting policies adopted in the income forecast;
5. It is assumed that the appraised entity's scope and mode of operation after the Valuation Benchmark Date are consistent with the current position on the basis of the existing management method and management standard;
6. It is assumed that all the licences, use permits, consent letters or other legal or administrative authorisation documents issued by local or national government authorities or organisations, which are required for the asset utilisation manner referenced in the value appraisal in the valuation report, are all within the validity period and in normal and compliant use as at the Valuation Benchmark Date, and such licences can be renewed or replaced upon expiry of their validity.

VI. REASONABLENESS OF THE VALUATION BENCHMARK DATE

The Valuation Benchmark Date is 31 March 2026, being the benchmark date mutually agreed upon and selected by both parties for the audit and valuation of Coal-to-Gas Company for the purpose of implementing the transaction.