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**兗礦能源集團股份有限公司**  
**YANKUANG ENERGY GROUP COMPANY LIMITED\***

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

**(Stock Code: 01171)**

**(1) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION –  
PROVISION OF FINANCIAL SERVICES TO SHANDONG ENERGY; AND  
(2) REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

**PROVISION OF FINANCIAL SERVICES TO SHANDONG ENERGY**

References are made to the announcement of the Company dated 30 August 2019 and the circular of the Company dated 11 October 2019 in relation to the 2020 Financial Services Agreement entered into between Yankuang Finance Company, a subsidiary of the Company, and Shandong Energy.

As the 2020 Financial Services Agreement will expire on 31 December 2022 and the parties thereto expect that the continuing connected transactions contemplated thereunder will continue on an ongoing basis, the twenty-second meeting of the eighth session of the Board held on 29 April 2022 considered and approved the “Proposal in relation to the Renewal of the Financial Services Agreement between Yankuang Group Finance Co., Ltd. and Shandong Energy Group Company Limited”, approving Yankuang Finance Company to enter into the 2023 Financial Services Agreement with Shandong Energy to provide deposit services, comprehensive credit facility services and miscellaneous financial services to Shandong Energy Members, and approving the annual caps of the respective services within the term of the 2023 Financial Services Agreement.

**Implications under the Listing Rules**

As at the date of this announcement, Shandong Energy is a controlling Shareholder, holding directly and indirectly approximately 54.92% of the issued share capital of the Company, and thus Shandong Energy constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2023 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

## **1. Deposit services**

As the deposit services to be provided by Yankuang Finance Company to Shandong Energy Members under the 2023 Financial Services Agreement are on normal commercial terms, and no securities over the assets of the Group is or will be granted in respect of such services, the deposit services to be provided by Yankuang Finance Company to Shandong Energy Members are fully exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

## **2. Comprehensive credit facility services**

As the highest applicable percentage ratio with respect to the proposed annual caps in relation to the comprehensive credit facility services under the 2023 Financial Services Agreement is more than 5% but less than 25%, such transactions, together with the proposed annual caps are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Such transactions also constitute a discloseable transaction of the Company under Chapter 14 of the Listing Rules and thus are subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

## **3. Miscellaneous financial services**

As all of the relevant applicable percentage ratios with respect to the proposed annual caps in relation to the provision of miscellaneous financial services by Yankuang Finance Company to Shandong Energy Members under the 2023 Financial Services Agreement are less than 0.1%, such transactions are fully exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements.

## **REVISION OF ANNUAL CAPS FOR CONTINUING CONNECTED TRANSACTIONS**

References are made to the announcement of the Company dated 9 December 2020 and the circular of the Company dated 13 January 2021 in relation to, among others, the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement entered into between the Company and Shandong Energy.

### **1. Provision of Materials Supply Agreement**

Under the Provision of Materials Supply Agreement, Shandong Energy would provide the following materials to the Company: methanol, underground supporting and protection materials, equipment accessories for coalmine operation, safety protection materials, informationization facilities, grease and oil materials and other general materials, for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023.

Due to the increase in the procurement demand of methanol and primary chemical raw materials by the Group from Shandong Energy Group, and the increase in market price of methanol, the aggregate value of the continuing connected transactions contemplated under the Provision of Materials Supply Agreement are expected to be higher than as envisaged at the time of entering into of the Provision of Materials Supply Agreement, and the existing annual caps under the Provision of Materials Supply Agreement for the two years ending 31 December 2023 will no longer be sufficient to meet the business needs of the Group. In view of the aforesaid, on 29 April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Provision of Materials Supply Agreement, while the terms of the Provision of Materials Supply Agreement shall remain unchanged and be in force and effect.

### **Implications under the Listing Rules**

As stated above, Shandong Energy is a controlling Shareholder and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Provision of Materials Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, as the Company has proposed to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transaction. As the highest of the relevant percentage ratios relating to the revised annual caps for the transactions contemplated under the Provision of Materials Supply Agreement exceeds 0.1% but is less than 5% on an annual basis, the revised annual caps are subject to reporting and announcement requirements but are exempt from circular (including Independent Financial Adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **2. Provision of Products, Materials and Asset Leasing Agreement**

Under the Provision of Products, Materials and Asset Leasing Agreement, the Company would provide the followings to Shandong Energy: coal products, electricity, 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, for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023.

Due to the increased demand for coal and equipment leasing by Shandong Energy Group from the Group, and the increased market price of coal, the aggregate value of the continuing connected transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement are expected to be higher than as envisaged at the time of entering into of the Provision of Products, Materials and Asset Leasing Agreement, and the existing annual caps under the Provision of Products, Materials and Asset Leasing Agreement for the two years ending 31 December 2023 will not be sufficient to meet the business needs of the Group. In view of the aforesaid, on 29 April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Provision of Products, Materials and Asset Leasing Agreement, while the terms of the Provision of Products, Materials and Asset Leasing Agreement shall remain unchanged and be in force and effect.

### **Implications under the Listing Rules**

As stated above, Shandong Energy is a controlling Shareholder and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, as the Company has proposed to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transaction. As the highest of the relevant percentage ratios relating to the revised annual caps for the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement exceeds 5% on an annual basis, the revised annual caps are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **3. Bulk Commodities Sale and Purchase Agreement**

Under the Bulk Commodities Sale and Purchase Agreement, the Company and Shandong Energy may, from time to time, sell or purchase coal, iron ores, rubber and other bulk commodities from each other, for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023.

Due to the increased procurement demand of coal by the Group from Shandong Energy Group and the increased market price of coal, the aggregate value of the continuing connected transactions contemplated under the Bulk Commodities Sale and Purchase Agreement are expected to be higher than as envisaged at the time of entering into of the Bulk Commodities Sale and Purchase Agreement, and the existing annual caps under the Bulk Commodities Sale and Purchase Agreement for the two years ending 31 December 2023 will not be sufficient to meet the business needs of the Group. In view of the aforesaid, on 29 April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Bulk Commodities Sale and Purchase Agreement, while the terms of the Bulk Commodities Sale and Purchase Agreement shall remain unchanged and be in force and effect.

## **Implications under the Listing Rules**

As stated above, Shandong Energy is a controlling Shareholder and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, as the Company has proposed to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transaction. As the highest of the relevant percentage ratios relating to the revised annual caps for the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement exceeds 0.1% but is less than 5% on an annual basis, the revised annual caps are subject to reporting and announcement requirements but are exempt from circular (including Independent Financial Adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **GENERAL**

The Board has formed the Independent Board Committee to advise the Independent Shareholders in respect of (i) the transactions under the comprehensive credit facility services under the 2023 Financial Services Agreement and the proposed annual caps for the three years ending 31 December 2023, 31 December 2024 and 31 December 2025; and (ii) the respective revised annual caps for the two years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement. The Board has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions under the comprehensive credit facility services under the 2023 Financial Services Agreement and the proposed annual caps for the three years ending 31 December 2023, 31 December 2024 and 31 December 2025; and (ii) the revised annual caps for the two years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement.

A circular containing, among other things, (i) particulars of the 2023 Financial Services Agreement and the transactions contemplated thereunder; (ii) particulars of the revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement; (iii) a letter from the Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders of the Company; and (v) other relevant matters as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 15 June 2022, as additional time is required to prepare certain information to be contained in the circular by the Company.

## **I. PROVISION OF FINANCIAL SERVICES TO SHANDONG ENERGY**

References are made to the announcement of the Company dated 30 August 2019 and the circular of the Company dated 11 October 2019 in relation to the 2020 Financial Services Agreement entered into between Yankuang Finance Company, a subsidiary of the Company, and Shandong Energy.

As the 2020 Financial Services Agreement will expire on 31 December 2022 and the parties thereto expect that the continuing connected transactions contemplated thereunder will continue on an ongoing basis, the twenty-second meeting of the eighth session of the Board held on 29 April 2022 considered and approved the “Proposal in relation to the Renewal of the Financial Services Agreement between Yankuang Group Finance Co., Ltd and Shandong Energy Group Company Limited”, approving Yankuang Finance Company to enter into the 2023 Financial Services Agreement with Shandong Energy to provide deposit services, comprehensive credit facility services and miscellaneous financial services to Shandong Energy Members, and approving the annual caps of the respective services within the term of the 2023 Financial Services Agreement. The major terms of the 2023 Financial Services Agreement are set out below:

### **Date**

29 April 2022

### **Parties**

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

### **Effective Date and Term**

The 2023 Financial Services Agreement shall become effective upon (1) execution by the legal representatives or authorized representatives of the parties with the official seals of the respective parties; and (2) the approval from the Independent Shareholders at the AGM, with effect from 1 January 2023 and will expire on 31 December 2025.

### **Major Terms and Pricing Policy**

Pursuant to the 2023 Financial Services Agreement, Yankuang Finance Company shall provide the following financial services to Shandong Energy Members:

#### **(i) Deposit services**

Yankuang Finance Company shall provide deposit services to Shandong Energy Members in accordance with normal commercial terms with a maximum daily balance (including accrued interests) of not exceeding RMB35.8 billion during the term of the 2023 Financial Services Agreement.

The interest rate for Shandong Energy Members' deposit with Yankuang 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.

***(ii) Comprehensive credit facility services***

Yankuang Finance Company shall provide comprehensive credit facilities (including but not limited to loans, trade financing, bill acceptance and discounting, overdraft, factoring, guarantee, loan commitment, opening of letter of credit, etc.) to Shandong Energy Members with a maximum daily balance (including accrued interests) of not exceeding RMB15 billion, RMB16 billion and RMB17 billion for each of the three years from 2023 to 2025 during the term of the 2023 Financial Services Agreement.

The interest rate for the loan to be provided by Yankuang Finance Company to 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.

***(iii) Miscellaneous financial services***

Yankuang Finance Company shall provide miscellaneous financial services (including but not limited to bill acceptance and discounting services, financial and financing consultation services, credit certification and related consultation services, agency services, settlement services including payment and receipt, entrusted loans services, guarantee business services and other ancillary services in relation to settlement services) to Shandong Energy Members. The total annual fees charged by Yankuang Finance Company for the provision of miscellaneous financial services to Shandong Energy Members shall not exceed RMB4 million for each of the three years from 2023 to 2025 during the term of the 2023 Financial Services Agreement.

The fees for the provision of miscellaneous financial services to Shandong Energy Members shall be charged by Yankuang Finance Company according to the prescribed rates determined by the PBOC or the CBIRC. If no such prescribed rates are available, the services fees shall be determined on normal commercial terms with reference to the fees charged by General Commercial Banks for the provision of the same type of financial services.

Yankuang Finance Company will (i) directly collect the information about the relevant rates set by the PBOC and/or the General Commercial Banks for relevant deposit and comprehensive credit facility services and the policy promulgated by the PBOC; (ii) directly collect the information about the standard fees and charges for relevant financial services as specified by the PBOC or the CBIRC (if applicable) and fees and charges provided by the General Commercial Banks so as to ensure that each transaction is conducted in accordance with the above pricing policy of the 2023 Financial Services Agreement.

In addition, according to the provisions of the 2023 Financial Services Agreement, if Shandong Energy Members have not repaid a loan and/or its interest upon the expiry of term of such loan, Yankuang Finance Company can convert the corresponding amounts of deposits of such Shandong Energy Members which is placed with Yankuang Finance Company as repayment of principal of such loan together with interest. If Shandong Energy Members have funding difficulty and cannot repay the principal of the loan from Yankuang Finance Company or its interest, Shandong Energy shall assume the joint liability for repayment of the principal of such loan together with interest.

### **Internal Control Measures**

The following procedures have been adopted by the Group to ensure that the relevant continuing connected transactions will proceed according to the terms (including the pricing policy) required by the 2023 Financial Services Agreement, and such transactions will proceed on normal commercial terms and are in the interests of the Company and the Shareholders as a whole:

In terms of credit risks management, the credit review committee of Yankuang Finance Company will conduct prior review over the proposed comprehensive credit facilities amount and terms of the credit agreement before granting credit facilities to Shandong Energy Members. The senior management of Yankuang Finance Company will re-examine the decision making and approval procedure of the credit review committee of Yankuang Finance Company before providing comprehensive credit facility services to Shandong Energy Members. The audit committee of the Company will conduct quarterly review over the approval procedure and provision of the comprehensive credit facility services between Yankuang Finance Company and Shandong Energy Members. To evaluate the financial position and credit records of Shandong Energy Members, the business department of Yankuang Finance Company will require Shandong Energy Members to provide financial statements on a quarterly basis and to provide monthly management accounts immediately before granting any loan to Shandong Energy Members.

In terms of information transparency, according to the requirements of China National Association of Finance Companies, Yankuang Finance Company will report data of key operating indicators and the financial statements to the association on monthly, quarterly and annual basis. China National Association of Finance Companies publishes periodically the basic operating data for finance companies' sector on its official website, announces periodically the operating data and indicator ranking of finance companies with member units. Furthermore, under regulatory requirements of the CBIRC and the PBOC, Yankuang Finance Company reports and sends its financial statements to the regulators on a monthly basis. The Company will disclose the quarterly balance sheet and income statement of Yankuang Finance Company separately and disclose the operating information of Yankuang Finance Company and the provision of continuing connected transactions under the 2023 Financial Services Agreement in its interim and annual reports.

As such, the Directors consider that the above methodologies and procedures could ensure that the relevant continuing connected transactions will proceed according to the terms (including the pricing policy) required by the 2023 Financial Services Agreement, and such transactions will proceed on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.



## **Capital Risk Control Measures**

To protect the interests of the Shareholders, Yankuang Finance Company has implemented the following capital risk control measures in relation to the control of the Group's capital risk exposure:

- (i) Yankuang Finance Company has formulated its business management system and internal risk control system based on its needs in business operation and risk management.
- (ii) Yankuang Finance Company has implemented capital budget control and planning management. It has tightened its centralized control over payments to monitor capital flow.
- (iii) Yankuang Finance Company has set up the risk indicators monitoring mechanism. The mechanism will raise monthly alert based on calculations of twenty indicators in seven aspects, such as capital adequacy, liquidity, credit risks and market risks, to ensure the risks are measurable and manageable. Yankuang Finance Company will track and manage the entire process of credit facilities to ensure that the risks before, amidst and after credit grant are measurable, and that the credit assets are financially secure.
- (iv) Yankuang Finance Company has upgraded its capital management system to ensure the safe operation of its capital management network. Since its inception in 2010, Yankuang Finance Company has maintained a zero-mistake record in its capital settlement.

The Directors consider that the above capital risk control measures adopted by the Group in respect of the continuing connected transactions contemplated under the 2023 Financial Services Agreement are appropriate and that such procedures and measures will give sufficient assurance to the Shareholders that such continuing connected transactions will be appropriately monitored by the Company.

## **Payment**

The payment of the relevant interests, expenses and service fees for the above services can be settled by the parties on a one-off basis or by installment in accordance with specific circumstances. Yankuang Finance Company will use internal resources to pay the relevant interests to Shandong Energy Members for the provision of deposit services.

## Historical Amount, Proposed Annual Caps and Reasons

The historical transaction amounts of the 2020 Financial Services Agreement for the two years ended 31 December 2020, 31 December 2021 and for the three months ended 31 March 2022 are set out as follows:

Item	Unit	For the year	For the year	For the three
		ended 31	ended 31	months ended
		December 2020	December 2021	31 March
		Actual amount	Actual amount	2022
				Actual amount
Maximum daily balance of deposit	RMB billion	17.700	35.800	15.090
Maximum daily balance of comprehensive credit facility	RMB billion	9.335	9.700	9.721
Aggregate miscellaneous financial services fees	RMB million	1.636	1.109	0.408

Having considered the historical maximum daily balance of deposit for the year ended 31 December 2021 under the 2020 Financial Services Agreement, the Board proposed that the maximum daily balance of deposit (including accrued interests) under the 2023 Financial Services Agreement shall not exceed 35.8 billion for each of the three years ending 31 December 2023, 31 December 2024 and 31 December 2025.

Having considered (i) the historical balances of comprehensive credit facility provided by Yankuang Finance Company to Shandong Energy Members for the two years ended 31 December 2020, 31 December 2021 and for the three months ended 31 March 2022; and (ii) the increasing funding needs of Shandong Energy Members for investment in new projects, trade financing and procurement of materials in 2023; and (iii) a reasonable annual growth expectation of the funding needs of Shandong Energy Members from 2023 to 2025, the Board proposed that the maximum daily balance (including accrued interests) of comprehensive credit facility to be provided by Yankuang Finance Company to Shandong Energy Members under the 2023 Financial Services Agreement shall not exceed RMB15 billion, RMB16 billion and RMB17 billion for each of the three years ending 31 December 2023, 31 December 2024 and 31 December 2025, respectively.

Having considered Shandong Energy Members' demand for the miscellaneous financial services, the Board proposed that the maximum annual fees payable for such miscellaneous financial services under the 2023 Financial Services Agreement shall not exceed RMB4 million for each of the three years ending 31 December 2023, 31 December 2024 and 31 December 2025.

The above annual caps are made on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

## **Reasons for and benefits of entering into the 2023 Financial Services Agreement**

Through the provision of financial services to Shandong Energy, Yankuang Finance Company can expand its source of capital through absorbing capitals from Shandong Energy Members, enlarge its business scope, improve its profitability through providing loan and settlement services to 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 Yankuang Finance Company, thereby lowering its financing costs and improving its competitive edge.

The Directors (including the independent non-executive Directors) consider that the transactions under the 2023 Financial Services Agreement (excluding the provision of comprehensive credit facility services) are entered into after arm's length negotiations and based on normal commercial terms, and therefore the terms of such transactions and the proposed caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Directors (excluding the independent non-executive Directors, whose opinion on the matter will be given in the circular after taking into account the advice of the Independent Financial Adviser in this regard) consider that the provision of comprehensive credit facility services under the 2023 Financial Services Agreement are entered into after arm's length negotiations and based on normal commercial terms, and therefore the terms of such transactions and the proposed annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## **Implications under the Listing Rules**

Shandong Energy is a controlling Shareholder holding directly and indirectly approximately 54.92% of the issued share capital of the Company as at the date of this announcement, and thus Shandong Energy constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the 2023 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

### ***(i) Deposit services***

As the deposit services to be provided by Yankuang Finance Company to Shandong Energy Members under the 2023 Financial Agreement are on normal commercial terms, and no security over the assets of the Group is or will be granted in respect of such services, the deposit services to be provided by Yankuang Finance Company to Shandong Energy Members are fully exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.90 of the Listing Rules.

**(ii) *Comprehensive credit facility services***

As the highest applicable percentage ratio with respect to the proposed annual caps in relation to the provision of comprehensive credit facility services under the 2023 Financial Services Agreement is more than 5% but less than 25%, such transactions, together with the proposed annual caps are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. Such transactions also constitute a discloseable transaction of the Company and are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

**(iii) *Miscellaneous financial services***

As all of the relevant applicable percentage ratios with respect to the proposed annual caps in relation to the provision of miscellaneous financial services under the 2023 Financial Services Agreement are less than 0.1%, such transactions are fully exempt from reporting, announcement, annual review and Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

**II. REVISION OF ANNUAL CAPS UNDER CONTINUING CONNECTED TRANSACTIONS**

**1. Provision of Materials Supply Agreement**

On 9 December 2020, the Company entered into the Provision of Materials Supply Agreement with Shandong Energy, pursuant to which Shandong Energy would provide the following materials to the Company: methanol, underground supporting and protection materials, equipment accessories for coalmine operation, safety protection materials, informationization facilities, grease and oil materials and other general materials, for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023. Please refer to the announcement of the Company dated 9 December 2020 and the circular of the Company dated 13 January 2021 for the details of the Provision of Materials Supply Agreement.

Due to the anticipated increase in the procurement demand of methanol and primary chemical raw materials by the Group from Shandong Energy Group, and the increase in market price of methanol, the aggregate value of the continuing connected transactions contemplated under the Provision of Materials Supply Agreement are expected to be higher than as envisaged at the time of entering into of the Provision of Materials Supply Agreement, and the existing annual caps under the Provision of Materials Supply Agreement for the two years ending 31 December 2023 will no longer be sufficient to meet the business needs of the Group. In view of the aforesaid, on 29 April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Provision of Materials Supply Agreement, while the terms of the Provision of Materials Supply Agreement shall remain unchanged and be in force and effect.

## The existing annual caps, the historical amounts and the revised annual caps

The existing annual caps, the historical amounts and the revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement are as follows:

For the year ended 31 December 2021		For the year ending 31 December 2022		For the three months ended 31 March 2022	For the year ending 31 December 2023	
Annual cap (RMB'000)	Actual amount (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)	Actual amount (RMB'000)	Existing Annual Cap (RMB'000)	Revised Annual Cap (RMB'000)
900,000	640,228	1,000,000	2,400,000	353,217	1,100,000	2,600,000

The revised annual caps in respect of the transactions under the Provision of Materials Supply Agreement are determined with reference to (i) the historical amounts in respect of the transactions under the Provision of Materials Supply Agreement; (ii) the expected increase in the Group's demand for primary chemical raw materials and methanol for the two years ending 31 December 2022 and 2023; and (iii) the increase in the market price of methanol.

The above revised annual caps are made on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

## **Reasons for and benefits of the revision of annual caps**

The Board has been closely monitoring the historical transacted amounts of the continuing connected transactions under the Provision of Materials Supply Agreement. In order to improve profitability, the Group has further increased the existing production capacity of its chemical assets and invested in the expansion of high value-added downstream products. The Group's caprolactam project has achieved up-to-standard output and efficiency since 2022 and the demand for raw materials for production has increased accordingly. As a result, the amount payable by the Group to Shandong Energy for procurement of materials is expected to increase. Besides, the market price of methanol has increased as a result of the increase in market price of crude oil and coal. Certain materials supplied by Shandong Energy Group are better in quality than those supplied 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 Group's production sites are close to the Group's coal mines, the transportation of materials is convenient and at a relatively lower cost. Taking into account of the increase in the procurement demand of materials by the Group from Shandong Energy Group, the increased market price of methanol and Shandong Energy Group's competitive advantage in the supply of mining production materials, the Board believes that the revised annual caps are in line with the Group's actual business needs.

The Directors (including the independent non-executive Directors) consider that the revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement are (i) on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

## **Implications under the Listing Rules**

As stated above, Shandong Energy is a controlling Shareholder and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Provision of Materials Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, as the Company has proposed to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. As the highest of the relevant percentage ratios relating to the revised annual caps for the transactions contemplated under the Provision of Materials Supply Agreement exceeds 0.1% but is less than 5% on an annual basis, the revised annual caps are subject to reporting and announcement requirements but are exempt from circular (including Independent Financial Adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to the applicable PRC regulations, the Company will submit the resolution relating to the revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement for the Independent Shareholders' approval at the AGM.

## 2. Provision of Products, Materials and Asset Leasing Agreement

On 9 December 2020, the Company entered into the Provision of Products, Materials and Asset Leasing Agreement with Shandong Energy, pursuant to which the Company would provide the followings to Shandong Energy: coal products, electricity, 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, for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023. Please refer to the announcement of the Company dated 9 December 2020 and the circular of the Company dated 13 January 2021 for the details of the Provision of Products, Materials and Asset Leasing Agreement.

Due to the expected increase in the demand for coal and equipment leasing by Shandong Energy Group from the Group, and the increased market price of coal, the aggregate value of the continuing connected transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement are expected to be higher than as envisaged at the time of entering into of the Provision of Products, Materials and Asset Leasing Agreement, and the existing annual caps under the Provision of Products, Materials and Asset Leasing Agreement for the two years ending 31 December 2023 will not be sufficient to meet the business needs of the Group. In view of the aforesaid, on 29 April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Provision of Products, Materials and Asset Leasing Agreement, while the terms of the Provision of Products, Materials and Asset Leasing Agreement shall remain unchanged and be in force and effect.

### The existing annual caps, the historical amounts and the revised annual caps

The existing annual caps, the historical amounts and the revised annual caps in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement are as follows:

Category	For the year ended		For the year ending		For the	For the year ending	
	31 December 2021		31 December 2022		three months	31 December 2023	
	Annual cap (RMB'000)	Actual amount (RMB'000)	Existing annual cap (RMB'000)	Revised annual cap (RMB'000)	ended 31 March 2022 Actual amount (RMB'000)	Existing annual cap (RMB'000)	Revised annual cap (RMB'000)
Coal sales	2,500,000	2,362,057	3,200,000	6,600,000	492,152	3,500,000	7,900,000
Materials supply	700,000	699,873	800,000	800,000	19,625	900,000	900,000
Asset leasing	100,000	26,295	110,000	200,000	8,694	120,000	250,000
Electricity supply	20,000	14,300	20,000	20,000	4,291	22,000	22,000
<b>Total</b>	<b>3,320,000</b>	<b>3,102,525</b>	<b>4,130,000</b>	<b>7,620,000</b>	<b>524,762</b>	<b>4,542,000</b>	<b>9,072,000</b>

The revised annual caps in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement are determined with reference to (i) the historical amounts in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement; (ii) the expected increase in Shandong Energy Group's demand for coal and asset leasing from the Group for the two years ending 31 December 2022 and 2023; and (iii) the increase in the market price of coal.

The above revised annual caps are made on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

### **Reasons for and benefits of the revision of annual caps**

It is anticipated that the revenue of coal sales payable by Shandong Energy Group to the Group will increase as (i) the sales price of coal has increased significantly in recent years, which has led to a significant increase in the sales amount of coal; and (ii) Shandong Energy's newly commissioned power supply and thermal supply projects require coal from the Company, which has led to an increase in the Company's sales amount of coal to Shandong Energy. The revenue of provision of asset leasing payable by Shandong Energy Group to the Company is also expected to be higher since the Group intends to utilise its equipment (including its existing idle equipment) and equipment management capacity to undertake Shandong Energy Group's demand for equipment leasing in 2022 and 2023 pursuant to its mine equipment renewal plan. Due to the close proximity between Shandong Energy Group and the Group, the provision of products and materials by the Group to Shandong Energy Group at Market Price can reduce management and operational costs of the Group and can achieve a stable sales market for 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 Shandong Energy Group at the Market Price, thereby increases the Group's operating profit. Furthermore, the Group, through its equipment management centre provides equipment leasing to Shandong Energy Group under normal commercial terms based on its operation needs and thus could effectively control the risks of leasing business and achieve economic benefits.

Different source of supply and types of coal are provided by the Group to Shandong Energy Group under the Provision of Products, Materials and Asset Leasing Agreement and by the Group to Shandong Energy Group under the Bulk Commodities Sale and Purchase Agreement. The coal products provided by the Group to Shandong Energy Group under the Provision of Products, Materials and Asset Leasing Agreement are self-produced coal of the Group, while the coal provided by the Group to Shandong Energy Group under the Bulk Commodities Sale and Purchase Agreement are trade coal sourced by the Group from the market. Please refer to the section headed "The Bulk Commodities Sale and Purchase Agreement" in this announcement.



The Directors (excluding the independent non-executive Directors who will provide their view in the letter from the Independent Board Committee to be included in the circular to be despatched to the Shareholders in due course) consider that the revised annual caps in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement are: (i) on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

### **Implications under the Listing Rules**

As stated above, Shandong Energy is a controlling Shareholder, and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, as the Company has proposed to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. As the highest of the relevant percentage ratios relating to the revised annual caps for the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement exceeds 5% on an annual basis, the revised annual caps are subject to reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **3. Bulk Commodities Sale and Purchase Agreement**

On 9 December 2020, the Company entered into the Bulk Commodities Sale and Purchase Agreement with Shandong Energy, pursuant to which the Company and Shandong Energy may, from time to time, sell or purchase coal, iron ores, rubber and other bulk commodities from each other, for a term of three years commencing from 1 January 2021 and expiring on 31 December 2023. Please refer to the announcement of the Company dated 9 December 2020 and the circular of the Company dated 13 January 2021 for the details of the Bulk Commodities Sale and Purchase Agreement.

Due to the expected increase in the procurement demand of coal by the Group from Shandong Energy Group and the increased market price of coal, the aggregate value of the continuing connected transactions contemplated under the Bulk Commodities Sale and Purchase Agreement are expected to be higher than as envisaged at the time of entering into of the Bulk Commodities Sale and Purchase Agreement, and the existing annual caps under the Bulk Commodities Sale and Purchase Agreement for the two years ending 31 December 2023 will not be sufficient to meet the business needs of the Group. In view of the aforesaid, on 29 April 2022, the Board has resolved to revise the existing annual caps for the two years ending 31 December 2023 in respect of the Bulk Commodities Sale and Purchase Agreement, while the terms of the Bulk Commodities Sale and Purchase Agreement shall remain unchanged and be in force and effect.

## The existing annual caps, the historical amounts and the revised annual caps

The existing annual caps, the historical amounts and the revised annual caps in respect of the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement are as follows:

Category	For the year ended		For the year ending		For the	For the year ending	
	31 December 2021		31 December 2022		three months	31 December 2023	
	Annual cap (RMB'000)	Actual amount (RMB'000)	Existing annual cap (RMB'000)	Revised annual cap (RMB'000)	ended 31 March 2022 Actual amount (RMB'000)	Existing annual cap (RMB'000)	Revised annual cap (RMB'000)
Sales of bulk commodities from the Company to Shandong Energy	2,970,000	2,303,620	3,270,000	3,270,000	385,896	3,270,000	3,270,000
Sales of bulk commodities from Shandong Energy to the Company	500,000	296,280	550,000	2,000,000	106	600,000	2,000,000
<b>Total</b>	<b>3,470,000</b>	<b>2,599,900</b>	<b>3,820,000</b>	<b>5,270,000</b>	<b>386,002</b>	<b>3,870,000</b>	<b>5,270,000</b>

The revised annual caps in respect of the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement are determined with reference to (i) the historical amounts in respect of the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement; (ii) the expected increase in the Group's procurement demand for coal from Shandong Energy Group for the two years ending 31 December 2022 and 2023; and (iii) the increase in the market price of coal.

The above revised annual caps are made on the principal assumptions that, for the duration of the projected period, there will not be any adverse change or disruption in market conditions, operation and business environment or government policies which may materially affect the businesses of the Group.

### Reasons for and benefits of the revision of annual caps

In order to enlarge the sales scale, maintain business relationship with customers, and to further improve profitability, the Group has newly engaged in the coal and coke substitution business. As the Group does not produce main coking coal, it needs to purchase relevant types of coal from Shandong Energy to supply to third party coking enterprises to replace its coke products, which has led to an increase in the amount of coal purchased from Shandong Energy. Therefore, the annual fees payable by the Company to Shandong Energy for purchasing bulk commodities under the Bulk Commodities Sale and Purchase Agreement are expected to increase. As the Company has a better understanding in the operation and

reputation of Shandong Energy, the Company believes that the risk of trading with Shandong Energy Group is lower than trading with third parties. By purchasing bulk commodities from Shandong Energy Group, the Company could secure a long-term and stable sources of supply. This could reduce the operational risks of the entire trading business of the Group.

The Directors (including the independent non-executive Directors) consider that the revised annual caps in respect of the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement are (i) on normal commercial terms and in the ordinary and usual course of business of the Group; (ii) fair and reasonable; and (iii) in the interests of the Company and the Shareholders as a whole.

### **Implications under the Listing Rules**

As stated above, Shandong Energy is a controlling Shareholder and thus constitutes a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

According to Rule 14A.54 of the Listing Rules, as the Company has proposed to revise the annual caps for continuing connected transactions, the Company is required to re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant continuing connected transactions. As the highest of the relevant percentage ratios relating to the revised annual caps for the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement exceeds 0.1% but is less than 5% on an annual basis, the revised annual caps are subject to reporting and announcement requirements but are exempt from circular (including Independent Financial Adviser) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

According to the applicable PRC regulations, the Company will submit the resolution relating to the revised annual caps in respect of the transactions contemplated under the Bulk Commodities Sale and Purchase Agreement for the Independent Shareholders' approval at the AGM.

## **III. INFORMATION OF THE PARTIES**

### **The Company**

The Company is principally engaged in the business of mining, preparation, processing and sale of coal and coal chemicals. The Company's main products are steam coal for use in large-scale power plants, coking coal for metallurgical production, prime quality low sulphur coal for use in pulverized coal injection, and chemical products such as methanol and acetic acid.

## **Shandong Energy**

Shandong Energy is a state-controlled limited liability company, 90% equity interest of which is held directly and indirectly by the State-owned Assets Supervision and Administration Commission of Shandong Province, and the rest 10% equity interest of which is indirectly held by the Department of Finance of Shandong Province. As at the date of this announcement, its registered capital is RMB24.7 billion and its legal representative is Li Wei. The principal business of Shandong Energy includes coal, thermal power generation, coal chemicals, high-end equipment manufacturing, new energy and materials, and modern trade and logistics.

As at the date of this announcement, Shandong Energy is the controlling Shareholder, holding directly and indirectly approximately 54.92% of the issued share capital of the Company, and is hence a connected person of the Company.

## **Yankuang Finance Company**

Yankuang Finance Company is a subsidiary of the Company registered and established in Shandong Province on 13 September 2010. As at the date of this announcement, Yankuang Finance Company is held as to 95% by the Company and 5% by Shandong Energy. The principal business of Yankuang Finance Company includes provision of accounting and financing consultancy services, credit certification and related consultancy and agency services to member companies; provision of entrusted loan services among member companies; and provision of loans and finance leasing services to member companies. Yankuang Finance Company is a non-banking financial institution established with the approval of CBIRC. Yankuang Finance Company holds a finance license granted by the CBIRC.

## **IV. GENERAL INFORMATION**

On 29 April 2022, the twenty-second meeting of the eighth session of the Board considered and approved (i) the 2023 Financial Services Agreement, the transactions contemplated thereunder and the respective proposed annual caps; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement.

As Mr. Li Wei, Mr. Liu Jian, Mr. Zhu Qingrui are regarded as having material interests in the transactions contemplated under the 2023 Financial Services Agreement, the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement, they have abstained from voting on the relevant resolutions of the Board for approving (i) the 2023 Financial Services Agreement, the transactions contemplated thereunder and the respective proposed annual caps; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement. Save as disclosed above, none of the other Directors has a material interest in such transactions.

The Board has formed the Independent Board Committee to advise the Independent Shareholders in respect of (i) the transactions under the comprehensive credit facility services under the 2023 Financial Services Agreement and the proposed annual caps for the three years ending 31 December 2023, 31 December 2024 and 31 December 2025; and (ii) the respective revised annual caps for the two years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement. The Board has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions under the comprehensive credit facility services under the 2023 Financial Services Agreement and the proposed annual caps for the three years ending 31 December 2023, 31 December 2024 and 31 December 2025; and (ii) the revised annual caps for the two years ending 31 December 2022 and 31 December 2023 in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement.

According to the applicable PRC regulations, the Company also submits the resolutions relating to the revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement, for the Independent Shareholders' approval at the AGM.

As at the date of this announcement, Shandong Energy is the controlling Shareholder holding, directly and indirectly, 54.92% of the issued share capital of the Company. Shandong Energy and its associates will abstain from voting at the AGM on the ordinary resolutions approving (i) the 2023 Financial Services Agreement, the transactions contemplated thereunder and the respective proposed annual caps; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement, which will be taken by poll as required under the Listing Rules. As at the date of this announcement, so far as the Directors are aware, other than the aforesaid, there is no other associate of Shandong Energy that held shares of the Company and therefore is required to abstain from voting on the aforesaid ordinary resolutions at the AGM.

A circular containing, among other things, (i) particulars of the 2023 Financial Services Agreement and the transactions contemplated thereunder; (ii) particulars of the revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement; (iii) a letter from the Independent Board Committee; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) other relevant matters as required by the Listing Rules, is expected to be despatched to the Shareholders on or before 15 June 2022, as additional time is required to prepare certain information to be contained in the circular by the Company.

## V. DEFINITIONS

In this announcement, unless the context requires otherwise, the following expressions have the following meaning:

“2020 Financial Services Agreement”	the financial services agreement entered into between Yankuang Finance Company and Shandong Energy on 30 August 2019
“2023 Financial Services Agreement”	the financial services agreement entered into between Yankuang Finance Company and Shandong Energy on 29 April 2022
“AGM”	the 2021 annual general meeting to be held by the Company to consider and, if thought fit, approve, among other things, (i) the 2023 Financial Services Agreement, the transactions contemplated thereunder and the respective proposed annual caps; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement
“A Share(s)”	domestic shares in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“Bulk Commodities Sale and Purchase Agreement”	the bulk commodities sale and purchase agreement entered into between the Company and Shandong Energy on 9 December 2020
“Company”	Yankuang Energy Group Company Limited* (兗礦能源集團股份有限公司), a joint stock limited company established under the laws of PRC in 1997, and the H Shares and A Shares of which are listed on the Hong Kong Stock Exchange (01171.HK) and the Shanghai Stock Exchange (600188.SH), respectively
“CBIRC”	China Banking and Insurance Regulatory Commission
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“connected transaction”	has the meaning ascribed thereto under the Listing Rules

“Director(s)”	the director(s) of the Company
“General Commercial Banks”	general commercial banks which provide deposit services, comprehensive credit facility services and miscellaneous financial services
“Group”	the Company and its subsidiaries
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	overseas-listed foreign-invested shares in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Hong Kong Stock Exchange
“Independent Board Committee”	a committee of the Board comprising all independent non-executive Directors established for the purpose of considering (i) the provision of comprehensive credit facility services under the 2023 Financial Services Agreement and the proposed annual caps; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement
“Independent Financial Adviser”	Donvex Capital Limited, a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the provision of comprehensive credit facility services under the 2023 Financial Services Agreement and the proposed annual caps; and (ii) the revised annual caps in respect of the transactions contemplated under the Provision of Products, Materials and Asset Leasing Agreement
“Independent Shareholders”	Shareholders other than Shandong Energy and its associates, and who are not involved in, or interested in (i) the provision of comprehensive credit facility service transaction under the 2023 Financial Services Agreement; and (ii) the respective revised annual caps in respect of the transactions contemplated under the Provision of Materials Supply Agreement, the Provision of Products, Materials and Asset Leasing Agreement and the Bulk Commodities Sale and Purchase Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

“Market Price”	a price determined according to normal commercial terms based on the following: <ul style="list-style-type: none"> <li>(i) the price offered by independent third parties for provision of the same or similar type of 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</li> <li>(ii) if paragraph (i) above is not applicable, the price offered by independent third parties in the PRC for provision of the same or similar type of services under normal commercial terms in the ordinary course of business of such independent third parties.</li> </ul>
“PBOC”	People’s Bank of China
“PRC”	the People’s Republic of China, for the purpose of this announcement, excluding Hong Kong Special Administrative Region, Macau Special Administrative Region and Taiwan Region
“Provision of Materials Supply Agreement”	the provision of materials supply agreement entered into between the Company and Shandong Energy on 9 December 2020
“Provision of Products, Materials and Asset Leasing Agreement”	the provision of products, materials and asset leasing agreement entered into between the Company and Shandong Energy on 9 December 2020
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shareholder(s)”	shareholder(s) of the Company
“Shandong Energy”	Shandong Energy Group Company Limited* (山東能源集團有限公司) (former “Yankuang Group Company Limited”, renamed as “Shandong Energy Group Company Limited” in April 2021), a state-controlled limited liability company and the controlling shareholder of the Company holding directly and indirectly approximately 54.92% of the total issued share capital of the Company as at the date of this announcement
“Shandong Energy Group”	Shandong Energy and its subsidiaries



“Shandong Energy Members”	Shandong Energy, its subsidiaries and associates (excluding the Company and its subsidiaries)
“subsidiaries”	has the meaning ascribed thereto under the Listing Rules
“Yankuang Finance Company”	Yankuang Group Finance Co., Ltd., a limited liability company incorporated in the PRC, which is owned as to 95% by the Company and 5% by Shandong Energy respectively as at the date of this announcement. Yankuang Finance Company is a non-banking financial institution legally established with the approval of the CBIRC and is a professional institution engaging in corporate financial services
“%”	per cent.

By order of the Board  
**Yankuang Energy Group Company Limited\***  
**Li Wei**  
*Chairman*

Zoucheng, Shandong Province, the PRC  
29 April 2022

*As at the date of this announcement, the Directors of the Company are Mr. Li Wei, Mr. Liu Jian, Mr. Xiao Yaomeng, Mr. Zhu Qingrui, Mr. Zhao Qingchun, Mr. Wang Ruolin and Mr. Huang Xiaolong, and the independent non-executive Directors of the Company are Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang, and Mr. Poon Chiu Kwok.*

\* *For identification purpose only*