RAINBOW CAPITAL (HK) LIMITED
浤博資本有限公司

Rainbow Capital (HK) Limited

15 May 2025

To the Independent Board Committee and the Independent Shareholders

Yankuang Energy Group Company Limited
949 Fushan South Road
Zoucheng City
Shandong Province
the PRC

Dear Sir/Madam,

DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF EQUITY INTEREST IN XIBEI MINING AND CAPITAL INCREASE IN XIBEI MINING; AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of (i) the Acquisitions and the Capital Increase; and (ii) the Proposed Continuing Connected Transactions (the "**Transactions**"), details of which are set out in the Letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 15 May 2025 (the "**Circular**"), of which this letter forms a part of. Unless the context otherwise requires, capitalised terms used in this letter shall have the same meanings as those defined in the Circular.

The Acquisitions and the Capital Increase

On 8 April 2025, the Company entered into the Agreement with the Vendors and Xibei Mining, pursuant to which (i) the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, in aggregate 26.00% equity interests (held by Vendor A, Vendor B, Vendor C and Vendor D as to 15.62%, 5.58%, 2.56% and 2.24%, respectively) in Xibei Mining at a consideration of RMB4,748,251,438.63; and (ii) the Company agreed to contribute RMB9,317,604,863.88 to Xibei Mining in cash. Upon completion of the Acquisitions and the Capital Increase, the Company will hold 51% equity interest in Xibei Mining.

As one or more applicable percentage ratios of the Acquisitions and the Capital Increase are more than 5% but all applicable percentage ratios are less than 25%, the Acquisitions and the Capital Increase constitute a discloseable transaction of the Company and subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, Shandong Energy is a controlling shareholder of the Company holding directly and indirectly approximately 52.84% of the issued share capital of the Company and Shandong Energy directly wholly owns the Vendors, and indirectly wholly owns Xibei Mining. In accordance with the Listing Rules, each of the Vendors and Xibei Mining is a connected person of the Company. Hence, the Acquisitions and the Capital Increase also constitute a connected transaction of the Company and is subject to the reporting, announcement, circular and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Proposed Continuing Connected Transactions

As (i) the Target Company will become a connected subsidiary of the Company and an associate of Shandong Energy (which is a connected person of the Company) by virtue of Shandong Energy's indirect 49% shareholding in Xibei Mining upon the completion of the Acquisitions and the Capital Increase, the Board envisages that the scope of transactions and annual caps under certain Existing Continuing Connected Transactions Agreements will need to be adjusted; and (ii) the Existing Continuing Connected Transactions Agreements will expire on 31 December 2025 and the parties thereto expect that the continuing connected transactions contemplated thereunder will continue on an ongoing basis, on 8 April 2025, the parties to the Existing Continuing Connected Transactions Agreements entered into the Proposed Continuing Connected Transaction Agreements with Shandong Energy to renew and supersede the Existing Continuing Connected Transaction Agreements. The Proposed Continuing Connected Transaction Agreements are subject to the Independent Shareholders' approval at the AGM.

An Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders in respect of the Transactions. We, Rainbow Capital, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

As at the Latest Practicable Date, we did not have any relationships or interests with the Group or Shandong Energy that could reasonably be regarded as relevant to our independence. There was no engagement or connection between the Group or Shandong Energy and us in the last two years. Apart from normal professional fees paid or payable to us in connection with this appointment as the Independent Financial Adviser, no other arrangements exist whereby we had received any fees or benefits from the Group or any other party to the Transactions. Accordingly, we are independent from the Company pursuant to the requirement under Rule 13.84 of the Listing Rules and therefore we are qualified to give independent advice in respect of the Transactions.

BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied on (i) the information and facts contained or referred to in the Circular; (ii) the information supplied by the Group; (iii) the opinions expressed by and the representations of the Directors and the management of the Group; and (iv) our review of the relevant public information. We have assumed that all the information provided and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all respects as at the date thereof and may be relied upon. We have also assumed that all statements contained and representations made or referred to in the Circular are true at the time they were made and continue to be true as at the Latest Practicable Date and all such statements of belief, opinions and intentions of the Directors and the management of the Group and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the management of the Group. We have also sought and received confirmation from the Directors that no material facts have been withheld or omitted from the information provided and referred to in the Circular and that all information or representations provided to us by the Directors and the management of the Group are true, accurate, complete and not misleading in all respects at the time they were made and continued to be so until the date of the Circular.

We consider that we have reviewed sufficient information currently available and corroborated and substantiated any public information referred to in this letter to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, representations made or opinion expressed by the Directors and the management of the Group, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Group, the Vendors, Shandong Energy or any of their respective substantial shareholders, subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation on the terms of the Transactions, we have taken into account the principal factors and reasons set out below:

A. The Acquisitions and the Capital Increase

1. Information of the parties

(i) The Group

The Group is principally engaged in the coal business, coal chemicals and power generation. Set out below is a summary of the consolidated financial information of the Group for the three years ended 31 December 2024 ("**FY2022**", "**FY2023**" and "**FY2024**", respectively) as extracted from the Company's annual reports for FY2023 and FY2024 (the "**2023 Annual Report**" and the "**2024 Annual Report**"):

(a) Financial performance

	FY2022 *RMB'000* *(audited)* *(Restated)*	FY2023 *RMB'000* *(audited)* *(Restated)*	FY2024 *RMB'000* *(audited)*
Revenue	176,811,556	132,742,542	124,534,194
Gross profit	93,141,486	50,586,040	41,829,597
Gross profit margin	*52.7%*	*38.1%*	*33.6%*
Profit before tax	62,012,613	35,754,003	26,867,011
Profit attributable to the Shareholders	33,227,555	19,222,120	14,056,067

FY2023 compared to FY2022

The Group's revenue decreased by approximately 24.9% from approximately RMB176.8 billion for FY2022 to approximately RMB132.7 billion for FY2023. Such decrease was mainly due to the decrease in revenue generated from the coal business as a result of the decrease in the average coal sales price.

Due to the decrease in revenue and gross profit margin, the Group's gross profit decreased by approximately 45.7% from approximately RMB93.1 billion for FY2022 to approximately RMB50.6 billion for FY2023 and the profit attributable to the Shareholders decreased by approximately 42.2% from approximately RMB33.2 billion for FY2022 to approximately RMB19.2 billion for FY2023.

FY2024 compared to FY2023

The Group's revenue decreased by approximately 6.2% from approximately RMB132.7 billion for FY2023 to approximately RMB124.5 billion for FY2024, which was mainly due to the decrease in revenue generated from coal business as a result of the decrease in the average coal sales price partially offset by the increase in sales volume.

Due to the decrease in revenue and gross profit margin, the Group's gross profit decreased by approximately 17.3% from approximately RMB50.6 billion for FY2023 to approximately RMB41.8 billion for FY2024 and the profit attributable to the Shareholders decreased by approximately 26.9% from approximately RMB19.2 billion for FY2023 to approximately RMB14.1 billion for FY2024.

(b) Financial position

	As at 31 December		
	2022	**2023**	**2024**
	RMB'000	*RMB'000*	*RMB'000*
	(audited)	*(audited)*	*(audited)*
	(Restated)	*(Restated)*	
Current assets	126,810,019	96,849,109	98,134,615
Non-current assets	248,693,560	255,510,332	258,215,755
Total assets	375,503,579	352,359,441	356,350,370
Current liabilities	131,699,965	123,700,694	117,556,724
Non-current liabilities	101,155,621	111,288,131	106,808,206
Total liabilities	232,855,586	234,988,825	224,364,930
Equity attributable to the Shareholders	85,611,164	55,459,009	58,610,077

As at 31 December 2024, total assets of the Group amounted to approximately RMB356.4 billion, which mainly included (1) intangible assets of approximately RMB59.0 billion, which primarily consisted of mining reserves and mining resources; (2) property, plant and equipment of approximately RMB135.3 billion; and (3) bank balances and cash of approximately RMB30.5 billion.

As at 31 December 2024, total liabilities of the Group amounted to approximately RMB224.4 billion, which mainly included (1) borrowings of approximately RMB110.8 billion; (2) other payables and accrued expenses of approximately RMB40.1 billion; and (3) bills and accounts payables of approximately RMB27.5 billion.

As at 31 December 2024, the Group had equity attributable to the Shareholders of approximately RMB58.6 billion, which remained stable as compared to that as at 31 December 2023.

(ii) Xibei Mining

Xibei Mining was established in December 2021 as a limited liability company in China. It is primarily engaged in coal mining, washing, processing and sales operations, as well as coal-related industry chain businesses including coal chemical production, mine shaft specialization services, coal preparation plant operations, mining equipment maintenance, and technology innovation services within the coal industry.

Set out below is the summary of the audited financial information of Xibei Mining for FY2022, FY2023 and the eleven months ended 30 November 2024:

	For the year ended 31 December 2022	**For the year ended 31 December 2023**	**For the eleven months ended 30 November 2024**
	RMB'000	*RMB'000*	*RMB'000*
Revenue	19,551,759	15,918,189	15,780,532
Profit before tax	5,602,757	3,271,202	1,812,743
Profit after tax	4,661,283	2,265,756	1,474,089
Profit attributable to the shareholders	3,392,653	1,420,059	1,229,059

	As at 31 December 2022	**As at 31 December 2023**	**As at 30 November 2024**
	RMB'000	*RMB'000*	*RMB'000*
Total assets	43,873,771	43,278,582	53,427,145
Total liabilities	32,793,518	30,642,713	36,867,539
Net assets	11,080,253	12,635,869	16,559,606

(iii) Shandong Energy and the Vendors

Shandong Energy is a state-controlled limited liability company, 90% equity interest of which is held directly and indirectly by Shandong Provincial People's Government State-owned Assets Supervision and Administration Commission, and the remaining 10% equity interest of which is indirectly held by the Shandong Province Finance Bureau. Shandong Energy is principally engaged in mining, high-end chemicals, electricity, high-end equipment manufacturing, new energy and materials, and modern trade and logistics. As at the Latest Practicable Date, Shandong Energy is the controlling Shareholder of the Company, holding directly and indirectly approximately 52.84% of the issued share capital of the Company, and is hence a connected person of the Company.

Each of the Vendors is a company established in the PRC and a direct wholly-owned subsidiary of Shandong Energy as at the Latest Practicable Date. Vendor A is principally engaged in sales and mining of coal. Each of Vendor B and Vendor D is principally engaged in mining and sales of coal. Vendor C is principally engaged in mining and washing of coal.

2. Reasons for and benefits of the Acquisitions and the Capital Increase

As stated in the Letter from the Board, Xibei Mining is the regional headquarters of Shandong Energy in western China, which is responsible for the operation of the coal business in Shaanxi, Gansu, Shanxi and parts of Inner Mongolia. The injection of coal assets through the Acquisitions and the Capital Increase will be conducive to the reduction of peer competition between the Company and Shandong Energy and promoting the standardisation of operations.

The assets to be injected through the Acquisitions and the Capital Increase are all high-quality assets of Shandong Energy. Upon the completion of the Acquisitions and the Capital Increase, the profitability of the Company will be significantly enhanced, which will be conducive to further enhancing the long-term return to the Shareholders.

The Acquisitions and the Capital Increase are essential to the implementation of the Company's development strategy. Through the integration of Shandong Energy's high-quality coal resources, it will be conducive to further enhancing the Company's coal resources reserves, strengthening the Company's mineral sector and enhancing the Company's core competitiveness.

The scope of the business of Xibei Mining also includes part of coal related industry chain businesses, such as coal chemical, specialized mining operations, and coal preparation plant operation, which are beneficial to the development of the Company's main business.

Based on the above, although the Acquisitions and the Capital Increase are not conducted in the Company's ordinary and usual course of business, we consider that the Acquisitions and the Capital Increase are in the interest of the Company and the Shareholders as a whole.

3. Principal terms of the Transaction Documents

Details of the terms of the Agreement are set out in the Letter from the Board, which are summarized as follows:

Date

8 April 2025

Parties

Purchaser:	the Company
Vendors:	Vendor A; Vendor B; Vendor C; and Vendor D
Target Company:	Xibei Mining

Summary of the Acquisition and the Capital Increase

Pursuant to the Agreement, (a) the Company has conditionally agreed to acquire, and the Vendors have conditionally agreed to sell, an aggregate of 26% equity interests in Xibei Mining at a consideration of RMB4,748,251,438.63; and (b) the Company will inject capital of RMB9,317,604,863.88 into Xibei Mining in cash.

The Acquisitions

The appraised value of the entire shareholders' interests of Xibei Mining as at the Valuation Benchmark Date as set out in the Asset Valuation Report(s) filed by the authorized state-owned assets regulatory agencies or their authorized units was RMB25,262,505,533.20. The Target Company held a general meeting on 27 March 2025 and agreed to distribute an aggregate profit of RMB7,000 million to the Vendors.

The consideration for the Acquisitions is RMB4,748,251,438.63, which was determined by multiplying 26% (being the percentage of Target Equity Interests) by the appraised value of the entire shareholders' interests of Xibei Mining as at the Valuation Benchmark Date of RMB25,262,505,533.20 less the amount of RMB7,000 million declared to the Vendors under the Profit Distribution.

The Capital Increase

The parties agreed that, based on the appraised value of the entire shareholders' interests of Xibei Mining as at the Valuation Benchmark Date of RMB25,262,505,533.20, and taking into account the aforesaid Profit Distribution of the Target Company and as determined through the negotiation between the parties, the Company will increase its capital to Xibei Mining in the amount of RMB9,317,604,863.88 in cash, of which RMB2,551,020,408.00 is credited to the registered capital of Xibei Mining and RMB6,766,584,455.88 is credited to the capital reserve of Xibei Mining.

Upon completion of the Acquisitions and the Capital Increase, the shareholding structure of Xibei Mining will be as follows:

Name of shareholders	**Percentage of shareholding** *(%)*	**Capital contribution** *(RMB)*
The Company	51	3,851,020,408.08
Vendor A	49	3,699,999,999.92
Total	**100**	**7,551,020,408.00**

For details of other terms of the Agreement, please refer to the Letter from the Board.

Our assessment on the Letter of Mineral Right Commitment

On the same date of the entering into of the Agreement, the Company and the Vendors entered into the Letter of Mineral Right Commitment in respect of 14 mineral rights held by the subsidiaries of Xibei Mining. The Letter of Mineral Right Commitment shall take effect when all the following conditions are fulfilled: (i) the official seals of each of the Vendors and the Company are affixed; and (ii) the Agreement is signed and becomes effective. For details of terms of the Letter of Mineral Right Commitment, please refer to the Letter from the Board.

According to the Letter of Mineral Right Commitment, the Company will be able to receive compensation from the Vendors by way of cash in the event that (i) Xibei Mining fails to retain or extend the exploration rights or convert to mining rights; and/or (ii) Xibei Mining is required by the government authorities to make the shortfall payment of the Transfer Fee. In addition, as stated in the Letter from the Board, pursuant to Article (7)(d) of the Agreement entered into between the Vendors and the Company, the Vendors have made various representations and warranties, including that any losses or compensation liabilities arising from defects in title to, or disputes in relation to, assets as at the Closing Date (including land use rights, real estate, mining properties, etc.) shall be borne by the Vendors. In such circumstances, the Vendors will be required to compensate the Company in full and in a timely manner for any losses incurred.

As such, we are of the view that the Letter of Mineral Right Commitment will mitigate the adverse impact on the operation of the coal mines of Xibei Mining and prevent the Group from incurring substantial Transfer Fee. We consider that the Letter of Mineral Right Commitment is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Our assessment on the Letter of Performance Commitment

On the same date of the entering into of the Agreement, the Company and the Vendors entered into the Letter of Performance Commitment, pursuant to which the Vendors agreed to make commitments regarding the operating performance of Xibei Mining in the three years from 2025 to 2027. The Letter of Performance Commitment shall take effect when all the following conditions are fulfilled: (i) the official seals of each of the Vendors and the Company are affixed; and (ii) the Agreement is signed and becomes effective. For details of terms of the Letter of Performance Commitment, please refer to the Letter from the Board.

We are advised by the management of the Company that the Accumulated Committed Net Profit during the Commitment Period of RMB7,121,934,100 is the total of (i) the expected net profit of each subsidiary of Xibei Mining (excluding the net profit generated from the intercompany transactions among the subsidiaries of Xibei Mining) multiplied by (ii) the shareholding percentage in each subsidiary held by Xibei Mining during the Commitment Period.

We have reviewed the profit forecasts as set out in the Asset Valuation Report, and noted that:

(i) the revenue of each subsidiary of Xibei Mining during the Commitment Period is estimated based on the annual production volumes and the estimated coal selling price of each subsidiary. The selling price of coal is estimated with reference to historical selling prices of the coal of each subsidiary or the market price in the region where the coal mine is located if such coal mine has limited operation history;

(ii) the operating costs of each subsidiary of Xibei Mining during the Commitment Period, which mainly consist of cost of materials for the process of coal, cost of utility, labor cost, repairment and maintenance cost of the coal mines, are forecasted with reference to the historical costs incurred by each subsidiary;

(iii) the expenses of each subsidiary of Xibei Mining during the Commitment Period, which mainly consist of selling expenses, administration expenses, research and development expense, are forecasted with reference to the historical expenses incurred by each subsidiary; and

(iv) the income tax expense of each subsidiary of Xibei Mining during the Commitment Period is estimated based on its profit before income tax multiplied by the income tax rate.

Taking into account that (i) there is a risk that Xibei Mining's operating performance may not meet expectations due to the uncertainty of coal price trends in recent years; (ii) Xibei Mining recorded an aggregate net profit attributable to the shareholders of approximately RMB6.0 billion for FY2022, FY2023 and the eleven months ended 30 November 2024 and the Accumulated Committed Net Profit during the Commitment Period exceeds the aggregate net profit for the previous three years; (iii) the Accumulated Committed Net Profit during the Commitment Period is determined based on the profit forecasts performed by the Valuer which we consider to be fair and reasonable; and (iv) the Vendors are required to provide compensation if the Appraised Value at the End of the Commitment Period is less than the appraised value of Xibei Mining as at the Valuation Benchmark Date, we consider the Letter of Performance Commitment is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

4. Valuation of Xibei Mining

As stated in the Letter from the Board, the consideration of approximately RMB4.75 billion for the Acquisitions was determined after arm's length negotiations between the parties with reference to the appraised value of the entire equity interests of Xibei Mining as at the Valuation Benchmark Date (i.e. 30 November 2024) of approximately RMB25.26 billion (the "**Valuation**"), less the distribution of RMB7.00 billion declared to the Vendors and then multiplied by 26% (being the percentage of the Target Equity Interests).

The percentage of equity interests of Xibei Mining held by the Company following the Acquisitions and the Capital Increase of approximately RMB9.32 billion was calculated based on the formular below:

$$\frac{\text{Consideration for the Acquisitions (RMB4.75 billion) + Consideration for the Capital Increase (RMB9.32 billion)}}{\text{Valuation of entire equity interests of Xibei Mining (RMB25.26 billion) - declared distribution (RMB7.00 billion)} + \text{Consideration for the Capital Increase (RMB9.32 billion)}}$$

= Percentage of equity interests held by the Company upon completion (51%)

In assessing the fairness and reasonableness of the Valuation, we have taken into the following factors:

(i) The qualification and scope of work of the Valuer

We have conducted an interview with the Valuer to enquire to their qualification and experience in valuing similar coal mining companies in the PRC and their independence. We noted that the responsible person of the Valuer has over ten years of experience in conducting valuation and possesses sufficient qualifications and experience for valuating similar assets in the PRC. We have also enquired with the Valuer as to their independence from the Group and Shandong Energy, and were given to understand that the Valuer is independent of the Group and Shandong Energy. The Valuer confirmed that apart from normal professional fees paid or payable to them in connection with their appointment as the Valuer, no arrangements exist whereby they will receive any fees or benefits from the Group and Shandong Energy. We have also reviewed the terms of engagement of the Valuer, in particular to their scope of work. We noted that their scope of work is appropriate to form the opinion required to be given and there are no limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuer in the Asset Valuation Report on Xibei Mining. Based on our discussion with the Valuer, we understand that the Asset Valuation Report on Xibei Mining has been prepared in compliance with the relevant PRC regulatory requirements and professional standards. We have also performed work as required under note (1)(d) to Rule 13.80 of the Listing Rule in relation to the Valuer and its work as regards the Valuation. Based on the above, we are satisfied with the terms of engagement of the Valuer as well as their qualification and experience for performing the Valuation, and we are of the view that the scope of work of the Valuer is appropriate. We therefore consider it appropriate to rely on their work and opinion.

(ii) Valuation methodologies

We have reviewed and discussed with the Valuer the methodologies, bases and assumptions adopted for the Valuation and understood that the Valuer has carried out physical inspections and made relevant enquiries for the purpose of valuing Xibei Mining. As stated in the Asset Valuation Report, the Valuer has considered three generally accepted approaches, namely, market approach, income approach and asset-based approach and adopted the asset-based approach in the Valuation due to the following consideration:

(a) Xibei Mining is an investment holding company and its main assets are long-term equity investments. The income approach which requires significant level of unobservable and subjective assumptions may not accurately quantify or ascertain the market value of Xibei Mining;

(b) the market approach is not adopted as (1) there were few transactions in relation to comparable coal mining companies as at the Valuation Benchmark Date and the Valuer is not able to obtain sufficient information for conducting valuation; and (2) the features of Xibei Mining as an unlisted company, including but not limited to business segments, operation, scale, growth potential, operating risks and financial risks, differ from those of the listed coal mining companies; and

(c) the asset-based approach is adopted as each of the assets and liabilities of Xibei Mining is identifiable and the Valuer is able to conduct appropriate valuation for each item.

In addition to the above factors, taking into account that the Valuer has selected appropriate valuation approach and performed valuation for each entity recognised as long-term equity investments as discussed in section headed "(iii) The Valuation" below, we concur with the Valuer that it is fair and reasonable to adopt the asset-based approach in arriving at the market value of Xibei Mining.

(iii) The Valuation

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of Xibei Mining as at the Valuation Benchmark Date:

	Net book value	**Appraised value**	**Valuation appreciation/ (depreciation)**
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**6,325,164**	**6,325,164**	**–**
Non-current assets, including:	**23,864,187**	**35,638,561**	**11,774,374**
Long-term equity investments	21,938,492	33,725,141	11,786,649
Fixed assets	48,229	35,455	(12,774)
Intangible assets	558	1,057	499
Other non-current assets	1,876,909	1,876,909	–
Current liabilities	**8,117,583**	**8,116,411**	**(1,172)**
Non-current liabilities	**8,584,809**	**8,584,809**	**–**
Net assets	**13,486,959**	**25,262,506**	**11,775,546**

As shown in the table above, the valuation appreciation is mainly derived from the increase in the appraised value of long-term equity investments.

According to China Accounting Standards for Business Enterprises, Xibei Mining shall recognise the investment in the subsidiaries as long-term equity investments. The investment in the subsidiaries is initially recognised at cost. The net book value of the investment in the subsidiaries will not change unless Xibei Mining (a) increases or disposes of its investment in the subsidiaries; or (b) no longer controls the subsidiaries. The measurement of the long-term equity investment does not take into account the changes in the market value of the net asset of the subsidiaries.

The difference between the appraised value and net book value of the long-term equity investments was mainly attributable to the fact that the market value of the net asset of the subsidiaries is higher than the initial investment cost of the long-term equity investments. The net book value of the long-term equity investments remained unchanged since Xibei Mining initially invested in the subsidiaries regardless of (a) profit or loss generated during the subsidiaries' business operation; or (b) any changes occurred in the net asset value or the market value of the net assets of the subsidiaries, whereas the appraised value of the net asset value was determined with reference to the market value of the net asset of the subsidiaries.

The following table sets forth the difference between the appraised value and the net book value of Xibei Mining's long-term equity investments as at the Valuation Benchmark Date:

Company	**Shareholding percentage**	**Net book value** *RMB'000* **a**	**Appraised value** *RMB'000* **b**	**Valuation appreciation/ (depreciation)** *RMB'000* **c=b-a**	**Valuation methodologies**
Shaanxi Zhengtong Coal Industry Co., Ltd. ("**Company A**")	100.00%	834,611	2,566,703	1,732,092	Asset-based approach
Gansu Lingtai Shaozhai Coal Industry Co., Ltd. ("**Company B**")	100.00%	–	1,433,556	1,433,556	Asset-based approach
Pingliang Wuju Coal Industry Co., Ltd. ("**Company C**")	60.00%	1,083,281	627,306	(455,975)	Asset-based approach
Pingmei Chang'an Energy Development Co., Ltd. ("**Company D**")	60.00%	847,865	833,970	(13,896)	Asset-based approach
Shaanxi Yingdong Mining Co., Ltd. ("**Company E**")	51.00%	38,008	60,053	22,044	Asset-based approach
Shaanxi Changwu Tingnan Coal Industry Co., Ltd. ("**Company F**")	100.00%	1,588,327	5,104,531	3,516,204	Asset-based approach
Inner Mongolia Shuangxin Mining Co., Ltd. ("**Company G**")	55.00%	890,979	2,614,262	1,723,283	Asset-based approach
Shaanxi Boxuan Technology Co., Ltd. ("**Company H**")	100.00%	176,798	194,629	17,832	Income approach
Shandong Kanggge Energy Technology Co., Ltd. ("**Company I**")	49.00%	55,090	64,549	9,459	Income approach
Zibo Aike Industrial and Mining Machinery Co., Ltd. ("**Company J**")	100.00%	90,868	222,277	131,409	Asset-based approach
Shaanxi Wanhua Coal Mine Equipment Manufacturing Co., Ltd. ("**Company K**")	100.00%	24,986	34,549	9,564	Asset-based approach
Mayicheng (Beijing) Technology Co., Ltd. ("**Company L**")	100.00%	6,000	24,624	18,624	Income approach
Shaanxi Yongming Coal Mine Co., Ltd. ("**Company M**")	51.00%	454,869	534,072	79,202	Asset-based approach

Company	Shareholding percentage	Net book value *RMB'000* **a**	Appraised value *RMB'000* **b**	Valuation appreciation/ (depreciation) *RMB'000* **c=b-a**	Valuation methodologies
Shanxi Longkuang Energy Investment Development Co., Ltd. ("**Company N**")	100.00%	732,499	577,095	(155,404)	Asset-based approach
Shanxi Shuozhou Pinglu District Longkuang Daheng Coal Industry Co., Ltd. ("**Company O**")	51.00%	878,931	1,514,162	635,230	Asset-based approach
Shanxi Xinzhou Shenda Wangtian Coal Industry Co., Ltd. ("**Company P**")	35.00%	287,468	105,699	(181,769)	Asset-based approach
Hangjinqi Juneng Energy Co., Ltd. ("**Company Q**")	100.00%	5,040,750	5,789,913	749,162	Asset-based approach
Inner Mongolia Huangtaolegai Coal Co., Ltd. ("**Company R**")	60.00%	5,714,873	7,423,861	1,708,988	Asset-based approach
Gansu Huanneng Tianjun Energy Co., Ltd. ("**Company S**")	55.00%	4,495,050	3,999,332	(495,718)	Asset-based approach
Subtotal		23,241,253	33,725,141		
Less: Provision for impairment of long-term equity investment		1,302,761	–		
Total		21,938,492	33,725,141	11,786,649	

As shown in the table above, the valuation appreciation is mainly derived from the increase in the appraised value of the Company A, the Company B, the Company F, the Company G, the Company J, the Company O, the Company Q and the Company R offset by the decrease in the appraised value of the Company C, the Company D, the Company N, the Company P and the Company S.

(a) Company A

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company A as at the Valuation Benchmark Date:

	Net book value	**Appraised value**	**Valuation appreciation/ (depreciation)**
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**718,022**	**717,009**	**(1,013)**
Non-current assets, including:	**5,934,323**	**6,790,664**	**856,341**
Fixed assets	4,979,220	5,271,446	292,226
Construction in progress	17,463	6,881	(10,582)
Intangible assets, including:	774,766	1,349,463	574,697
Land use rights	138,119	197,247	59,128
Mineral rights	633,040	1,143,349	510,309
Other intangible assets	3,607	8,866	5,259
Other non-current assets	162,875	162,875	–
Current liabilities	**2,120,895**	**2,085,876**	**(35,019)**
Non-current liabilities	**2,855,094**	**2,855,094**	**–**
Net assets	**1,676,356**	**2,566,703**	**890,347**

Current assets

The depreciation in the appraised value of current assets is attributable to the decrease in the appraised value of the inventories. The net book value of the inventories is recognised according to their costs while their appraised value is determined with reference to their market value as at the Valuation Benchmark Date. The market price of the finished goods as at the Valuation Benchmark Date is lower than the book cost, resulting in a valuation depreciation of the finished goods.

Fixed assets

The appreciation in the appraised value of fixed assets is mainly attributable to the decrease in the appraised depreciation as the useful life of fixed assets adopted by the Valuer (the "**Valuation Useful life**") is longer than the accounting useful life.

The following table sets out the Valuation Useful Life and the accounting useful life of the fixed assets by category:

	Accounting useful life	**Valuation Useful life**
	Number of years	*Number of years*
Buildings	20-40	40-60
Structures	20-30	20-50
Machinery and Equipment	3-20	6-20
Electronic equipment	3-10	5-15
Vehicles	4-8	15-20

The Valuation Useful life is the period over which an asset is still economically useful. This period is usually longer than the accounting useful life because it takes into account not only the physical loss of the assets (e.g. wear and tear, ageing) but also factors such as changes in the market value of the assets and technological advance. The accounting useful life is the period over which the cost of assets is gradually written down as an expense over its useful life in accordance with accounting standards. The accounting useful life is usually shorter and focuses mainly on the physical life of the assets and legal requirements, without considering the impact of changes in the market value of the assets and technological advance.

We are advised by the Valuer that the Valuation Useful Life is determined taking into account the following factors: (1) the designed economic useful life; (2) the structures and materials of the assets that affect their durability; (3) the environment in which the assets are used; and (4) the maintenance conditions. On the other hand, the accounting useful life is based on the expected period of use of the fixed assets by the company.

Given that the Valuation Useful Life is assessed based on the latest situation of the fixed assets and reflects the period during which the fixed assets are able to provide economic benefits to the company, we consider that it is fair and reasonable to adopt the Valuation Useful Life to appraise the market value of the fixed assets.

Construction in progress

The depreciation in the appraised value of construction in progress is due to the fact that certain construction in progress was completed as at the Valuation Benchmark Date and was valued as fixed assets.

Land use rights

The appreciation in the appraised value of land use rights is mainly due to the increase in market price since the acquisition of land use rights by the Company A.

Mineral rights

The Company A's Mineral rights include its mining rights for Gaojiabao Coal Mine and the coal capacity quotas acquired by the Company A.

For the details of our assessment of the appraised value of the Company A's mining rights for Gaojiabao Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Regarding the coal capacity quotas acquired by the Company A, as there is a domestic trading market for coal capacity quotas and sufficient transaction data of comparable assets can be obtained, the Valuer has adopted the market approach to value the coal capacity quotas. We have obtained and reviewed the comparable transactions collected by the Valuer and noted the average market price for the three years ended 31 December 2024 was approximately RMB90.0 per ton, which is in line with the market price adopted by the Valuer for the valuation. As such, we consider the valuation of the coal capacity quotas acquired by the Company A to be fair and reasonable.

Other intangible assets

The appreciation in the appraised value of other intangible assets is due to that the valuation of software is determined based on the latest market price which is higher than the net book value.

Current liabilities

The depreciation in the appraised value of current liabilities is due to the decrease in employee benefits payable. Considering that employee education funds are accrued expenses and not actual liabilities as at Valuation Benchmark Date, employee education funds are valued at nil.

Conclusion on the appraised value of the net assets for the Company A

Based on the above assessments, we are of the view that the appraised value of the net assets of the Company A is fair and reasonable.

(b) Company B

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company B as at the Valuation Benchmark Date:

	Net book value	**Appraised value**	**Valuation appreciation/ (depreciation)**
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**233,886**	**233,944**	**58**
Non-current assets, including:	**2,940,263**	**4,004,694**	**1,064,431**
Fixed assets	2,642,204	2,672,377	30,173
Construction in progress	33,004	33,004	-
Intangible assets, including:	71,762	1,106,020	1,034,258
Land use rights	34,658	56,761	22,103
Mineral rights	34,139	1,045,992	1,011,853
Other intangible assets	2,964	3,266	302
Other non-current assets	193,294	193,294	-
Current liabilities	**1,156,220**	**1,144,084**	**(12,136)**
Non-current liabilities	**1,660,999**	**1,660,999**	**-**
Net assets	**356,931**	**1,433,556**	**1,076,624**

The appreciation in the appraised value of the net assets of the Company B is mainly derived from the increase in the appraised value of the mineral rights.

Mineral rights

The Company B's Mineral rights include its mining rights for Shaozhai Coal Mine and the coal capacity quotas acquired by the Company B.

For the details of our assessment of the appraised value of the Company B's mining rights for Shaozhai Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Regarding the coal capacity quotas acquired by the Company B, the appraised value has been calculated based on the average market price of RMB90.0 per ton for the three years ended 31 December 2024.

Conclusion on the appraised value of the net assets for the Company B

Based on the above assessments, we are of the view that the appraised value of the net assets of the Company B is fair and reasonable.

(c) Company C

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company C as at the Valuation Benchmark Date:

	Net book value	Appraised value	Valuation appreciation/ (depreciation)
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**361,351**	**361,424**	**73**
Non-current assets, including:	**5,403,235**	**5,403,235**	**–**
Fixed assets	3,561,533	2,762,036	(799,496)
Construction in progress	225,712	248,589	22,876
Intangible assets, including:	1,496,568	2,273,189	776,620
Land use rights	13,631	60,912	47,281
Mineral rights	1,482,937	2,212,272	729,335
Other intangible assets	–	4	4
Other non-current assets	119,422	119,422	–
Current liabilities	**1,162,174**	**1,158,154**	**(4,020)**
Non-current liabilities	**3,560,995**	**3,560,995**	**–**
Net assets	**1,041,417**	**1,045,510**	**4,093**

The appreciation in the appraised value of the net assets of the Company C is mainly derived from the increase in mineral rights offset by the decrease in fixed assets.

Fixed assets

The depreciation in the appraised value of fixed assets is mainly attributable to the decrease in appraised replacement cost of certain fixed assets as a result of (1) the decrease in purchase price of equipment and vehicles as at the Valuation Benchmark Date; and (2) the book value of certain fixed assets consisted of excessive capitalised expenses due to overlong construction period.

Mineral rights

The Company C's Mineral rights include its mining rights for Wuju Coal Mine and the coal capacity quotas acquired by the Company C.

For the details of our assessment of the appraised value of the Company C's mining rights for Wuju Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Regarding the coal capacity quotas acquired by the Company C, the appraised value has been calculated based on the average market price of RMB90.0 per ton for the three years ended 31 December 2024.

Conclusion on the appraised value of the net assets for the Company C

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company C is fair and reasonable.

(d) Company D

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company D as at the Valuation Benchmark Date:

	Net book value	**Appraised value**	**Valuation appreciation/ (depreciation)**
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**24,778**	**24,778**	**–**
Non-current assets, including:	**2,128,655**	**2,842,700**	**714,045**
Long-term equity investments	51,926	52,091	165
Fixed assets	380	787	407
Construction in progress	333,962	332,615	(1,347)
Intangible assets, including:	1,653,174	2,367,995	714,821
Land use rights	23,723	34,466	10,743
Mineral rights	1,629,365	2,333,392	704,027
Other intangible assets	86	137	51
Other non-current assets	89,213	89,213	–
Current liabilities	**1,472,200**	**1,471,938**	**(262)**
Non-current liabilities	**11,920**	**5,590**	**(6,330)**
Net assets	**669,313**	**1,389,950**	**720,637**

The appreciation in the appraised value of the net assets of the Company D is mainly derived from the increase in the appraised value of the mineral rights.

Mineral rights

The Company D's Mineral rights include its mining rights for Yangjiaping Coal Mine and the coal capacity quotas acquired by the Company D.

For the details of our assessment of the appraised value of the Company D's mining rights for Yangjiaping Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Regarding the coal capacity quotas acquired by the Company D, the appraised value has been calculated based on the average market price of RMB90.0 per ton for the three years ended 31 December 2024.

Conclusion on the appraised value of the net assets for the Company D

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company D is fair and reasonable.

(e) Company F

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company F as at the Valuation Benchmark Date:

	Net book value	Appraised value	Valuation appreciation/ (depreciation)
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**951,416**	**951,642**	**226**
Non-current assets, including:	**1,486,697**	**5,562,975**	**4,076,278**
Fixed assets	1,148,070	2,628,056	1,479,986
Construction in progress	37,630	38,089	459
Intangible assets, including:	171,271	2,768,676	2,597,405
Land use rights	25,901	85,017	59,116
Mineral rights	143,547	2,673,444	2,529,897
Other intangible assets	1,823	10,214	8,391
Other non-current assets	129,725	128,154	(1,572)
Current liabilities	**1,362,955**	**1,323,706**	**(39,250)**
Non-current liabilities	**96,857**	**86,380**	**(10,477)**
Net assets	**978,300**	**5,104,531**	**4,126,231**

The appreciation in the appraised value of net assets is mainly derived from the increase in the appraised value of the fixed assets and the increase in the appraised value of the mineral rights.

Fixed assets

The appreciation in the appraised value of fixed assets is mainly attributable to (1) the increase in appraised replacement cost of certain fixed assets as the labour and material costs have increased from the construction period of such buildings and structures to the Valuation Benchmark Date; and (2) the decrease in appraised depreciation as the Valuation Useful life is longer than the accounting useful life. The appraised value of buildings and structures is calculated based on the replacement cost as at the Valuation Benchmark Date multiplied by the comprehensive newness rate. The replacement cost mainly consists of labour and material costs, upfront and other costs and capital costs. For our analysis of the Valuation Useful life, please refer to the subsection headed "(a) Company A" above.

Mineral rights

The Company F's Mineral rights include its mining rights for Tingnan Coal Mine. For the details of our assessment of the appraised value of the Company F's mining rights for Tingnan Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Conclusion on the appraised value of the net assets for the Company F

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company F is fair and reasonable.

(f) Company G

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company G as at the Valuation Benchmark Date:

	Net book value	**Appraised value**	**Valuation appreciation/ (depreciation)**
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**1,087,985**	**1,087,722**	**(263)**
Non-current assets, including:	**1,031,894**	**4,553,422**	**3,521,528**
Fixed assets	596,629	2,021,301	1,424,671
Construction in progress	124,494	125,189	695
Intangible assets, including:	258,207	2,355,716	2,097,510
Land use rights	100,474	118,634	18,160
Mineral rights	151,459	2,224,200	2,072,741
Other intangible assets	6,273	12,881	6,608
Other non-current assets	52,565	51,217	(1,348)
Current liabilities	**928,727**	**872,360**	**(56,366)**
Non-current liabilities	**24,569**	**15,581**	**(8,988)**
Net assets	**1,166,584**	**4,753,203**	**3,586,620**

The appreciation in the appraised value of net assets is mainly derived from the increase in the appraised value of the fixed assets and the increase in the appraised value of the mineral rights.

Fixed assets

The appreciation in the appraised value of fixed assets is mainly attributable to (1) the increase in appraised replacement cost of certain fixed assets as the labour and material costs have increased from the construction period of such buildings and structures to the Valuation Benchmark Date and the increase in purchase price of certain equipment as at the Valuation Benchmark Date; and (2) the decrease in appraised depreciation as the Valuation Useful life is longer than the accounting useful life. For our analysis of the Valuation Useful life, please refer to the subsection headed "(a) Company A" above.

Mineral rights

The increase in the appraised value of mineral rights is mainly due to the increase in the Company G's mining rights for Yangjiacun Coal Mine.

For the details of our assessment of the appraised value of the Company G's mining rights for Yangjiacun Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Conclusion on the appraised value of the net assets for the Company G

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company G is fair and reasonable.

(g) Company J

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company J as at the Valuation Benchmark Date:

	Net book value	**Appraised value**	**Valuation appreciation/ (depreciation)**
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**501,621**	**504,343**	**2,723**
Non-current assets, including:	**119,616**	**171,725**	**52,108**
Fixed assets	112,876	150,314	37,438
Construction in progress	1,983	1,983	–
Intangible assets, including:	4,097	18,768	14,670
Land use rights	3,950	4,364	414
Mineral rights	–	–	–
Other intangible assets	148	14,404	14,256
Other non-current assets	659	659	–
Current liabilities	**444,754**	**442,599**	**(2,154)**
Non-current liabilities	**11,192**	**11,192**	**–**
Net assets	**165,292**	**222,277**	**56,985**

The appreciation in the appraised value of net assets is mainly derived from the increase in the appraised value of the fixed assets and the increase in the appraised value of the other intangible assets.

Fixed assets

The appreciation in the appraised value of fixed assets is mainly attributable to (1) the increase in appraised replacement cost of certain fixed assets as the labour and material costs have increased from the construction period of such buildings and structures to the Valuation Benchmark Date and the increase in purchase price of certain equipment as at the Valuation Benchmark Date; and (2) the decrease in appraised depreciation as the Valuation Useful life is longer than the accounting useful life. For our analysis of the Valuation Useful life, please refer to the subsection headed "(a) Company A" above.

Other intangible assets

The increase in the appraised value of other intangible assets is due to that certain patents, software copyrights, trademarks and art works owned by the Company J are off-balance-sheet assets. The Valuer has included such off-balance-sheet assets in the valuation of the Company J.

Conclusion on the appraised value of the net assets for the Company J

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company J is fair and reasonable.

(h) Company N

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company N as at the Valuation Benchmark Date:

	Net book value	Appraised value	Valuation appreciation/ (depreciation)
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**622,455**	**622,455**	**–**
Non-current assets, including:	**625,166**	**962,534**	**337,368**
Long-term equity investments	600,462	937,756	337,294
Fixed assets	290	364	74
Construction in progress	–	–	–
Intangible assets, including:	–	–	–
Land use rights	–	–	–
Mineral rights	–	–	–
Other intangible assets	–	–	–
Other non-current assets	24,415	24,415	–
Current liabilities	**1,001,544**	**999,144**	**(2,400)**
Non-current liabilities	**8,750**	**8,750**	**–**
Net assets	**237,328**	**577,095**	**339,768**

The appreciation in the appraised value of net assets is mainly derived from the increase in the appraised value of the long-term equity investments.

The long-term equity investments mainly represent the Company N's 29% equity interest in the Company O and 20% equity interest in the Company P. For the details of our assessment of the appraised value of the net assets for the Company O and the Company P, please refer to the section headed "(iii) The Valuation – (i) Company O" and "(iii) The Valuation – (j) Company P", respectively.

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company N is fair and reasonable.

(i) Company O

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company O as at the Valuation Benchmark Date:

	Net book value	Appraised value	Valuation appreciation/ (depreciation)
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**1,231,038**	**1,231,038**	**–**
Non-current assets, including:	**1,420,778**	**2,571,230**	**1,150,452**
Fixed assets	660,621	878,451	217,830
Construction in progress	–	–	–
Intangible assets, including:	426,011	1,358,633	932,623
Land use rights	–	–	–
Mineral rights	426,011	1,358,456	932,445
Other intangible assets	–	177	177
Other non-current assets	334,146	334,146	–
Current liabilities	**694,690**	**681,865**	**(12,825)**
Non-current liabilities	**151,458**	**151,458**	**–**
Net assets	**1,805,667**	**2,968,944**	**1,163,277**

The appreciation in the appraised value of net assets is mainly derived from the increase in the appraised value of the fixed assets and the appraised value of the mineral rights.

Fixed assets

The appreciation in the appraised value of fixed assets is mainly attributable to the decrease in appraised depreciation as the Valuation Useful life is longer than the accounting useful life. For our analysis of the Valuation Useful life, please refer to the subsection headed "(a) Company A" above.

Mineral rights

The Company O's Mineral rights include its mining rights for Daheng Coal Mine. For the details of our assessment of the appraised value of the Company O's mining rights for Daheng Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Conclusion on the appraised value of the net assets for the Company O

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company O is fair and reasonable.

(j) Company P

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company P as at the Valuation Benchmark Date:

	Net book value	Appraised value	Valuation appreciation/ (depreciation)
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**205,819**	**205,090**	**(729)**
Non-current assets, including:	**804,957**	**1,200,600**	**395,642**
Fixed assets	424,417	544,189	119,772
Construction in progress	18,407	18,407	–
Intangible assets, including:	116,471	392,342	275,871
Land use rights	–	–	–
Mineral rights	116,471	392,325	275,853
Other intangible assets	–	17	17
Other non-current assets	245,662	245,662	–
Current liabilities	**1,021,955**	**1,016,783**	**(5,172)**
Non-current liabilities	**28,752**	**28,752**	**–**
Net assets	**(39,930)**	**360,155**	**400,085**

The appreciation in the appraised value of net assets is mainly derived from the increase in the appraised value of the fixed assets and the appraised value of the mineral rights.

Fixed assets

The appreciation in the appraised value of fixed assets is mainly attributable to (1) the increase in appraised replacement cost of certain fixed assets as the labour and material costs have increased from the construction period of such buildings and structures to the Valuation Benchmark Date; and (2) the decrease in appraised depreciation as the Valuation Useful life is longer than the accounting useful life. For our analysis of the Valuation Useful life, please refer to the subsection headed "(a) Company A" above.

Mineral rights

The appreciation in the appraised value of the Company P's Mineral rights is due to the increase in its mining rights for Wangtian Coal Mine. For the details of our assessment of the appraised value of the Company P's mining rights for Wangtian Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Conclusion on the appraised value of the net assets for the Company P

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company P is fair and reasonable.

(k) Company Q

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company Q as at the Valuation Benchmark Date:

	Net book value	**Appraised value**	**Valuation appreciation/ (depreciation)**
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**274,588**	**274,588**	**–**
Non-current assets, including:	**2,522,310**	**6,527,822**	**4,005,512**
Fixed assets	3,042	26,436	23,394
Construction in progress	513,212	513,173	(40)
Intangible assets, including:	2,006,055	5,988,213	3,982,157
Land use rights	55,494	56,040	546
Mineral rights	1,950,550	5,932,160	3,981,610
Other intangible assets	11	12	1
Other non-current assets	–	–	–
Current liabilities	**171,220**	**170,666**	**(554)**
Non-current liabilities	**841,831**	**841,831**	**–**
Net assets	**1,783,847**	**5,789,913**	**4,006,066**

The appreciation in the appraised value of net assets is mainly derived from the increase in the appraised value of the mineral rights.

Fixed assets

The appreciation in the appraised value of fixed assets is mainly attributable to the decrease in appraised depreciation as the Valuation Useful life is longer than the accounting useful life. For our analysis of the Valuation Useful life, please refer to the subsection headed "(a) Company A" above.

Mineral rights

The Company Q's Mineral rights include its mining rights for Youfanghao Coal Mine and the coal capacity quotas acquired by the Company Q. For the details of our assessment of the appraised value of the Company Q's mining rights for Youfanghao Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Conclusion on the appraised value of the net assets for the Company Q

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company Q is fair and reasonable.

(l) Company R

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company R as at the Valuation Benchmark Date:

	Net book value	**Appraised value**	**Valuation appreciation/ (depreciation)**
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**1,181,977**	**1,188,737**	**6,760**
Non-current assets, including:	**6,588,414**	**15,568,849**	**8,980,435**
Fixed assets	3,588,896	6,111,640	2,522,744
Construction in progress	–	–	–
Intangible assets, including:	2,659,984	9,117,913	6,457,930
Land use rights	269,710	236,819	(32,891)
Mineral rights	2,374,546	8,863,457	6,488,911
Other intangible assets	15,727	17,638	1,911
Other non-current assets	339,535	339,295	(239)
Current liabilities	**1,939,615**	**1,867,210**	**(72,405)**
Non-current liabilities	**2,518,230**	**2,517,274**	**(956)**
Net assets	**3,312,545**	**12,373,102**	**9,060,556**

The appreciation in the appraised value of net assets is mainly derived from the increase in the appraised value of the fixed assets and the appraised value of the mineral rights.

Fixed assets

The appreciation in the appraised value of fixed assets is mainly attributable to (1) the inclusion of newly completed constructions; (2) the increase in the appraised replacement cost of certain fixed assets as a result of the increase in the purchase price of such equipment from the date of purchase to the Valuation Benchmark Date; and (3) the decrease in appraised depreciation as the Valuation Useful life is longer than the accounting useful life. For our analysis of the Valuation Useful life, please refer to the subsection headed "(a) Company A" above.

Mineral rights

The appreciation in the appraised value of the Company R's Mineral rights is mainly due to the increase in its mining rights for Bayangaole Coal Mine. For the details of our assessment of the appraised value of the Company R's mining rights for Bayangaole Coal Mine, please refer to the section headed "(iv) Mineral rights valuation".

Conclusion on the appraised value of the net assets for the Company R

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company R is fair and reasonable.

(m) Company S

The following table sets forth the difference between the appraised value and the net book value of the assets and liabilities of the Company S as at the Valuation Benchmark Date:

	Net book value	Appraised value	Valuation appreciation/ (depreciation)
	RMB'000	*RMB'000*	*RMB'000*
	a	b	c=b-a
Current assets	**129,118**	**128,170**	**(949)**
Non-current assets, including:	**7,279,126**	**8,753,904**	**1,474,778**
Fixed assets	1,282,239	909,498	(372,741)
Construction in progress	1,014,484	665,897	(348,588)
Intangible assets, including:	4,979,435	7,178,259	2,198,825
Land use rights	14,268	24,899	10,631
Mineral rights	4,963,658	7,152,183	2,188,524
Other intangible assets	1,508	1,178	(330)
Other non-current assets	2,968	250	(2,718)
Current liabilities	**917,959**	**916,514**	**(1,445)**
Non-current liabilities	**694,046**	**694,046**	**–**
Net assets	**5,796,238**	**7,271,513**	**1,475,275**

The appreciation in the appraised value of net assets is mainly derived from the increase in the appraised value of the mineral rights offset by the decrease in the appraised value of the fixed assets and construction in progress.

Fixed assets

The depreciation in the appraised value of fixed assets is mainly attributable to (1) net book value of certain construction was overestimated since excessive expenses were capitalised as a result of overlong construction period and were hence revalued; (2) the decrease in the appraised replacement cost of certain fixed assets as a result of the decrease in the purchase price of such equipment from the date of purchase to the Valuation Benchmark Date.

Construction in progress

The depreciation in the appraised value of construction in progress is mainly attributable to that (1) certain terminated construction in progress without use value were valued at nil; and (2) unreasonable expenses were capitalised and were hence excluded in the appraised value.

Mineral rights

The Company S's Mineral rights include its mining rights for Liuyuanzi Coal Mine and exploration rights for Mafuchuan Jingtian and Maojiachuan Jingtian. For the details of our assessment of the appraised value of the Company S's mining rights and exploration rights, please refer to the section headed "(iv) Mineral rights valuation".

Conclusion on the appraised value of the net assets for the Company S

Based on the above assessments, we are of the view that the appraised value of the net assets for the Company S is fair and reasonable.

(iv) Mineral rights valuation

Taking into account that (a) the coal resources are under normal operation; and (b) the remaining mineral reserves, the coal-mining productivity and the sales volume of coal products can be reasonably estimated, the Valuer has adopted discounted cash flow method in assessing the market value of mineral rights held by the long-term equity investment entities.

The following table sets forth the appraised value of mineral rights held by the long-term equity investment entities:

Name of the coal mines	**Owner**	**Nature of mineral rights**	**Appraised value**
			RMB'000
Gaojiabao Coal Mine	Company A	Mining rights	1,038,460
Shaozhai Coal Mine	Company B	Mining rights	944,101
Wuju Coal Mine	Company C	Mining rights	1,988,110
Yangjiaping Coal Mine	Company D	Mining rights	1,640,298
Tingnan Coal Mine	Company F	Mining rights	2,605,516
Yangjiacun Coal Mine	Company G	Mining rights	2,139,290
Yongming Coal Mine	Company M	Mining rights	463,057
Daheng Coal Mine	Company O	Mining rights	1,358,456
Wangtian Coal Mine	Company P	Mining rights	628,568
Youfanghao Coal Mine	Company Q	Mining rights	5,465,113
Bayangaole Coal Mine	Company R	Mining rights	9,509,701
Liuyuanzi Coal Mine	Company S	Mining rights	806,685
Mafuchuan Jingtian	Company S	Exploration rights	4,159,499
Maojiachuan Jingtian	Company S	Exploration rights	2,185,999

The appraised value of the mineral rights is determined with reference to (a) the remaining mineral reserves; (b) the estimated revenue and operating costs; and (c) the estimated capital expenditure by using discounted cash flow method.

Revenue

The revenue of each mineral right is forecasted based on the annual production volume and the estimated coal selling price. The following table sets forth the breakdown of the forecasted revenue of each mineral right:

Name of the coal mines	**Approved annual production capacity**	**Production rate**	**Production volume**	**Selling price**	**Forecasted revenue**
	thousand tons		*thousand tons*	*RMB per ton*	*RMB' 000*
	a	*b*	*c=a*b*	*d*	*e=c*d*
Gaojiabao Coal Mine	4,500.0	97.94%	4,407.3	659	2,904,410.7
Shaozhai Coal Mine	2,400.0	97.79%	2,346.9	610	1,431,582.0
Wuju Coal Mine	3,000.0	80.36%	2,410.8	626	1,509,160.8
Yangjiaping Coal Mine	5,000.0	80.68%	4,034.0	655	2,642,556.5
Tingnan Coal Mine	4,500.0	98.04%	4,411.8	623	2,748,551.4
Yangjiacun Coal Mine	6,000.0	97.48%	5,848.8	332	1,941,801.6
Yongming Coal Mine	450.0	100.00%	450.0	815	366,750.0
Daheng Coal Mine	3,000.0	97.88%	2,936.3	441	1,294,901.0
Wangtian Coal Mine	1,800.0	85.13%	1,532.3	662	1,014,409.1
Youfanghao Coal Mine	5,000.0	88.36%	4,418.0	535	2,366,097.5
Bayangaole Coal Mine	8,000.0	98.52%	7,881.6	546	4,303,353.6
Liuyuanzi Coal Mine	1,800.0	82.42%	1,483.6	566	839,695.0
Mafuchuan Jingtian	5,600.0 *(Note)*	85.29%	4,776.2	651	3,109,306.2
Maojiachuan Jingtian	4,900.0 *(Note)*	87.22%	4,273.8	633	2,705,315.4

Note: The designed annual production capacity of Mafuchuan Jingtian and Maojiachuan Jingtian is 8.0 million tons and 7.0 million tons respectively, while their regular annual production capacity is 5.6 million tons and 4.9 million tons respectively.

We have reviewed the calculation of the forecasted revenue of each mine. We were given to understand that (a) the annual production volume is determined based on the approved annual production capacity of each mine and the production rate after coal washing; (b) the production rate is estimated based on the average historical production rate for the three years ended 31 December 2023 and the eleven months ended 30 November 2024 or the designed production rate if the mine has limited operation history; and (c) the selling price is estimated based on the average historical selling prices or the market price in the region where the mine is located for the four years ended 31 December 2023 and the eleven months ended 30 November 2024. Given the revenue is generally forecasted with reference to the actual historical data and the approved annual production capacity, we consider the forecasted revenue to be fair and reasonable.

Operating costs

The operating costs of each mining right consist of production costs, administrative expenses, R&D expenses and marketing expenses, excluding depreciation and amortisation. The table below sets forth the breakdown of the forecasted operating costs of each mineral right:

Name of the coal mines	**Approved annual production capacity**	**Unit operating costs**	**Annual operating costs**
	thousand tons	*RMB per ton*	*RMB'000*
	a	*b*	*c=a*b*
Gaojiabao Coal Mine	4,500	396.31	1,783,402.1
Shaozhai Coal Mine	2,400	373.52	896,445.3
Wuju Coal Mine	3,000	252.90	758,709.7
Yangjiaping Coal Mine	5,000	209.26	1,046,301.0
Tingnan Coal Mine	4,500	378.09	1,701,420.3
Yangjiacun Coal Mine	6,000	181.39	1,088,336.9
Yongming Coal Mine	450	491.10	220,993.8
Daheng Coal Mine	3,000	250.51	751,533.1
Wangtian Coal Mine	1,800	356.30	641,338.5
Youfanghao Coal Mine	5,000	155.47	777,354.8
Bayangaole Coal Mine	8,000	260.58	2,084,674.6
Liuyuanzi Coal Mine	1,800	256.22	461,195.2
Mafuchuan Jingtian	5,600	207.00	1,159,173.9
Maojiachuan Jingtian	4,900	231.07	1,132,231.7

Total operating costs are calculated by multiplying the unit operating costs by the approved annual production capacity. We have obtained and reviewed the calculation of the forecasted operating costs of each mine and we noted that unit operating costs are estimated by reference to (a) the average historical unit operating costs per ton of raw coal for the year ended 31 December 2023 and the eleven months ended 30 November 2024; or (b) the development plans for the coal mines with limited operation history; or (c) feasibility reports for the coal mines under exploration. As such, we consider the forecasted operating costs to be fair and reasonable.

Capital expenditure

The total capital expenditure of each mining right is estimated based (a) the capital expenditure for updating the existing fixed assets and intangible assets which is calculated based on the appraised value of fixed assets and intangible assets and their remaining useful life; (b) the further capital expenditure required for existing construction in progress; and (c) the long-term deferred expenses.

Discount rate

The discount rate of 7.62% to 8.07% is determined with reference to (a) the risk-free rate of 2.02%, which is the yield on the PRC government bonds which will expire after ten years from the Valuation Benchmark Date; and (b) the risk premium. The risk premium is determined with reference to (a) the exploration and development risk premium of 0.60% to 1.05%; (b) the industry risk premium of 2.00%; (c) the financial risk premium of 1.50%; and (d) other unsystematic risk premium of 1.50%.

We have reviewed the Guidance on Mining Rights Appraisal Parameters（礦業權評估參數確定指導意見）which is published by China Association of Mineral Resources Appraisers（中國礦業權評估師協會）, an industry association established with the approval of the then Ministry of Land and Resources of the PRC（中華人民共和國國土資源部）and the Ministry of Civil Affairs of the PRC（中華人民共和國民政部）in 2006, and noted the risk premium adopted by the Valuer is within the guideline range for each type of risk associated with each mining right.

Based on the above assessments, we are of the view that the appraised value of the mineral rights is fair and reasonable.

(v) Conclusion

Based on the above, we are of the view that the Valuation is fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

5. *Financial effect of the Acquisitions and the Capital Increase*

Upon completion of the Acquisitions and the Capital Increase, the Company will hold 51% equity interest in Xibei Mining and the financial results of Xibei Mining will be consolidated into the consolidated financial statements of the Group. For the eleven months ended 30 November 2024, Xibei Mining recorded revenue and net profit attributable to the shareholders of approximately RMB15,781 million and RMB1,229 million respectively. As at 30 November 2024, Xibei Mining had total assets and net assets of approximately RMB53,427 million and RMB16,560 million respectively. Upon on completion of the Acquisitions and the Capital Increase, the profitability of the Company will be enhanced. As stated in the Letter from the Board, upon completion of the Acquisitions and the Capital Increase, the Company's resources used in the valuation will increase by approximately 6,352 million tons, the recoverable reserves will increase by approximately 3,651 million tons, and the Company's coal production capacity will increase by approximately 30.00 million tons.

B. Proposed Continuing Connected Transactions

1. Information of the parties

For details of the information of the Group and Shandong Energy, please refer to the section headed "A. The Acquisitions and the Capital Increase – 1. Information of the parties" above.

Shandong Energy Finance Company is directly owned as to approximately 53.92% by the Company, directly and indirectly owned as to approximately 46.08% by Shandong Energy. The principal businesses of Shandong Energy Finance Company include provision of guarantee between members; provision of entrusted loans between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement and clearing planning to members; accepting deposits from members; provision of loans and finance leasing to members. Shandong Energy Finance Company is a non-banking financial institution legally established with the approval of NFRA.

2. Proposed Provision of Materials Supply Agreement

(i) Reasons for and benefits of the entering into the Proposed Provision of Materials Supply Agreement

Since the Shandong Energy Members will continue to provide materials to Xibei Mining after completion of the Acquisitions and the Capital Increase, the Board proposed to enter into the Proposed Provision of Materials Supply Agreement to renew and supersede the Existing Provision of Materials Supply Agreement.

The Group requires stable suppliers of mining production materials for steady business expansion. Certain materials provided by Shandong Energy Members are better in quality than those provided by external suppliers and it is rather difficult for the Group to source materials with comparable quality, specifications and value from other external suppliers. Furthermore, since Shandong Energy Members' production sites are close to the Group's coal mines and factories, the transportation of such materials is convenient and at a relatively lower cost.

At the same time, Xibei Mining has been procuring materials from the Shandong Energy Members every year. Such transactions will continue after completion of the Acquisitions and the Capital Increase in order to maintain the stable operations of Xibei Mining, which is in line with the Company's production and operation and further business integration needs.

Based on the above, we consider that entering into the Proposed Provision of Materials Supply Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms of the Proposed Provision of Materials Supply Agreement

Details of the terms of the Proposed Provision of Materials Supply Agreement are set out in the Letter from the Board, which are summarized as follows:

Date

8 April 2025

Parties

(1) the Company; and
(2) Shandong Energy

Term

Three years commencing from 1 January 2025 and expiring on 31 December 2027

Major terms

The Shandong Energy Members would provide the following materials to the Group: chemical raw materials (methanol, pure benzene, etc.), coal, electricity, underground supporting and protection materials, equipment accessories for coalmine operation, safety protection materials, informationization facilities, grease and oil materials and other general materials.

On or before 30 November each year, the Company may provide to Shandong Energy an annual assessment of the supplies or services that it requires from the other in the coming year and the parties shall agree on the annual plan for the coming year before 31 December each year. The parties may enter into specific contracts in accordance with the terms of the Proposed Provision of Materials Supply Agreement.

Payment

(1) The payment of consideration of the Proposed Provision of Materials Supply Agreement can be settled on a one-off basis or by installment in accordance with paragraph (2) below.

(2) Each party shall record all items payable to or from the other party in a calendar month in relation to the transactions under the Proposed Provision of Materials Supply Agreement in its accounts on or before the last Working Day of that calendar month. Save for the payments made for noncompleted transactions or disputed payments, all payments incurred in a calendar month shall be settled in full by the responsible party within the next calendar month.

Pricing

All materials would be supplied at the Market Price and such price shall in so far as possible be calculated and estimated before the commencement of each financial year, and shall be determined according to normal commercial terms based on the following:

(1) the price offered by Independent Third Parties for provision of the same or similar type of materials in the same or similar area or in the vicinity under normal commercial terms in the ordinary course of business of such Independent Third Parties; or

(2) or if the foregoing (1) is not applicable, the price offered by Independent Third Parties in the PRC for provision of the same or similar type of materials under normal commercial terms in the ordinary course of business of such Independent Third Parties.

In assessing the terms of the Proposed Provision of Materials Supply Agreement, we have randomly selected and obtained three contracts entered into between the Group and Shandong Energy and three contracts entered into between the Group and independent suppliers for each of FY2023 and FY2024. We noted that the price offered by Shandong Energy to the Group is no less favourable than the price offered by independent suppliers for similar materials. As such, we consider that the pricing policy of the Existing Provision of Materials Supply Agreement has been adherence in accordance with the Group's internal control procedures, and the terms of the Proposed Provision of Materials Supply Agreement are fair and reasonable.

(iii) Proposed annual caps

Set out below are the historical annual caps and actual transaction amounts under the Existing Provision of Materials Supply Agreement for the years indicated:

	FY2023	FY2024
	RMB'000	*RMB'000*
Actual transaction amount	4,210,581	3,192,930
Historical annual cap	5,370,000	5,370,000
Utilisation rate	78.4%	59.5%

The decrease in the utilisation rate for FY2024 was mainly due to that certain procurement plans were not implemented in 2024 as a result of the increase in purchase amount from independent suppliers and the decrease in purchase amount of methanol due to the maintenance of the Group's acetic acid production system in 2024. Such acetic acid production system has resumed operation in 2025.

Set out below are the proposed annual caps under the Proposed Provision of Materials Supply Agreement for the three years ending 31 December 2027 ("**FY2025**", "**FY2026**" and "**FY2027**", respectively):

	FY2025	FY2026	FY2027
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual cap	5,840,000	5,480,000	5,670,000

In assessing the reasonableness of the proposed annual caps under the Proposed Provision of Materials Supply Agreement, we have obtained and reviewed the Group's calculation of the proposed annual caps and noted that the increase in the expected transaction amounts as compared to the actual transaction amount of RMB3,193 million for FY2024 is mainly due to the following factors:

(a) the increase in the purchase of coal by Shandong Zhongyin International Trade Co., Ltd. ("**Shandong Zhongyin**") of approximately RMB332 million, RMB305 million and RMB305 million for the three years ending 31 December 2027, respectively. We have reviewed Shandong Zhongyin's procurement plan and noted the expected increase in the transaction amounts is mainly due to the expected increase in the purchase of Australian coal of 200,000 tons at a purchase price of RMB850 per ton and the increase in the purchase of clean slack coal of 300,000 tons at a purchase price of RMB600 per ton as result of the proposed expansion of Shandong Zhongyin's product mix. The purchase prices of Australian coal and clean slack coal are determined with reference to the latest market prices of Australian HVO coal, Australian thermal coal and clean slack coal in the Shaanxi region of approximately RMB950 per ton, RMB700 per ton and RMB550 to RMB630 per ton, respectively;

(b) the increase in the purchase of methanol by Yankuang Lunan Chemicals Co., Ltd. ("**Lunan Chemicals**") of approximately RMB616 million, RMB626 million and RMB636 million for the three years ending 31

December 2027, respectively, as a result of the expected increase in the production volume of chemical products of Lunan Chemicals. We have reviewed Lunan Chemicals' procurement plan and noted that Lunan Chemicals is expected to purchase methanol of 504,000 tons per year at a purchase price of RMB2,600 per ton, representing an annual purchase amount of approximately RMB1,310 million as compared to the historical purchase amount of approximately RMB671 million for FY2024. The purchase price of the methanol is determined with reference to the latest market price of RMB2,580 per ton;

(c) the increase in the purchase of clean coal and pure benzene by Yankuang Coal Chemical Supply and Marketing Co., Ltd. ("**Supply and Marketing Company**") of approximately RMB218 million, RMB339 million and RMB339 million for the three years ending 31 December 2027, respectively, which is mainly due to the implementation of cost efficiency measures since 2025 and the expected increase in the production volume of chemical products of Lunan Chemicals. We have reviewed Supply and Marketing Company' procurement plan and noted that it is expected to purchase (1) clean coal of 200,000 tons, 300,000 tons and 300,000 tons for the three years ending 31 December 2027 at a purchase price of RMB1,000 per ton, representing purchase amounts of RMB200 million, RMB300 million and RMB300 million for the three years ending 31 December 2027 as compared to the historical purchase amount of approximately RMB73 million for FY2024; and (2) pure benzene of 60,000 tons at a purchase price of RMB8,300 per ton for each of the three years ending 31 December 2027, representing an annual purchase amount of approximately RMB498 million as compared to the historical purchase amount of approximately RMB407 million for FY2024. The purchase prices of clean coal and pure benzene are determined with reference to the average purchase prices of approximately RMB960 per ton and RMB8,074 per ton, respectively, for FY2024;

(d) the increase in the purchase of materials and equipment by Shandong Energy Group Luxi Mining Company Limited ("**Luxi Mining**") of approximately RMB268 million, RMB288 million and RMB289 million the three years ending 31 December 2027, respectively, due to the delay in the implementation of its procurement plan in 2024, during which the purchase amount was approximately RMB604 million; and

(e) the inclusion of the provision of materials by Shandong Energy Members to Xibei Mining of approximately RMB469 million for the three months ending 30 September 2025, which would amount to RMB1,876 million if annualised. We have reviewed the historical transaction amounts in relation to the purchase of materials from Shandong Energy Members, and noted that the estimated purchase amounts represent a slight decrease as compared to the average historical purchase amount for FY2022, FY2023 and the eleven months ended 30 November 2024 of approximately RMB2,164 million.

Taking into account that (a) the purchase prices of Australian coal, clean slack coal, methanol, clean coal and pure benzene are estimated based on the historical purchase prices or the latest market prices and are therefore reasonable; (b) the purchase amount are reasonably determined with reference the respective procurement plans; and (c) Shandong Energy has completed the business transformation of its subsidiaries and will continue to supply equipment to Luxi Mining, we are of the view that the proposed annual caps under the Proposed Provision of Materials Supply Agreement are fair and reasonable.

3. *Proposed Mutual Provision of Labour and Services Agreement*

(i) Reasons for and benefits of the entering into the Proposed Mutual Provision of Labour and Services Agreement

Taking into account the continuous provision of certain services, including construction services, asset leasing, maintenance services, information technology and ERP system services, by the Shandong Energy Members to Xibei Mining and its subsidiaries and the continuous provision of maintenance services, by Xibei Mining to the Shandong Energy Members after the completion of the Acquisitions and the Capital Increase, the Board proposed to enter into the Proposed Mutual Provision of Labour and Services Agreement to renew and supersede the Existing Mutual Provision of Labor and Services Agreement. The Proposed Mutual Provision of Labour and Services Agreement expands the scope of transactions, effectively covering the continuous transactions between the Shandong Energy Members and the Xibei Mining Group after the completion of the Acquisitions and the Capital Increase, which is conducive to ensuring the stability of Xibei Mining' operations, and is in line with the Company's production and operation and further business integration needs.

As regards the provision of labour and services by the Shandong Energy Members to the Company, relying on its huge asset volume and internal demand, the Shandong Energy Members has established a strong capacity in providing services such as repair and maintenance services, construction engineering and management services, canteen operations services and security services in Shandong Province, Shaanxi Province and Inner Mongolia Autonomous Region and is an important service provider in the relevant regional market. The Group can obtain timely and stable supply from the Shandong Energy Members, thereby reducing the operating risks, which is favourable to the normal production and operation of the Group. The qualifications and quality of labour and services provided by the Shandong Energy Members have been approved and certified by governmental departments or industries, which can ensure that reliable and quality-assured labour and services are available to the Group.

Based on the above, we consider that the entering into the Proposed Mutual Provision of Labour and Services Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms of the Proposed Mutual Provision of Labour and Services Agreement

Details of the terms of the Proposed Mutual Provision of Labour and Services Agreement are set out in the Letter from the Board, which are summarized as follows:

Date

8 April 2025

Parties

(1) the Company; and
(2) Shandong Energy

Term

Three years commencing from 1 January 2025 and expiring on 31 December 2027

Major terms

Provision of labour and services by the Shandong Energy Members to the Group:

Pursuant to the Proposed Mutual Provision of Labour and Services Agreement, the Shandong Energy Members have agreed to provide the Group with labour and services including repair services (building and equipment repair), construction engineering and management services, individual employee benefits (including but not limited to health check-ups, rehabilitation and therapy, social, arts, sports and entertainment services, financial difficulties subsidies, and other welfare expenses as stipulated by the PRC government), asset leasing and services, guarantee services, training services, security services (including security guard services and coal train convoy services), labour export, backup services (including canteen operation, property cleaning and catering and accommodation, etc.), informationization and technology services, mine rescue services, maintenance services of the ERP and relevant systems, and medical services (including wellhead emergency services, staff medical checkups, occupational health record management, epidemic prevention and control, prevention and control of infectious diseases, management of sick and injury leave for staff, public health services, emergency maintenance for major public health incidents, etc.), and transportation services.

Provision of labour and services by the Group to the Shandong Energy Members:

Pursuant to the Proposed Mutual Provision of Labour and Services Agreement, the Group has agreed to provide the Shandong Energy Members with labour and services including transportation services, engineering construction and management services, maintenance services, training services, labour export, informationization and technology services, mine rescue services, chemical product sales agency services and port services.

On or before 30 November each year, the requesting party may provide to the supplying party an annual assessment of the labour or services that it may require in the coming year and the parties shall agree on an annual plan for the coming year before 31 December each year. The parties may enter into specific contracts in accordance with the terms of the Proposed Mutual Provision of Labour and Services Agreement.

Payment

(1) The payment of consideration of the Proposed Mutual Provision of Labour and Services Agreement can be settled on a one-off basis or by instalment in accordance with paragraph (2) below.

(2) Each party shall record all items payable to or from the other party in a calendar month in relation to the transactions under the Proposed Mutual Provision of Labour and Services Agreement in its accounts on or before the last Working Day of that calendar month. Save for the payments made for non-completed transactions or disputed payments, all payments incurred in a calendar month shall be settled in full by the responsible party within the next calendar month.

Pricing

Provision of maintenance services (building and equipment repair services), construction engineering and management services, asset leasing and services, guarantee services, training services, transportation services, security guard services in security services, backup services, informationization and technology services by the Shandong Energy Members to the Group:	The consideration shall be determined according to the Market Price.

Provision of transportation services, engineering construction and management services, port services, maintenance services, training services, informationization and technology services by the Group to the Shandong Energy Members:	The consideration shall be determined according to the Market Price.
Provision of individual employee benefits services, labour export and mine rescue services by the Shandong Energy Members to the Group:	The consideration shall be determined according to the Cost Price.
The Shandong Energy Members provide the Group with coal train convoy services under security guard services:	Coal train convoy services under security guard services are the cost of salary, material and equipment consumption and depreciation incurred by the Shandong Energy Members plus reasonable profit. Reasonable profit is normally 5% of the cost price, which is determined through commercial negotiation between the parties with reference to the general profit margin of the service industry.
Provision of maintenance services of the ERP and relevant systems by the Shandong Energy Members to the Group:	The consideration shall be determined based on the general pricing rules of the ERP and relevant systems maintenance market, using the per person per day rate as the pricing basis.
Provision of medical services by the Shandong Energy Members to the Group:	The fees for medical check-ups shall be formulated with strict reference to the fee standards of the Shandong Provincial Price Bureau and the medical fee directory of the Healthcare Security Administration of Shandong Province, and the fees for other medical services shall be measured with reference to the actual workload, the number of staff members engaged in the services, and their wages and the costs of consumables incurred in the three years from 2022 to 2024.
Provision of labour export by the Group to the Shandong Energy Members:	The consideration shall be determined based on the Cost Price.

Provision of sales agency service of chemical products, mine rescue services provided by the Group to the Shandong Energy Members	The consideration shall be determined based on the costplus method. Reasonable profit is normally 5% of the cost price, which is determined through commercial negotiation between the parties with reference to the general profit margin of the service industry.

In assessing the terms of the Proposed Mutual Provision of Labour and Services Agreement, we have randomly selected and obtained three contracts entered into between the Group and Shandong Energy and two contracts entered into between the Group and independent suppliers for each of FY2023 and FY2024. We noted that the price offered by Shandong Energy to the Group is no less favourable than the price offered by independent suppliers or the market price collected by the Group for similar services. As such, we consider that the pricing policy of the Existing Mutual Provision of Labor and Services Agreement has been adherence in accordance with the Group's internal control procedures, and the terms of the Proposed Mutual Provision of Labour and Services Agreement are fair and reasonable.

(iii) Proposed annual caps

Set out below are the historical annual caps and actual transaction amounts under the Existing Mutual Provision of Labor and Services Agreement for the years indicated:

	FY2023	**FY2024**
	RMB'000	*RMB'000*
Labor and services provided by Shandong Energy		
Actual transaction amount	2,910,415	3,868,450
Historical annual cap	4,830,000	5,662,000
Utilisation rate	60.3%	68.3%

The increase in the transaction amount for FY2024 was mainly due to the increased demand for construction engineering and management services which was in line with the increase in the Group's production capacity.

Set out below are the proposed annual caps under the Proposed Mutual Provision of Labour and Services Agreement for the years indicated:

	FY2025	**FY2026**	**FY2027**
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual cap	7,571,000	7,203,000	7,016,000

In assessing the reasonableness of the proposed annual caps under the Proposed Mutual Provision of Labour and Services Agreement, we have obtained and reviewed the Group's calculation of the proposed annual caps and noted that the increase in the expected transaction amounts as compared to the actual transaction amount of RMB3,868 million for FY2024 is mainly due to the following factors:

(a) the inclusion of the provision of labor and services by Shandong Energy to Xibei Mining of approximately RMB1,597 million, RMB1,460 million and RMB1,560 million for the three years ending 31 December 2027, respectively. We noted that the average historical purchase amount for FY2022, FY2023 and the eleven months ended 30 November 2024 was approximately RMB1,412 million, and the expected increase in the purchase amounts is mainly due to the expected increase in the procurement of construction engineering and management services in line with the increase in the number of planned construction projects. In this regard, we have obtained the relevant construction plans prepared by the subsidiaries of Xibei Mining. We noted that the estimated purchase amount of construction engineering and management services for each proposed construction project is generally in line with the historical purchase amount for construction projects with comparable size; and

(b) the increase in the procurement of construction engineering and management services for new construction projects by the Group of approximately RMB969 million, RMB642 million and RMB444 million for the three years ending 31 December 2027, respectively. In this regard, we have reviewed the list of the Group's ongoing and planned construction projects and obtained (i) two construction contracts entered into between the Group and Shandong Energy for an olefin project in 2024 with a contract sum of approximately RMB266 million; (ii) a feasibility report related to a technical transformation project for the coal preparation plant. We were also advised that the Company has approved a subsidiary to invest RMB221 million in 2025 to upgrade the technology and equipment of the coal preparation plant; (iii) the budget estimate provided by Shandong Energy to the Group for two village relocation and construction projects to be carried out in 2025, involving a contract sum of RMB307 million; and (iv) the construction plan for a syngas project expected to be constructed between 2025 and 2028. Based on our review of the above documents and the Company's continued growth in production capacity, we consider the Group's expected purchase amounts to be fair and reasonable.

Taking into account the above factors, we are of the view that the proposed annual caps under the Proposed Mutual Provision of Labour and Services Agreement are fair and reasonable.

4. Proposed Provision of Products, Materials and Asset Leasing Agreement

(i) Reasons for and benefits of the entering into the Proposed Provision of Products, Materials and Asset Leasing Agreement

Having considered the continuous sale of coal and materials and provision of asset leasing by Xibei Mining to Shandong Energy and the provision of materials by the Company to Xibei Mining after the completion of the Acquisitions and the Capital Increase, the Board proposes to enter into the Proposed Provision of Products, Materials and Asset Leasing Agreement to renew and supersede the Existing Provision of Products, Materials and Asset Leasing Agreement.

As Shandong Energy is in close proximity to the Company and the Company can obtain Shandong Energy's demand plan more easily and the provision of products and materials by the Group to the Shandong Energy Members at market price can enable the Group to achieve a stable sales market and reduce management and operational costs of the Group. Meanwhile, the Group's materials supply centre has the qualification for materials and equipment distribution. Hence, it is able to purchase materials and equipment at a lower wholesale price, and subsequently resell to the Shandong Energy Members at the market price, thereby increases the Company's operating profit. Furthermore, the Group's equipment management centre can provide equipment leasing to the Shandong Energy Members under normal commercial terms based on its operation needs and thus could effectively control the risks of leasing business and achieve economic benefits.

Based on the above, we consider that the entering into the Proposed Provision of Products, Materials and Asset Leasing Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms of the Proposed Provision of Products, Materials and Asset Leasing Agreement

Details of the terms of the Proposed Provision of Products, Materials and Asset Leasing Agreement are set out in the Letter from the Board, which are summarized as follows:

Date

8 April 2025

Parties

(1) the Company; and
(2) Shandong Energy

Term

Three years commencing from 1 January 2025 and expiring on 31 December 2027

Major terms

Pursuant to the Proposed Provision of Products, Materials and Asset Leasing Agreement, the Group would provide the followings to the Shandong Energy Members: coal products, electricity, chemical products (methanol, glycol, acetic acid, ammonia, ammonium sulfate and other chemical products), materials (including but not limited to steel, non-ferrous metal, timber, grease and oil products, axles, mining equipment and machineries such as hydraulic support and rubber conveyors, and other similar materials) and asset leasing (equipment, property leasing).

On or before 30 November each year, the requesting party may provide to the supplying party an annual assessment of the supplies or services that it requires from the other in the coming year and the parties shall agree on the annual plan for the coming year before 31 December each year. The parties may enter into specific contracts in accordance with the terms of the Proposed Provision of Products, Materials and Asset Leasing Agreement.

Payment

(1) The payment of consideration of the Proposed Provision of Products, Materials and Asset Leasing Agreement can be settled on a one-off basis or by instalment in accordance paragraph (2) below.

(2) Each party shall record all items payable to or from the other party in a calendar month in relation to the transactions under the Proposed Provision of Products, Materials and Asset Leasing Agreement in its accounts on or before the last Working Day of that calendar month. Save for the payments made for non-completed transactions or disputed payments, all payments incurred in a calendar month shall be settled in full by the responsible party within the next calendar month.

Pricing

The price of coal products, chemical products, materials and asset leasing shall be determined according to the Market Price. The market price shall be determined according to normal commercial terms based on the following:

(1) the price offered by Independent Third Parties for provision of the same or similar type of products or services in the same or similar area or in the vicinity under normal commercial terms in the ordinary course of business of such Independent Third Parties; or

(2) or if the foregoing (1) is not applicable, the price offered by Independent Third Parties in the PRC for provision of the same or similar type of products or services under normal commercial terms in the ordinary course of business of such Independent Third Parties.

In assessing the terms of the Proposed Provision of Products, Materials and Asset Leasing Agreement, we have randomly selected and obtained three contracts entered into between the Group and Shandong Energy and three contracts entered into between the Group and independent customers for each of FY2023 and FY2024. We noted that the price offered by the Group to Shandong Energy is no less favourable than the price offered to independent customers for similar products. As such, we consider that the pricing policy of the Existing Provision of Products, Materials and Asset Leasing Agreement has been adherence in accordance with the Group's internal control procedures, and the terms of the Proposed Provision of Products, Materials and Asset Leasing Agreement are fair and reasonable.

(iii) Proposed annual caps

Set out below are the historical annual caps and actual transaction amounts under the Proposed Provision of Products, Materials and Asset Leasing Agreement for the years indicated:

	FY2023	**FY2024**
	RMB'000	*RMB'000*
Actual transaction amount	9,086,890	8,696,270
Historical annual cap	14,196,000	14,532,000
Utilisation rate	64.0%	59.8%

The decrease in the utilisation rate in 2024 was mainly due to the decrease in sales amount of coal as a result of the decrease in the coal sales price.

Set out below are the proposed annual caps under the Provision of Products, Materials and Asset Leasing Agreement for the years indicated:

	FY2025	**FY2026**	**FY2027**
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual cap	15,261,000	16,872,000	17,340,000

In assessing the reasonableness of the proposed annual caps under the Proposed Provision of Products, Materials and Asset Leasing Agreement, we have obtained and reviewed the Group's calculation of the proposed annual caps and noted that the increase in the expected transaction amounts as compared to the actual transaction amount of RMB8,696 million for FY2024 is mainly due to the following factors:

(a) the inclusion of the provision of materials by the Company to Xibei Mining (as an associate of Shandong Energy) of approximately RMB623 million, RMB2,075 million and RMB1,945 million for the three months ending 31 December 2025 and the two years ending 31 December 2027, respectively. As advised by the management of the Company, upon completion of the Acquisitions and the Capital Increase, in order to facilitate unified purchasing, the relevant subsidiaries of the Company will purchase materials from external suppliers and then sell materials to Xibei Mining. We have reviewed the historical transaction amounts in relation to the purchase of materials from Shandong Energy Members, and noted that the estimated purchase amounts represent a slight decrease as compared to the average historical purchase amount for FY2022, FY2023 and the eleven months ended 30 November 2024 of approximately RMB2,164 million;

(b) the increase in the sales of coal by Yankuang Energy (Ordos) Company Limited ("**Yankuang Ordos**") of approximately RMB633 million, RMB669 million and RMB706 million for the three years ending 31 December 2027, respectively. To achieve the synergy of Shandong Energy Group's coal electricity industry chain and coal chemical industry chain, Shandong Energy expects to purchase approximately 3,772,300 tons, 3,808,800 tons and 3,842,200 tons of coal from Yankuang Ordos for power generation and chemical production for the three years ending 31 December 2027, respectively, as compared to a purchase volume of approximately 2,601,700 tons for FY2024. The purchase prices of RMB476 per ton, RMB482 per ton and RMB487 per ton for the three years ending 31 December 2027 are estimated based on the historical purchase price of RMB447 per ton for FY2024; and

(c) the increase in the sales of materials and coal by Luxi Mining of approximately RMB3,016 million, RMB2,706 million and RMB2,719 million for the three years ending 31 December 2027, respectively. Shandong Energy expects to purchase approximately 2,810,000 tons of coal from Luxi Mining for each of the three years ending 31 December 2027. The purchase price is estimated based on the average purchase price for FY2024.

Taking into account the above factors, we are of the view that the proposed annual caps under the Proposed Provision of Products, Materials and Asset Leasing Agreement are fair and reasonable.

5. *Proposed Bulk Commodities Sale and Purchase Agreement*

(i) Reasons for and benefits of the entering into the Proposed Bulk Commodities Sale and Purchase Agreement

The entering into of the Proposed Bulk Commodities Sale and Purchase Agreement will help to alleviate the impact of cycle fluctuations on the business performance of the Group, enlarge the overall operating scale and improve the profitability of the Group. Furthermore, the Proposed Bulk Commodities Sale and Purchase Agreement will enable the Company and the Shandong Energy Members to share the suppliers and customers in their respective resourcing and distribution channels which cover different areas, and thus bringing the advantages of both the Group and the Shandong Energy Members in their resourcing and distribution channels into full play, thereby creating a synergistic effect that could expand the trading size, improve the sales volume and improve the revenue of both parties.

In addition, as the Company has a better understanding in the operation and reputation of the Shandong Energy Members, the Company believes that the risk of trading with the Shandong Energy Members is lower than trading with third parties. By purchasing bulk commodities from the Shandong Energy Members, the Group could secure a long-term and stable source of supply. By selling bulk commodities to the Shandong Energy Members, the Company could ensure the safety of the transactions, including payment recoveries. Collectively, this could reduce the operational risks of the entire trading business of the Group.

Under the Proposed Bulk Commodities Sale and Purchase Agreement, the coal, iron ores, rubber and other types of bulk commodities purchased by the Group from the Shandong Energy Members are of different sources, batches, types or models from the coal, iron ores, rubber and other types of bulk commodities sold by the Group to the Shandong Energy Members. No cross selling will be made under the Proposed Bulk Commodities Sale and Purchase Agreement.

Based on the above, we consider that the entering into the Proposed Bulk Commodities Sale and Purchase Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms of the Proposed Bulk Commodities Sale and Purchase Agreement

Details of the terms of the Proposed Bulk Commodities Sale and Purchase Agreement are set out in the Letter from the Board, which are summarized as follows:

Date

8 April 2025

Parties

(1) the Company; and
(2) Shandong Energy

Term

Three years commencing from 1 January 2025 and expiring on 31 December 2027

Major terms

Under the Proposed Bulk Commodities Sale and Purchase Agreement, the Group and the Shandong Energy Members may, from time to time, sell or purchase coal, iron ores, rubber and other bulk commodities from each other.

On or before 30 November each year, the requesting party may provide to the supplying party an annual assessment of the supplies that it requires from the other in the coming year and the parties shall agree on the annual plan for the coming year before 31 December each year. The parties may enter into specific contracts in accordance with the terms of the Proposed Bulk Commodities Sale and Purchase Agreement.

Payment

(1) The payment of consideration of the Proposed Bulk Commodities Sale and Purchase Agreement can be settled on a one-off basis or by installment in accordance with paragraph (2) below.

(2) Each party shall record all items payable to or from the other party in a calendar month in relation to the transactions under the Proposed Bulk Commodities Sale and Purchase Agreement in its accounts on or before the last Business Day of that calendar month. Save for the payments made for non-completed transactions or disputed payments, all payments incurred in a calendar month shall be settled in full by the responsible party within the next calendar month.

Pricing

The price of coal, iron ores, rubber and other bulk commodities shall be determined according to the Market Price. The market price shall be determined according to normal commercial terms based on the following:

(1) the price offered by Independent Third Parties for provision of the same or similar type of bulk commodities in the same or similar area or in the vicinity under normal commercial terms in the ordinary course of business of such Independent Third Parties;

(2) or if the foregoing is not applicable, the price offered by Independent Third Parties in the PRC for provision of the same or similar type of bulk commodities under normal commercial terms in the ordinary course of business of such Independent Third Parties; and

(3) if any national pricing policy becomes effective and applicable to any bulk commodities under the purchase and sale agreement at any time, the parties agree that the agreed purchase and sale price of such bulk commodities is subject to such national pricing policy.

In assessing the terms of the Proposed Bulk Commodities Sale and Purchase Agreement, (a) we have randomly selected and obtained three contracts entered into between the Group and Shandong Energy and three contracts entered into between the Group and independent customers for each of FY2023 and FY2024, and we noted that the price offered by the Group to Shandong Energy is no less favourable than the price offered to independent customers for similar products; and (b) we have randomly selected and obtained three contracts entered into between the Group and Shandong Energy and three contracts entered into between the Group and independent suppliers for each of FY2023 and FY2024, and we noted that the price offered by Shandong Energy is no less favourable than the price offered by independent suppliers for similar products. As such, we consider that the pricing policy of the Existing Bulk Commodities Sale and Purchase Agreement has been adherence in accordance with the Group's internal control procedures, and the terms of the Proposed Bulk Commodities Sale and Purchase Agreement are fair and reasonable.

(iii) Proposed annual caps

Set out below are the historical annual caps and actual transaction amounts under the Existing Bulk Commodities Sale and Purchase Agreement for the years indicated:

	FY2023	**FY2024**
	RMB'000	*RMB'000*
Procurement of bulk commodities from Shandong Energy		
Actual transaction amount	214,213	2,651,780
Historical annual cap	2,000,000	4,439,000
Utilisation rate	10.7%	59.7%
Sale of bulk commodities to Shandong Energy		
Actual transaction amount	2,404,131	3,653,970
Historical annual cap	6,000,000	8,000,000
Utilisation rate	40.1%	45.7%

The low utilisation rate in 2023 and 2024 was mainly due to that (a) the Company has reduced its trading business in 2023 as a result of the increase in trade risk caused by the sharp fluctuations in commodity prices; and (b) the decrease in commodity prices in 2023 and 2024.

Set out below are the proposed annual caps under the Bulk Commodities Sale and Purchase Agreement for the years indicated:

	FY2025	**FY2026**	**FY2027**
	RMB'000	*RMB'000*	*RMB'000*
Procurement of bulk commodities from Shandong Energy	11,683,000	19,209,000	20,520,000
Sale of bulk commodities to Shandong Energy	8,223,000	6,217,000	6,236,000

In assessing the reasonableness of the proposed annual caps for procurement of bulk commodities from Shandong Energy, we have obtained and reviewed the Group's calculation of the proposed annual caps and noted that the increase in the expected transaction amounts as compared to the actual transaction amount of RMB2,652 million for FY2024 is mainly due to the following factors:

(a) the increase in procurement of bulk commodities by Luxi Mining of approximately RMB1,140 million, RMB798 million and RMB798 million for the three years ending 31 December 2027, respectively. Luxi Mining typically sells coal through its distribution branch, which purchases coal from each of Luxi Mining's subsidiaries. As Shandong Energy also holds more than 10% equity interest in certain subsidiaries of Luxi Mining, the internal transactions between Luxi Mining's distribution branch and such subsidiaries also constitute connected transactions between Luxi Mining and Shandong Energy. Given that the estimated transaction amounts are solely determined based on Luxi Mining's internal allocation, we consider the estimated transaction amounts to be fair and reasonable;

(b) the increase in procurement of bulk commodities by Wubo Technology Co., Ltd ("**Wubo Technology**") of approximately RMB5,000 million, RMB5,750 million and RMB6,612 million for the three years ending 31 December 2027, respectively. As disclosed in the announcement of the Company dated 31 May 2024, the Company acquired 45% equity interest in Wubo Technology. Relying on the Group's and Shandong Energy's bulk commodity resources, Wubo Technology plans to expand its logistics supply chain business to sell fuels and raw materials to power plants, coking plants and steel mills to broaden its revenue sources and it will start to purchase coal and iron ore from Shandong Energy in 2025; and

(c) the inclusion of the provision of coal by Xibei Mining (as an associate of Shandong Energy) to the Company of approximately RMB1,973 million, RMB9,180 million and RMB9,620 million for the three months ending 31 December 2025 and the two years ending 31 December 2027, respectively. As advised by the management of the Company, upon completion of the Acquisitions and the Capital Increase, in order to facilitate unified sales, Xibei Mining will sell coal to the trading subsidiaries of the Company which then sell to the Group's customers. We have reviewed the historical transaction amounts in relation to sales of coal by Xibei Mining to Shandong Energy Members, and noted that the average historical transaction amount for FY2022, FY2023 and the eleven months ended 30 November 2024 was approximately RMB7,545 million. The expected increase in the transaction amounts for FY2026 and FY2027 is mainly due to the expected increase in coal sales of the Company C. In this regard, we have reviewed the profit forecast of the Company C and noted that the coal mine of Company C, namely Wuju Coal Mine, started production in 2024 and will be in a production transition period from December 2024 to December 2025. According to the Company C's business plan, Wuju Coal Mine will be operating at its full capacity in 2026. As such, we consider the estimated transaction amounts to be fair and reasonable;

In assessing the reasonableness of the proposed annual caps for sales of bulk commodities to Shandong Energy, we have obtained and reviewed the Group's calculation of the proposed annual caps and noted that the increase in the expected transaction amounts as compared to the actual transaction amount of RMB3,654 million for FY2024 is mainly due to the following factors:

(a) the increase in sales of bulk commodities by Yancoal Australia Limited of approximately RMB1,311 million for each of the three years ending 31 December 2027. The expected transaction amount is RMB4,313 million (equivalent to US$600 million) for each of the three years ending 31 December 2027 as compared to the historical transaction amount of RMB3,002 million for FY2024. As disclosed in the announcement of Yancoal Australia Limited dated 18 October 2023, the annual caps for the sales of coal to Yancoal International Trading Co., Ltd., a wholly-owned subsidiary of Shandong Energy, and its associates of US$600 million for FY2025 and US$466.6 million for the ten months ended 30 October 2026 (equivalent to US$600 million on an annualised basis) were approved by the independent shareholders of Yancoal Australia Limited. Given that the estimated transaction amounts are consistent with the approved annual caps of Yancoal Australia Limited, we consider the estimated transaction amounts to be fair and reasonable; and

(b) the inclusion of the provision of coal by Xibei Mining to Shandong Energy Members of approximately RMB2,023 million for the three months ending 30 September 2025, which would amount to approximately RMB8,090 million if annualised. We have reviewed the historical transaction amounts in relation to sales of coal by Xibei Mining to Shandong Energy Members, and noted that the average historical transaction amount for FY2022, FY2023 and the eleven months ended 30 November 2024 was approximately RMB7,545 million. The expected transaction amount is generally in line with the average historical transaction amount.

Taking into account the above factors, we are of the view that the proposed annual caps under the Proposed Bulk Commodities Sale and Purchase Agreement are fair and reasonable.

6. Proposed Shandong Energy Financial Services Agreement

(i) Reasons for and benefits of the entering into the Proposed Shandong Energy Financial Services Agreement

The principal businesses of Shandong Energy Finance Company include provision of guarantee between members; provision of entrusted loans between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement and clearing planning to members; accepting deposits from members; provision of loans and finance leasing to members. Shandong Energy Finance Company is a non-banking financial institution legally established with the approval of the CBIRC.

Through the provision of financial services to the Shandong Energy Members, Shandong Energy Finance Company can expand its source of capital through absorbing capitals from the Shandong Energy Members, enlarge its business scope, and improve its profitability through providing loan and settlement services to the Shandong Energy Members by means of charging loan interests and other service fees. At the same time, the Company can integrate financial resources and replace external high-interest loans through the platform of Shandong Energy Finance Company, thereby lowering its financing costs and improving its competitive edge. As such, we consider that the entering into the Proposed Shandong Energy Financial Services Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms of the Proposed Shandong Energy Financial Services Agreement

Details of the terms of the Proposed Shandong Energy Financial Services Agreement are set out in the Letter from the Board, which are summarized as follows:

Date

8 April 2025

Parties

(1) Shandong Energy Finance Company; and
(2) Shandong Energy

Major terms and Pricing Policy of comprehensive credit facility services

Shandong Energy Finance Company shall provide comprehensive credit facilities (including but not limited to loans, bill acceptance and discounting, non-financing guarantees, etc.) to the Shandong Energy Members with a maximum daily balance (including accrued interests) of not exceeding RMB32 billion for each of the three years from 2025 to 2027 respectively during the term of the Proposed Shandong Energy Financial Services Agreement.

The interest rate for the loan to be provided by Shandong Energy Finance Company to the Shandong Energy Members shall comply with relevant regulations of the PBOC and be determined on normal commercial terms with reference to the loan benchmark interest rate promulgated by the PBOC periodically (if any), and the interest rate offered by General Commercial Banks for the provision of same type of loan services.

In assessing the terms of the Proposed Shandong Energy Financial Services Agreement, we have randomly selected and obtained three loan agreements entered into between Shandong Energy Finance Company and Shandong Energy for each of FY2023 and FY2024. We noted that the interest rate for the loans offered to Shandong Energy is in line with the interest rate offered by general commercial banks for the provision of same type of loan services. As such, we consider that the pricing policy of the Existing Shandong Energy Financial Services Agreement has been adherence in accordance with the Group's internal control procedures, and the terms of the Proposed Shandong Energy Financial Services Agreement are fair and reasonable.

According to the Company's internal control policies, to evaluate the financial position and credit records of Shandong Energy, the business department of Shandong Energy Finance Company will require the subsidiaries of Shandong Energy to provide financial statements on a quarterly basis. In this regard, we have obtained the financial statements of the subsidiaries of Shandong Energy collected by Shandong Energy Finance Company in the fourth quarter of 2024. As such, we are of the view that there are adequate internal control policies and procedures in place to manage credit risk.

(iii) Proposed annual caps

Set out below are the historical annual caps and actual transaction amounts under the Existing Shandong Energy Financial Services Agreement for the years indicated:

	FY2023	**FY2024**
	RMB'000	*RMB'000*
Comprehensive Credit		
Actual transaction amount	15,334,547	16,050,700
Historical annual cap	28,000,000	30,000,000
Utilisation rate	54.8%	53.5%

The low utilisation rates in 2023 and 2024 were mainly due to that the balance available for comprehensive credit facilities was adversely affected by the decrease in deposit received by Shandong Energy Finance Company.

Set out below are the proposed annual caps under the Shandong Energy Financial Services Agreement for the years indicated:

	FY2025	**FY2026**	**FY2027**
	RMB'000	*RMB'000*	*RMB'000*
Comprehensive Credit			
Proposed annual cap	32,000,000	32,000,000	32,000,000

The proposed annual caps for the three years ending 31 December 2027 remain unchanged from the existing annual cap for FY2025 approved by the Independent Shareholder. We have reviewed the interim report of Shandong Energy for the six months ended 30 June 2024, which is the latest financial information available, and noted that Shandong Energy had short-term loans due within one year of approximately RMB73.3 billion as at 30 June 2024. Taking into account that (a) the subsidiaries of Shandong Energy may borrow from Shandong Energy Finance Company to maintain sufficient working capital in a timely manner after external loans mature; (b) Shandong Energy's external short-term loans due within one year as at 30 June 2024 are approximately twice the proposed annual cap for comprehensive credit provided by Shandong Energy Finance Company; (c) Shandong Energy had a cash balance of approximately RMB129.2 billion as at 30 June 2024; and (d) the credit risk is relatively low considering Shandong Energy's cash balance and that the Group has adequate internal control policies and procedures in place to manage the credit risk, we are of the view that the proposed annual caps under the Shandong Energy Financial Services Agreement are fair and reasonable.

7. *Proposed Yankuang Energy Financial Services Agreement*

(i) Reasons for and benefits of the entering into the Proposed Yankuang Energy Financial Services Agreement

The principal businesses of Shandong Energy Finance Company include provision of guarantee between members; provision of entrusted loans between members; provision of bill acceptance and discount services to members; provision of internal fund transfer and settlement services and corresponding settlement and clearing planning to members; accepting deposits from members; provision of loans and finance leasing to members. Shandong Energy Finance Company is a non-banking financial institution legally established with the approval of the CBIRC.

Through the provision of financial services to the Group, Shandong Energy Finance Company can expand its source of capital through absorbing capitals from the Group, enlarge its business scope, and improve its profitability through providing loan and settlement services to the Group by means of charging loan interests and other service fees. At the same time, the Company can integrate financial resources and replace external high-interest loans through the platform of Shandong Energy Finance Company, thereby lowering the Company's financing costs and improving its competitive edge.

As the Company directly holds approximately 53.92% of Shandong Energy Finance Company, the Company will also be able to benefit from the profits of Shandong Energy Finance Company.

Based on the above, we consider that the entering into the Proposed Yankuang Energy Financial Services Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms of the Proposed Yankuang Energy Financial Services Agreement

Details of the terms of the Proposed Yankuang Energy Financial Services Agreement are set out in the Letter from the Board, which are summarized as follows:

Date

8 April 2025

Parties

(1) Shandong Energy Finance Company; and
(2) The Company

Major terms and Pricing Policy of deposit services

Shandong Energy Finance Company shall provide deposit services to the Group in accordance with normal commercial terms with a maximum daily balance (including accrued interests) of not exceeding RMB27 billion during the term of the Proposed Yankuang Energy Financial Services Agreement.

The interest rate for the Group's deposit with Shandong Energy Finance Company shall comply with relevant regulations of the PBOC and be determined on normal commercial terms with reference to the deposits benchmark interest rate promulgated by the PBOC periodically (if any), and the interest rate offered by the General Commercial Banks for the provision of same type of deposit services.

Given that the interest rate for the deposit will be determined in compliance with the requirements of PBOC and based on the deposits benchmark interest rate promulgated by the PBOC or adopted by general commercial banks for the provision of same type of deposit services, we consider that the pricing policy of the Proposed Yankuang Energy Financial Services Agreement has been adherence in accordance with the Group's internal control procedures, and the terms of the Proposed Yankuang Energy Financial Services Agreement are fair and reasonable.

(iii) Proposed annual caps

Set out below are the historical annual caps and actual transaction amounts under the Existing Yankuang Energy Financial Services Agreement for the years indicated:

	FY2023	**FY2024**
	RMB'000	*RMB'000*
Deposit		
Actual transaction amount	7,640,416	5,142,980
Historical annual cap	27,000,000	27,000,000
Utilisation rate	28.3%	19.0%

The low utilisation rates in 2023 and 2024 were mainly due to the decrease in bank balances and cash.

Set out below are the proposed annual caps under the Proposed Yankuang Energy Financial Services Agreement for the years indicated:

	FY2025	**FY2026**	**FY2027**
	RMB'000	*RMB'000*	*RMB'000*
Proposed annual cap	27,000,000	27,000,000	27,000,000

The proposed annual caps for the three years ending 31 December 2027 remain unchanged from the existing annual cap for FY2025 approved by the Independent Shareholder. We have reviewed the 2024 Report and noted the Group had bank balances and cash amounted to approximately RMB30.5 billion as at 31 December 2024. Taking into account that (a) the Group can integrate financial resources by making deposits in Shandong Energy Finance Company; (b) through absorbing capitals from the Group, Shandong Energy Finance Company can expand its source of capital and provide loans to Shandong Energy; (c) the Group's cash balance as at 31 December 2024 exceeds the proposed annual cap; and (d) the credit risk is low as Shandong Energy Finance Company is a 53.92% owned subsidiary of the Company and the Company could closely monitor its financial position, we are of the view that the proposed annual caps under the Proposed Yankuang Energy Financial Services Agreement are fair and reasonable.

8. Proposed Finance Lease and Factoring Agreement

(i) Reasons for and benefits of the entering into the Proposed Finance Lease and Factoring Agreement

By the provision of the finance leasing service to the Shandong Energy Members, the subsidiaries of the Company engaged in financial leasing business engaged in the centralized procurement of equipment and financing to improve the Group's bargaining advantage over equipment procurement and credit financing and to improve the profitability and competitiveness of the Group. Meanwhile, the provision of asset leasing services to Shandong Energy on normal commercial terms will enable the Group to effectively control the risks of its financial leasing business, and the interest payment generated from the finance leasing service (after deducting the financing costs) will enable the Group to obtain a stable cash flow.

As such, we consider that the entering into the Proposed Finance Lease and Factoring Agreement is in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

(ii) Principal terms of the Proposed Finance Lease and Factoring Agreement

Details of the terms of the Proposed Finance Lease and Factoring Agreement are set out in the Letter from the Board, which are summarized as follows:

Date

8 April 2025

Parties

(1) the Company; and
(2) Shandong Energy

Term

Three years commencing from 1 January 2025 and expiring on 31 December 2027

Main Arrangements of the Finance Leasing and Factoring Service

Under the Proposed Finance Leasing and Factoring Agreement, the Company will provide finance leasing services (including direct leasing and sale-leaseback), factoring and related services to the Shandong Energy Members.

The Leased Assets under the Proposed Finance Leasing and Factoring Agreement include machinery and equipment, facilities and other movable and immovable properties.

Under the direct finance leasing service, the Company or its subsidiaries (as lessor) will purchase the Leased Assets based on the demands and requirements of the Shandong Energy Members (as lessee) from Independent Third-party suppliers, and will then lease the Leased Assets to the Shandong Energy Members for their use in return for periodic lease payments. The ownership of the Leased Assets will be solely vested in the Company or its subsidiaries during the lease period. The Shandong Energy Members could choose to purchase the Leased Assets after expiry of the lease or upon the consent of the Company or its subsidiaries prior to the expiry of the lease, subject to compliance with the then relevant requirements of the regulatory rules of the place of listing of the Company.

Under the sale-leaseback service, the Shandong Energy Members (as lessee) will sell the Leased Assets to the Company or its subsidiaries (as lessor) at a negotiated purchase price with reference to the book value, the appraisal value, and/or the original acquisition costs of the Leased Assets, and the Company or its subsidiaries will then lease the Leased Assets back to the Shandong Energy Members for their use in return for periodic lease payments. The ownership of the Leased Assets will be solely vested in the Company or its subsidiaries during the lease period. The Shandong Energy Members could choose to purchase the Leased Assets after expiry of the lease or upon the consent of the Company or its subsidiaries prior to the expiry of the lease, subject to compliance with the then relevant requirements under the Listing Rules.

The Company or its subsidiaries intend to pay the purchase price for the Leased Assets by way of its internal funds and financing funds. The principal amount of each finance leasing service will be equal to the respective purchase price of the Leased Assets. The principal and interest with respect to the provision of finance leasing service will be paid by the Shandong Energy Members according to the equal-principal or average-capital-plus interests standard on a quarterly basis. The Company or its subsidiaries will also charge commission fees or consulting fees with respect to the provision of Finance Leasing Service. Such commission fees or consulting fees will be paid by the Shandong Energy Members to the Company or its subsidiaries in a lump sum upon or prior to the Company or its subsidiaries' payment of the consideration for the transfer of the Leased Assets.

In addition, the Group will provide factoring services for the accounts receivable with recourse to the Shandong Energy Members.

Pricing of Finance Lease Services

The interest rate and relevant fees to be agreed for the finance leasing service shall be fair and reasonable and on normal commercial terms or better. In particular, when determining the effective interest rate, the Company shall make reference to the following non-exhaustive factors:

(1) the lowest interest rate shall be the yield of treasury bonds with the same tenor, and the highest interest rate shall be 150 basis points above the quoted interest rate on the loan market for the same period announced by the National Interbank Funding Center; and

(2) all other relevant fees, including the annual commission fees and consulting fees not higher that 1% of the principal of the relevant finance lease agreement; and

(3) the rentals under the financial leasing services shall be paid by Shandong Energy Members to the Company or its subsidiaries on a quarterly basis through equal principal payment method or equal installment payment method. The handling fee and consultancy fee shall be collected in a single lump-sum payment on or prior the date of lease asset transfer payment. The Company and its subsidiaries will consider the above factors and ensure that the overall terms and conditions for providing the Finance Leasing Service, including the effective interest rates and fees as well as payment conditions and other material terms, are no less favourable to the Company and its subsidiaries than the same offered by the Shandong Energy Members to Independent Third Parties for receiving comparable finance leasing service.

Pricing of Factoring Service

The factoring service provided by the Group to the Shandong Energy Members under the Proposed Finance Lease and Factoring Agreement will be conducted on normal or better commercial terms. The process of determining the pricing of the factoring service is set out as follows:

(1) the Shandong Energy Members will transfer the amount to the Company or its subsidiaries at a price determined through negotiation based on the book value or appraised value of accounts receivable, and the Company or its subsidiaries will provide them with a series of services such as fund financing, purchaser's credit rating, sales account management, credit risk guarantee, and account collection;

(2) during the validity period of the Proposed Finance Lease and Factoring Agreement, the lowest interest rate implemented for the factoring and other services provided by the Company or its subsidiaries to the Shandong Energy Members is the yield of the same term government bonds, and the highest interest rate is 150 basis points higher than the quoted market lending rate published by the National Interbank Funding Center at the same period; and

(3) the commission fees or consulting fees for the factoring and other services provided by the Company or its subsidiaries to the Shandong Energy Members shall be charged at a rate not higher than 1% of the principal of the financing every year. The commission fees or consulting fees shall be charged in one lump sum on or before the date of paying the transfer price of accounts receivable.

In assessing the terms of the Proposed Finance Lease and Factoring Agreement, we have obtained and reviewed the only one contract entered into between the Group and Shandong Energy and the only three contracts entered into between the Group and independent customers for FY2023 and FY2024. We noted the price offered by the Group to Shandong Energy is no less favourable than the price offered to independent customers for similar services. As such, we consider that the pricing policy of the Existing Finance Lease Agreement has been adherence in accordance with the Group's internal control procedures, and the terms of the Proposed Finance Lease and Factoring Agreement are fair and reasonable.

(iii) Proposed annual caps

Set out below are the historical annual caps and actual transaction amounts under the Proposed Finance Lease and Factoring Agreement for the years indicated:

	FY2023	FY2024
	RMB'000	*RMB'000*
Actual transaction amount	–	1,001,890
Historical annual cap	9,360,000	1,085,000
Utilisation rate	–	92.3%

Set out below are the proposed annual caps under the Proposed Finance Lease and Factoring Agreement for the years indicated:

	FY2025	FY2026	FY2027
	RMB'000	*RMB'000*	*RMB'000*
Total financing amount	2,000,000	5,250,000	8,400,000
Interest and expenses	170,000	268,000	428,000
Total	2,170,000	5,518,000	8,828,000

In assessing the reasonableness of the proposed annual caps of the Proposed Financial Leasing and Factoring Agreement, we have obtained and reviewed the Group's calculation of the proposed annual caps and noted that the increase in the expected transaction amounts as compared to the actual transaction amount of RMB1,002 million for FY2024 is mainly due to the expected increase in financing amount provided to Yankuang Xinjiang Energy & Chemical Co., Ltd. ("**Xinjiang Energy**") of approximately RMB1,000 million, RMB2,500 million and RMB2,500 million for the three years ended 31 December 2027, respectively. Xinjiang Energy holds the exploration rights for No. 4 Open Pit Field in Wucaiwan Mining Area. As disclosed in the 2024 Interim Report, the Company plans to complete the construction of No. 4 Open Pit Field in Wucaiwan Mining Area by 2025. In addition, Xinjiang Energy expects to commence construction of the 800,000 Tonnes/Year Coal to Olefin Project in December 2025. In this regard, we have obtained and reviewed the Company's business plans for No. 4 Open Pit Field in Wucaiwan Mining Area and the 800,000 Tonnes/Year Coal to Olefin Project, and we concur with the Company that Xinjiang Energy will have significant capital need for purchases of equipment and replenish working capital. In addition, Luxi Mining, a connected subsidiary of the Company, intends to carry out equipment renewal in the future and has corresponding financing needs. Yankuang Financial Leasing Company Limited has achieved cooperation with it and expects to provide it with financing amounting to RMB500 million for each of the years from 2025 to 2027 so as to support its equipment renewal plan.

Taking into account the above factors, we are of the view that the proposed annual caps under the Proposed Financial Leasing and Factoring Agreement are fair and reasonable.

9. Internal control measures

As stated in the Letter from the Board, the Group has implemented the following internal control measures:

(i) the Group's sales or procurement departments shall ensure that the terms of all sales and procurement orders comply with the relevant framework agreements, and the relevant departments and personnel shall be satisfied that: (a) all sales or procurement orders have been properly reviewed and approved; (b) all sales or procurement orders have adopted market prices; and (c) each relevant transaction is conducted on normal commercial terms;

(ii) prior to the entering into specific implementation agreements, the subsidiaries of the Company are required to fulfill the pre-application procedures in accordance with the Company's internal management system to have the necessity, reasonableness, fairness, and compliance of the transactions reviewed by the departments responsible for listing compliance, financial management, audit, and risk;

(iii) The financial management department of the Company will compile the amounts of continuing connected transactions on a quarterly basis to identify any transactions that may have the risk of exceeding the annual caps; and

(iv) The auditors and independent non-executive directors of the Company will conduct an annual review of the continuing connected transactions and confirm in the Company's annual report that the transactions have been conducted in accordance with the terms and conditions of the relevant framework agreements and pricing policies, are on normal commercial terms or terms no less favorable than those available from independent third parties, and are in the interests of the Company and its shareholders as a whole.

In assessing the Group's internal control measures, (i) we reviewed the Group's quarterly reports in relation to the ongoing continuing connected transactions and noted that the Group has closely monitored the actual transaction amounts to ensure not exceeding the proposed annual caps; and (ii) as discussed above, we obtained sample sales or purchase contracts with independent parties and noted the pricing policy of each of the Existing Continuing Connected Transactions Agreements has been adherence in accordance with the Group's internal control procedures. Based on our review of such documents, we consider the Group has adopted sufficient and effective internal control measures.

OPINION AND RECOMMENDATION

Having taken into account the above principal factors and reasons, we consider that the terms of the Transactions are on normal commercial terms which are fair and reasonable so far as the Independent Shareholders are concerned. Although the Acquisitions and the Capital Increase are not in the ordinary and usual course of business of the Group, we also consider that the Transactions are in the interests of the Company and the Shareholders as a whole. We therefore advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the resolutions to be proposed at the AGM to approve the Transactions.

Yours faithfully,
For and on behalf of
Rainbow Capital (HK) Limited

Larry Choi
Managing Director

Mr. Larry Choi is a licensed person and a responsible officer of Rainbow Capital (HK) Limited registered with the Securities and Futures Commission to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO. He has over ten years of experience in the corporate finance industry.