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If you have sold or transferred all your shares in Inner Mongolia Yitai Coal Co., Ltd., you should at once hand this circular and the accompanying proxy form and the reply slip to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or the transfer was effected for transmission to the purchaser(s) or transferee(s).



內蒙古伊泰煤炭股份有限公司
INNER MONGOLIA YITAI COAL CO., LTD.*

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

(Stock Code: 3948)

**RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



TC CAPITAL
天財資本

A letter from the Board is set out on pages 4 to 38 of this circular.

A notice convening the second extraordinary general meeting (the “EGM”) to be held at Room 1, Conference Center, Building of Inner Mongolia Yitai Coal Co., Ltd., Ordos, Inner Mongolia, the People’s Republic of China (the “PRC”) at 2:30 p.m. on Wednesday, 16 December 2020 is set out on pages 70 to 71 of this circular.

Whether or not you propose to attend the EGM, you are requested to complete the form of proxy in accordance with the instruction printed thereon and return it to the Hong Kong H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event no later than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the Form of Proxy will not preclude the Shareholders from attending and voting in person at the EGM or any adjournment thereof if they so wish.

1 December 2020

* For identification purpose only

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DEFINITIONS

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

“Board”	the board of directors of the Company
“CBIRC”	China Banking and Insurance Regulatory Commission
“Company”	Inner Mongolia Yitai Coal Co., Ltd. (內蒙古伊泰煤炭股份有限公司), a joint stock limited company incorporated in the PRC on 23 September 1997, whose H shares are listed on the Stock Exchange under the stock code of 3948 and whose B shares are listed on the Shanghai Stock Exchange under the stock code of 900948
“connected person”	has the meaning ascribed to it under the Listing Rules
“Continuing Connected Transaction(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules, and in this circular, refer to Yitai Group and Yitai Investment
“Director(s)”	the director(s) of the Company
“EGM”	the 2020 second extraordinary general meeting of the Company to be held at Room 1, Conference Center, Building of Inner Mongolia Yitai Coal Co., Ltd., Ordos, Inner Mongolia, the PRC at 2:30 p.m. on Wednesday, 16 December 2020
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	a committee of the Board comprising Mr. Zhang Zhiming, Mr. Huang Sujian, Mr. Wong Hin Wing and Ms. Du Yingfen, being the independent non-executive Directors, which has been formed to advise the Independent Shareholders, as to whether the proposed supply of products to the Company contemplated under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services and the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services, as well as proposed supply of deposit services to the Company contemplated under the Financial Services Framework Agreement and the annual caps for the Continuing Connected Transactions contemplated thereunder are entered on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned, and whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how they should vote on the above resolutions after considering the recommendations of the Independent Financial Adviser appointed by the Company
“Independent Financial Adviser” or “TC Capital”	TC Capital International Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders, among others, as to whether the proposed supply of products to the Company contemplated under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services and the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services, as well as proposed supply of deposit services to the Company contemplated under the Financial Services Framework Agreement and the annual caps for the Continuing Connected Transactions contemplated thereunder are entered on normal commercial terms and are fair and reasonable as far as the Independent Shareholders are concerned, and whether they are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how they vote on the above resolutions at the EGM
“Independent Shareholders”	the Shareholders of the Company other than the Controlling Shareholders and their associates
“Latest Practicable Date”	27 November 2020, being the latest practicable date prior to the printing of this circular for ascertaining certain information herein

DEFINITIONS

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China, which for the purposes of this circular excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Yitai Finance”	Yitai Group Finance Co., Ltd. (內蒙古伊泰財務有限公司)
“Yitai Group”	Inner Mongolia Yitai Group Co., Ltd. (內蒙古伊泰集團有限公司)
“Yitai Investment”	Inner Mongolia Yitai Investment Co., Ltd. (內蒙古伊泰投資股份有限公司)
“%”	per cent.

LETTER FROM THE BOARD



内蒙古伊泰煤炭股份有限公司

INNER MONGOLIA YITAI COAL CO., LTD.*

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

(Stock Code: 3948)

Executive Directors:

Zhang Jingquan
Liu Chunlin
Ge Yaoyong
Zhang Dongsheng
Liu Jian
Lv Guiliang
Lv Junjie

Independent non-executive Directors:

Zhang Zhiming
Huang Sujian
Wong Hin Wing
Du Yingfen

Registered Office:

Yitai Building,
North Tianjiao Road
Dongsheng District, Ordos
Inner Mongolia, the PRC

*Principal place of business
in Hong Kong:*

40/F, Sunlight Tower
248 Queen's Road East
Wanchai
Hong Kong

1 December 2020

To the Shareholders

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS AND NOTICE OF THE EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 30 October 2020 in relation to the renewal of existing Continuing Connected Transactions.

The Yitai Group Framework Agreement on Purchase and Sale of Products and Services between the Company and Yitai Group, the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services between the Company and Yitai Investment, as well as the Financial Services Framework Agreement between the Company and Yitai Finance will expire on 31 December 2020, therefore, the Company has entered into new agreements with each of the aforesaid companies respectively on 29 October 2020 to renew the Continuing Connected Transactions thereunder.

* *For identification purpose only*

LETTER FROM THE BOARD

The purpose of this circular is to provide the Shareholders, among others, (i) further information on the renewal of the existing Continuing Connected Transactions; (ii) recommendations from the Independent Board Committee; (iii) letter from the Independent Financial Adviser; and (iv) the notice of the EGM and other information as required under the Listing Rules.

I. TO PROVIDE PRODUCTS TO THE COMPANY

1. Yitai Group Framework Agreement on Purchase and Sale of Products and Services

The Parties: The Company (as the Product Buyer); and Yitai Group (as the Product Provider)

Date: 29 October 2020

Type of transactions: Supply of coal products, chemical-related materials, technology and agricultural and sideline products

Principal terms: The Company entered into the Yitai Group Framework Agreement on Purchase and Sale of Products and Services with Yitai Group on 29 October 2020, pursuant to which, Yitai Group and/or its subsidiaries shall provide coal products, chemical-related materials, technology and agricultural and sideline products to the Company and/or its subsidiaries from time to time. The Yitai Group Framework Agreement on Purchase and Sale of Products and Services shall be effective from 1 January 2021 and expire on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties.

LETTER FROM THE BOARD

Pricing policies:

The purchase prices of coal products of the Company are mainly based on the market price and reasonably priced based on the quality of coal products. The Company would make enquiries and survey on the prices of relevant similar products in certain areas regularly, including but not limited to (i) price of coal provided by independent third parties; (ii) open market prices published by major suppliers in their quotations or on their websites which will be renewed from time to time; and (iii) mainstream selling prices of neighboring coal mines and the mainstream selling prices of the ports. Since Yitai Group only provided coal products to the Company and the quality is higher than that of other coal products in the same area, the final price of coal products shall be determined by the Company after negotiation with Yitai Group with reference to the market price obtained from the results of above enquiries and on the basis of the quality of coal products, which is not higher than the value of similar coal products sold by the Company to independent third parties. Meanwhile, the Company will refer to Bohai-rim Steam Coal Price Index and China's Coal Trading Price Index to ensure the final price of the transaction will not significantly deviate from the above price indexes.

When determining the prices of chemical-related materials, there are no comparable prices of similar products available in the market as these chemical-related materials are sold exclusively by Yitai Group. However, the Company will require Yitai Group to provide the price list of the similar products sold to independent third parties to ensure that the prices of chemical-related products provided by Yitai Group to the Company will be no higher than the price of similar products provided to independent third parties.

LETTER FROM THE BOARD

When determining the fees charged by Yitai Group from the Company for coal chemical new technology, the Company will require Yitai Group to provide the price for developing similar coal chemical new technology for the independent third party, to ensure that the price charged by Yitai Group from the Company for developing new technology is not higher than the cost of similar technology development costs in the market, and also will not higher than the similar new technology development costs paid by the Company to independent third parties.

When determining the prices of agricultural and sideline products, the Company would require Yitai Group to provide a price list used by the latter for its sales of similar products to independent third parties, so as to make sure that the selling price offered by Yitai Group for agricultural and sideline products will neither be higher than the market price of similar products, nor higher than such price as paid by the Company to independent third parties for similar products. For details of the specific pricing standards for agricultural and sideline products, please refer to “Basis for the annual caps” in this section.

Historical figures and the Approved Annual Caps:

Unit: RMB'0,000

	Historical amounts for the		Historical	Approved Annual Caps for the years		
	years ended		amounts for	ended 31 December		
	31 December	31 December	the six	2018	2019	2020
	2018	2019	months	2018	2019	2020
			ended			
			30 June			
			2020			
Provision of products to the Company by Yitai Group	299,536	335,026	131,368	825,900	1,001,200	1,189,500

The historical utilisation rates in 2018 and 2019 were 36.27% and 33.46%, respectively, which were relatively lower due to factors out of control of the Company. The Hongqinghe Coal Mine of Yitai Group has large reserves with a exploitable reserve of 2,124 million tons. Therefore, it was designed and built by Yitai Group based on the annual production capacity of

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30.00 million tons, and the historical annual caps were also determined based on the production capacity. Subsequently, the production capacity was approved by competent authority at 15.00 million tons per year. On basis of the foregoing reasons, the Company reduced its coal purchases from Yitai Group correspondingly.

Proposed Annual Caps:

Unit: RMB'0,000

	Proposed Annual Caps for the years ended		
	31 December		
	2021	2022	2023
Provision of products to the Company by Yitai Group	549,700	562,700	562,700

Basis for the annual caps:

When determining the annual caps, the Company primarily considered the following factors: (1) the expected purchase volume of coal from Yitai Group to the Company; (2) due to the development demands of the coal chemical project of the Company, the demands for the coal and chemical-related materials of the Company will also increase significantly; and (3) according to the overall planning for the development of the Company, the subordinate ecological agriculture company and coal based new materials research institute of Yitai Group will provide agricultural and sideline products and technology products for the Company, thus the caps of the purchase volume of the Company from Yitai Group and its subsidiaries will also increase correspondingly. Details of main products provided by Yitai Group to the Company and the caps are as follow:

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Firstly, in 2021, 2022 and 2023, the Company is expected to purchase 15.00 million tons of coal from Yitai Group every year, respectively. Because the Yitai Group's coal products have the superior quality in the whole district, the expected price of coal with such high quality will reach approximately RMB340/ton. With respect to the expected unit purchase price, the coal demand will continue to grow in the future in line with the gradual increase in domestic real economy demand in the second half of 2020, the gradual turnaround of foreign trade as well as the recovery of real estate and infrastructure. When calculating the unit purchase price of coal, the Company aggregately calculated the prices of coal purchased from Yitai Group from January to October 2020, and made judgement on the future coal market price based on the market condition. In October 2020, the unit purchase price of coal products purchased by the Company from Yitai Group was RMB340/ton, which was as the base price for the Company's calculation of the expected purchase price. Therefore, the total purchase amount of coal of the Company from Yitai Group in 2021 to 2023 will be RMB5,100.00 million respectively.

In addition, the Company is expected to purchase chemical-related materials from Yitai Group every year. The expected purchase volume of these purchases is based on the maximum utilisation rate of coal chemical project related materials multiplied by the expected production volume by using chemical-related materials to be purchased from Yitai Group. In 2021, 2022 and 2023, the purchase amount of chemical-related materials of the Company from Yitai Group every year will be expected to be RMB340.00 million, RMB470.00 million and RMB470.00 million, respectively.

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Furthermore, with self-operated hotels and restaurants, the Company has the needs for the green, organic and high-quality agricultural and sideline products to be wholly imported from Russia and provided by Yitai Group. In 2021, 2022 and 2023, the Company is expected to purchase agricultural and sideline products from Yitai Group each year, being 1,740 tons of flour and 270 tons of edible oil, 13 tons of rice in the amount of RMB20.00 million annually.

Moreover, according to the actual needs for the business development, the Company is expected to pay RMB10.00 million of coal chemical new technology development expenses to Yitai Group annually from 2021 to 2022.

These expected transaction amounts are determined based on: (i) the latest development of coal mines of the related party providing coal products according to this agreement; (ii) the latest development of coal chemical projects of the Company using chemical-related materials to be purchased from Yitai Group; and (iii) the latest demand for agricultural and sideline products and coal chemical technology development. As forecasted on basis of the foregoing expected transaction amounts, the total purchase amount of the Company from Yitai Group and/or its subsidiaries will be approximately RMB5,497.00 million, RMB5,627.00 million and RMB5,627.00 million in 2021, 2022 and 2023, respectively. The Company is of the opinion that the Proposed Annual Caps are fair and reasonable and in line with the interests of the Company and Independent Shareholders.

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Reasons for and benefits of the transactions:

(1) Yitai Group has provided products to the Company for several years. Therefore, Yitai Group is able to fully understand the Company's business and operating needs; (2) the Company's management believes that maintaining acquisition of stable and high quality products is of utmost importance to the current and future production and operations of the Company; (3) as a part of the employee benefits of its subsidiaries including the Company, Yitai Group provides healthy organic agricultural and sideline products to the staff of the Company, contributing to improving staff centripetal force and sense of identity towards the Company and building a good corporate culture; (4) given that the Company has self-operated hotels and restaurants, the provision of high quality green organic agricultural and sideline products by Yitai Group to the Company is beneficial to the improvement of the hotels' and restaurants' services level of the Company; and (5) the consideration to be paid for products provided to the Company are no higher than that for similar products provided to the Company by independent third parties, which is beneficial to the daily operations and management of the Company; the expansion of income source and further enhancement of profitability of the Company.

2. Yitai Investment Framework Agreement on Purchase and Sale of Products and Services

The Parties:

The Company (as the Product Buyer); and Yitai Investment (as the Product Provider)

Date:

29 October 2020

Type of transaction:

Provision of power and agricultural and sideline products

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Principal terms:

The Company entered into the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services with Yitai Investment on 29 October 2020, pursuant to which, Yitai Investment and/or its subsidiaries shall provide power and agricultural and sideline products to the Company and/or its subsidiaries from time to time. The Yitai Investment Framework Agreement on Purchase and Sale of Products and Services shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties.

Pricing policies:

For the power sold to the Company by Yitai Investment, the relevant price shall be determined to be RMB0.3419/kilowatt hour after negotiation by both parties with reference to the market price provided to independent third party(ies). This power purchase price is consistent with the market price, and it is not higher than the average market power price or power price paid to the independent third party by the Company.

When determining the prices of agricultural and sideline products, the Company would require Yitai Investment to provide a price list used by the latter for its sales of similar products to independent third parties, so as to make sure that the selling price offered by Yitai Investment for agricultural and sideline products will neither be higher than the market price of similar products, nor higher than such price as paid by the Company to independent third parties for similar products.

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Historical figures and the Approved Annual Caps:

Unit: RMB'0,000

	Historical amounts for the		Historical	Approved Annual Caps for the years		
	years ended		amounts for	ended 31 December		
	31 December	2019	the six	2018	2019	2020
	2018	2019	months			
			ended			
			30 June			
			2020			
Provision of products to the Company by Yitai Investment	2,934	2,945	1,597	5,000	5,000	5,000

The historical utilisation rates in 2018 and 2019 were 58.68% and 58.90%, respectively, which were relatively lower due to following factors: (i) when determining the historical annual caps, the new energy power company providing power planned to use tracking brackets pursuant to the agreement, the expected production capacity is 2,700 hours/year, but in practise, the equipment was changed into fixed photovoltaic power equipment due to objective factors, the actual power generation of which is approximately 2,000 hours; and (ii) the electricity price experienced a downturn trend to a certain extent after determination of the previous annual caps, resulted in a decrease in actual tariff amount.

Proposed Annual Caps:

Unit: RMB'0,000

	Proposed Annual Caps for the years ended		
	31 December		
	2021	2022	2023
Provision of products to the Company by Yitai Investment	4,200	4,200	4,200

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Basis for the annual caps:

When determining the annual caps, the Company have primarily considered the following factors: (1) the price provided by Yitai Investment to the independent third party; (2) the expected quantities of power purchased under the signed agreement or upon negotiated consensus; and (3) based on the current project implementation of the Company and the expected power volume to be purchased by the Company from Yitai Investment. It is expected that the Company will purchase 98,274,300 kilowatt hours of power per year from Yitai Investment with electric charge totaled RMB33.60 million in 2021, 2022 and 2023. Meanwhile, for the purpose of enhancing the food quality of self-operated hotels and staff canteens, improving employee welfare and the office environment, the Company decided to increase the purchases of green and organic agricultural and sideline products and phalaenopsis potting produced by Yitai Investment in the next three years. The Company is expected to purchase RMB8.40 million of flowers and agricultural and sideline products annually from Yitai Investment.

These expected transaction amounts are determined based on: (i) the latest development of photovoltaic power station of the related party providing power according to this agreement and the average purchase price of power for the period between January and October 2020; and (ii) the demand for agricultural and sideline products and flowers the Company expected to purchased. As forecasted on basis of the foregoing expected transaction amounts, the total purchase amount of the Company from Yitai Investment and/or its subsidiaries will be approximately RMB42.00 million for each year of 2021 to 2023. The Company is of the opinion that the Proposed Annual Caps are fair and reasonable and in line with the interests of the Company and Independent Shareholders.

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Reasons for and benefits of the transactions:

(1) The power energy produced by the solar photovoltaic power plant under Yitai Investment is clean energy, therefore the use of power provided by Yitai Investment's subsidiary is in line with the environmental economic philosophy of the Company and contribute to the Company's social responsibility practice; and (2) the power price paid by the Company to Yitai Investment shall be determined to be RMB0.3419/kilowatt hour according to the market price standard provided to independent third party(ies), and it is not higher than the average market price or power price paid to other independent third party by the Company.

II. FINANCIAL SERVICES

3. Financial Services Framework Agreement

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

Date: 29 October 2020

Type of transaction: Provision of financial services, including deposits, loans, settlement, entrusted loans, foreign economic guarantee, credit verification, issuance of financial bonds and other financial services

Principal terms: Yitai Finance and/or its subsidiaries shall provide financial services, including deposits, loans, settlement, entrusted loans, foreign economic guarantee, credit verification, issuance of financial bonds and other financial services to the Company and/or its subsidiaries. The Financial Services Framework Agreement shall be effective from 1 January 2021 and expired on 31 December 2023, and may be renewed for another three years upon mutual agreement of the Parties.

LETTER FROM THE BOARD

Yitai Finance undertakes to provide to the Company financial services of high quality and efficiency, and to deliver notice to the Company in respect of certain agreed matters promptly, in order to maintain the security of the Company's financial assets and take appropriate mitigation measures where appropriate. In respect of the deposit services, the Group's daily deposit balance (exclusive of accrued interests) in Yitai Finance shall not be more than RMB11,700.00 million during the term of the Financial Services Framework Agreement.

Pricing policies:

The pricing policies on which Yitai Finance has undertaken to provide the aforesaid financial services to the Company are as follows:

- (1) The interest rate for the Company's deposit with Yitai Finance shall be no less than (i) the benchmark interest rate published by The People's Bank of China from time to time for deposits of similar type and term; (ii) the interest rate offered by major commercial banks in the PRC (including but not limited to the Bank of China, China Construction Bank, Industrial and Commercial Bank of China and Agricultural Bank of China) for deposits of similar type and term; and (iii) interest rate offered by Yitai Finance to the Company and its connected companies for deposits of similar type and term;
- (2) The settlement service provided by Yitai Finance to the Company is free of charge;
- (3) Yitai Finance undertakes to provide favourable interest rate for loans extended to the Company, which should not be higher than the interest rate charged by major commercial banks in the PRC for the loans with the same type and term; and
- (4) The rate charged by Yitai Finance for other financial services must comply with the charging standards prescribed by The People's Bank of China or CBIRC, and should be no higher than the rate charged by major commercial banks in the PRC for the same type of services.

LETTER FROM THE BOARD

**Historical deposit balance
and the Approved
Annual Caps:**

Unit: RMB'0,000

	Historical amounts for the		Historical	Approved Annual Caps for the years		
	years ended		amounts for	ended 31 December		
	31 December	2019	the six	2018	2019	2020
	2018	2019	months			
			ended			
			30 June			
			2020			
Deposit balance cap provided by Yitai Finance to the Company	899,623	896,881	897,678	900,000	900,000	900,000

Proposed Annual Caps:

Unit: RMB'0,000

	Proposed Annual Caps for the years		
	ended 31 December		
	2021	2022	2023
Deposit balance cap provided by Yitai Finance to the Company	1,170,000	1,170,000	1,170,000

LETTER FROM THE BOARD

**Historical annual interest
and the Approved
Annual Caps:**

Unit: RMB'0,000

	Historical amounts for the		Historical	Approved Annual Caps for the years		
	years ended		amounts for	ended 31 December		
	31 December	2019	the six	2018	2019	2020
	2018		months			
			ended			
			30 June			
			2020			
Annual interest received by Yitai Finance for providing deposits to the Company	3,674	4,401	1,486	4,500	4,500	4,500

Proposed Annual Caps:

Unit: RMB'0,000

	Proposed Annual Caps for the years		
	ended 31 December		
	2021	2022	2023
Annual interest received by Yitai Finance for providing deposits to the Company	18,840	18,840	18,840

LETTER FROM THE BOARD

**Historical other financial
service handling fees and
the Approved Annual Caps:**

Unit: RMB'0,000

	Historical amounts for the		Historical amounts for the six months ended	Approved Annual Caps for the years		
	years ended		ended	ended 31 December		
	31 December	31 December	30 June	2018	2019	2020
	2018	2019	2020	2018	2019	2020
Handling fees charged by Yitai Finance for providing other financial services to the Company	0	231	0	1,700	1,700	1,700

For other financial services provided by Yitai Finance to the Company, no handling fees occurred in 2018 and the handling fees was also relatively lower in 2019 were due to the following factors: (i) the entrusted loans and bank acceptance services under the financial services are determined for certain project under progress, no actual service fee occurred due to the project's delayed construction; and (ii) for underwriting bond business, it shall not be carried out until obtaining relevant approvals, and it could not be carried out as scheduled as approvals were not obtained in time.

Proposed Annual Caps:

Unit: RMB'0,000

	Proposed Annual Caps for the years		
	ended 31 December		
	2021	2022	2023
Handling fees charged by Yitai Finance for providing other financial services to the Company	3,335	3,335	3,335

LETTER FROM THE BOARD

Basis for the annual caps:

Deposit services

When determining the Proposed Annual Caps for the deposit services, the Company has considered the increasing total assets and expected increases in daily deposits balance of the Company. In addition, the Company has considered that Yitai Finance shall be subject to supervision of the CBIRC, thus expects it would have good risk control and management practices with the security level of settlement system being reached the standards of domestic commercial banks. Cooperation between the Company and Yitai Finance would reduce our financial expenditures, increase interests income from deposits, reduce our settlement costs and be beneficial to our risk control.

The Company will endeavour to carry out adequate supervision over the transaction amount of the deposit services and the interests income for the whole year provided by Yitai Finance to the Company against the relevant annual caps in future with a view to ensuring that necessary measures and appropriate actions for the compliance with applicable requirements under the Listing Rules will be promptly taken. Specifically, the Company has formulated the administrative measures of internal control, and conduct internal audit work against Yitai Finance on a regular basis; the financial management department of the Company will pay close attention and monitor the transactions and disposition of relevant businesses of Yitai Finance, and report to the Board in time.

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

LETTER FROM THE BOARD

According to the actual needs of production and operating activities, investing activities and financing activities of the Company and its subsidiaries from 2021 to 2023, combined with the Company's overall capital plan, the Company is expected to raise a maximum of RMB20.0 billion monetary funds from 2021 to 2023.

The Company adjusted the Proposed Annual Caps of deposit services from 2021 to 2023 accordingly for the following reasons: (1) in 2020, under the impact of the environment, the coal price increased significantly, and the Company expected that the production capacity of Suancigou Mine will increase from 12 million tons per year to 18 million tons per year in the future, the demand for deposits will increase in line with the increase of operating income; (2) the Company expected that the maximum deposit will reach RMB13.0 billion, and adjustment on the annual caps will allow the Company's fund collective by depositing to Finance Company; and (3) it is expected that the selling prices of products in the coal-chemical segment will further increase, the transportation capacity of the railway segment will be further enhanced. Both segments will show a good trend of development and the operating income will experience a notably growth in the future.

Meanwhile, when determining the relevant interest rate level, Yitai Finance will provide the Company and its subsidiaries with an interest rate more favorable than the average rate in the market. At the same time, according to comprehensive factors including contribution, resources endowment, industry development planning of the Company and its subsidiaries, Yitai Finance is expected that, from 2021 to 2023, total deposit interest rate of the Company and its subsidiaries shall be no more than 1.61%, with a total annual interest no more than RMB188.40 million.

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Loan services

The terms on which Yitai Finance provides loan services to the Company are normal commercial terms and no less favourable than those provided to the Company by any independent third parties in respect of similar services in the PRC, and no assets will be pledged by the Company in respect of any loan services. Thus, the loan services shall be exempted from the reporting, announcement and seeking for the Independent Shareholders' approval requirements under Rule 14A.87 of the Listing Rules. Accordingly, there is no cap for the loan services.

Settlement services

The fund flows relating to the settlement services between the Company and Yitai Finance are the ones from the deposit services under the Financial Services Framework Agreement. Due to the large daily business volume, the Company discussed with Yitai Finance, and Yitai Finance agreed to waive relevant handling fees and provide settlement services at nil consideration. There was also reduction or exemption of handling fees by other individual financial institutions that the Company cooperates with, the actual reduction or exemption is relevant to the policies of financial institutions.

Yitai Finance provides settlement services to the Company for no charge. Therefore, the settlement services shall be exempted from the reporting, announcement and seeking for the Independent Shareholders' approval requirements under Rule 14A.76 of the Listing Rules. Accordingly, there is no cap for the settlement services.

Other financial services

The annual caps of other financial services are determined after discussion with Yitai Finance and based on the Company's actual demand.

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According to the Financial Services Framework Agreement, the standard of other financial services handling fee charged by Yitai Finance from the Company is as follows: (1) charging 0.3% of implemented loan amount for entrusted loan services, and it is expected that the annual amount of entrusted loan businesses is approximately RMB6.5 billion with handling fees totalling approximately RMB19.50 million from 2021 to 2023; (2) charging 0.05% of the face value for bank acceptance services, and it is expected that the annual amount of bank acceptance businesses is approximately RMB3 billion with handling fees totalling approximately RMB150,000 from 2021 to 2023; (3) charging 0.4% of the actual underwriting amount for the bond businesses underwriting fees of the underwriting members, and it is expected that the annual amount of bond businesses of the underwriting members is approximately RMB2.6 billion with handling fees totalling approximately RMB10.40 million from 2021 to 2023; and (4) from 2021 to 2023, other financial services handling fee will be approximately RMB1.30 million each year. The total amount is RMB31.35 million.

The Directors are of the view that the proposed annual caps will not have material adverse effect on the capital utilization of the Company.

Reasons for and benefits of the transactions:

The registered capital of Yitai Finance is RMB1.0 billion, of which RMB400 million was contributed by the Company in cash in July 2015, representing a shareholding of 40%, and RMB600 million by Yitai Group in cash, representing a shareholding of 60%. The board of Yitai Finance will comprise 5 Directors, the Company being interested in 40% of Yitai Finance will be entitled to appoint 2 Directors to the board of Yitai Finance. The Company is of the opinion that, the Company could enhance its supervision on the operation of Yitai Finance by appointing directors, and it will be beneficial to the Company's risk control of financial service.

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Given that Yitai Finance is subject to the supervision of the CBIRC and provides its services in accordance with the rules and operational requirements of the CBIRC, the Company believes that the risk profile of Yitai Finance, as a financial services provider to the Company, is not significantly greater than that of other independent commercial banks in the PRC. In any event Yitai Finance breaches any guidelines and requirements of the CBIRC regarding the asset and liability ratio, the Company will cease to place any deposit in Yitai Finance and will transfer funds placed in Yitai Finance to other independent financial institutions. In addition, if the following situation occurs, the Company will withdraw the entire or part of the Group's deposits in Yitai Finance (as the case may be) and cease to place further deposits to Yitai Finance:

- (i) substantial withdrawal of deposits by other member companies; unable to pay its debt when it falls due; a substantial amount of overdue loan repayment and guarantee payment; information system breakdown; robbery or fraud; material breach of law and/or commitment of criminal offense by directors and/or senior management of Yitai Finance;
- (ii) loss on investment in securities by Yitai Finance amounts to 50% of its registered capital;
- (iii) change in group structure, shareholding or operational risk which may result in affecting the operation of Yitai Finance;
- (iv) the daily maximum deposit amount of Yitai Finance exceeds the maximum limits as prescribed in the relevant rules and regulations of the relevant regulatory body;
- (v) Yitai Finance is guilty of breaching relevant rules and regulations and is penalized by the CBIRC or other regulatory bodies;
- (vi) Yitai Finance is instructed by the CBIRC to reorganize its business; and/or

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- (vii) any event which the Directors considered placing deposits in Yitai Finance will result in the insecurity of the Group's deposits.

As undertaken by Yitai Group, Yitai Group will increase the capital by way of provision of sufficient shareholder loans to Yitai Finance in case Yitai Finance has difficulty in financing its daily operation and settling its debt when it falls due. The capital injection will be carried out solely by Yitai Group, and the Company will not be required to contribute proportionately. Furthermore, Yitai Finance will provide financial services only to the member company of the Yitai Group. Yitai Finance will be in a better position to gain information of the member companies in a more timely and comprehensive manner as compared to other commercial banks and is also exposed to a lower level of potential risk compared to commercial banks which conduct business with clients of various credit ratings and background not comparable to the Company.

Having considered (i) Yitai Finance will be held as to 40% shareholding by the Company, and the Company will be entitled to nominate two directors of Yitai Finance to oversee its operation and corporate governance; (ii) the provision of financial services by Yitai Finance is limited only to member companies; (iii) Yitai Finance will operate under the relevant guidelines and requirements of the CBIRC which are also guidelines and requirements to be complied with by other independent financial institutions; (iv) if the Directors have confirmed that in any event Yitai Finance breaches any guidelines and requirements of the CBIRC, the Company will cease to place any deposit in Yitai Finance; and (v) Yitai Group has undertaken that it will increase the capital of Yitai Finance in case Yitai Finance has difficulty in payment. Directors are of the view that the risk profile of Yitai Finance is not significantly greater than that of other independent commercial banks in the PRC.

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The Company and Yitai Finance will adopt various internal control and risk management measures in relation to the provision of financial services by Yitai Finance in order to ensure the protection of the interest of the shareholders. As advised by the management of the Company, there are internal control measures in place for the monitoring of the compliance of Yitai Finance with the relevant regulations, the risk profile of Yitai Finance and the deposit services. Such measures include monitoring of the daily balance of the Company's deposits by the designated treasury manager of finance and treasury department of the Group, periodical review of financial statements of Yitai Finance and the risk management report and the annual operation report to be submitted to the CBIRC in assessing relevant financial indicators of Yitai Finance.

Yitai Finance will establish stringent internal control measures to ensure effective risk management. It will formulate its articles of association in accordance with the relevant PRC regulations. It will set up separate internal bodies to assume the role of decision making, implementation and supervision respectively. The decision making bodies include the shareholders' meeting, the board of directors and the risk management committee (which reports directly to the board of directors), while the implementation role will be undertaken by certain senior management, the credit approval committee and relevant operational departments of Yitai Finance. The audit supervisor of the risk management department which will be subordinated under the risk management committee will assume the supervisory duties in the internal control system. Each of the internal bodies will have different roles and assume separate functions in a way that they can coordinate with one another and at the same time maintain mutual monitoring and balance.

The benefits of this transaction are set out as below:

- (i) It is an alternative choice for the Company in addition to obtain loans from other financial institutions, which can improve the liquidity within the Company, enhance the Company's overall solvency, and assist in financial risks monitoring;

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- (ii) The Company will treat Yitai Finance as a platform for fund management to help the members of the Company to deploy their capital more efficiently;
- (iii) The interest rate on the deposit services offered to the Company, and handling charges related to other financial services charged by Yitai Finance shall be no less favorable (according to individual circumstances) than those offered by any independent third parties to the Company; and
- (iv) The arrangements under the Financial Services Framework Agreement would help in saving financial costs so as to enhance the Company's profitability.

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The Directors consider it will be in the interest of the Company to grasp the opportunity of cooperation with Yitai Finance so as to diversify the financing platform of the Company. As advised by the Directors, the Company is neither obliged nor committed to engage Yitai Finance to provide the deposit services under the Financial Services Framework Agreement, and Yitai Finance is merely one of the financial institutions which provides deposit services to the Company. This arrangement allows the Company to have the flexibility and discretion to select the appropriate provider for deposit services. It is expected that Yitai Finance, as an inter-group service provider, is more familiar with the Company's operation and will have better and more efficient communication with the Company compared with other commercial banks and financial institutions in the PRC for the deposit services under the Financial Services Framework Agreement. In addition, the interest rate offered by Yitai Finance for the deposit services will not be lower than those that would have been offered to the Company by other major commercial banks in the PRC or those offered by Yitai Finance to third parties. According to the Financial Services Framework Agreement, the deposit balance shall not exceed the loan outstanding balance of the Company in Yitai Finance. If Yitai Finance defaults payment when the Company withdraws its deposits, the Company shall withhold the repayment of outstanding loan to Yitai Finance. Having considered that the Company has its sole discretion to use the deposit services provided by other commercial banks and financial institutions when the relevant terms are more favourable than those offered by Yitai Finance, we are of the view that the deposit services provide the Company with an alternative choice of service provider for deposit services and allow the Company to select the service provider offering the most favorable terms to the Company.

III. MEASURES OF INTERNAL CONTROL

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

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- The Company has established and adopted a management system on connected transactions. According to the system, the office of the Board and finance department are responsible for the information collection and monitoring of connected transactions, and conducting evaluation on the fairness of the transaction terms and the pricing terms.
- The finance department of the Company is responsible for the information collection and monitoring of the Continuing Connected Transactions as well as submission of the monthly report to the office of the Board, and ensuring the actual amount of the Continuing Connected Transactions shall be not more than the annual caps. The office of the Board shall assess the fairness of the terms of the transaction and pricing. If the actual amount will reach the cap soon, the finance department will notify the office of the Board in time, and the office of the Board shall perform the corresponding review and disclosure procedures according to relevant rules.
- When determining the actual prices of the coal products provided to the Company and sold by the Company, the delivery and sale department of the Company is responsible for making enquiries and survey on the prices of the majority coal products in certain areas. If there are comparable market prices, it will compare the proposed prices with the market prices, and hold a pricing meeting per month to determine the recent coal trading price range. The relevant officers and responsible leaders of the delivery and sale department who are responsible for procurement and sales management, contract management, customer management will attend and participate in pricing, to ensure that the transaction prices are not higher or lower than the historical prices of similar products or prices quoted by other third parties in the market.
- When determining the purchase price of other goods, the Company will conduct the procurement approval according to the established “Procurement Management System”, to ensure that the transaction price is fair and reasonable. The Company’s procurement center, investment management department, administration department, audit supervision department will participate in reviewing of the contract within their respective authorized scope, to ensure that the price is in line with the price terms of general supply agreement and the terms offered by the provider to the Company not less favourable than those offered to independent third parties.
- The Company and its subsidiaries will ask the price quotation of similar goods from other independent third parties, to ensure whether they could obtain alternative products with the same quality at the best competitive price in time. Therefore, if the Company and its subsidiaries may obtain more favourable terms from other third parties, they may not entrust the connected persons and associates of the Company to provide goods. Prior to the implementation of certain financial services, the principal officers who handle the relevant matters shall lodge applications to the financial department, and such applications would only be approved upon preliminary review and final review conducted by the head of the financial department and the chief financial officer of the Company pursuant to the relevant internal control policies of the Company.

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- The independent non-executive Directors of the Company have also reviewed and will continue to review the non-exempt Continuing Connected Transactions to ensure such agreements are entered into on normal commercial terms, are fair and reasonable, and are carried out pursuant to the terms of such agreements. The auditors of the Company will also conduct an annual review on the pricing and annual caps of such non-exempt Continuing Connected Transactions.

IV. LISTING RULES IMPLICATION

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

As at the Latest Practicable Date, Yitai Investment directly holds 99.64% of the existing share capital of Yitai Group and is the Controlling Shareholder of Yitai Group, and thus Yitai Investment constitutes a connected person of the Company. Therefore, the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services between the Company and Yitai Investment and its subsidiary and the transactions contemplated thereunder constitute the Continuing Connected Transactions of the Company under Chapter 14A of the Listing Rules.

As (1) Yitai Group and Yitai Investment are connected parties to each other; (2) each of the Yitai Group Framework Agreement on Purchase and Sale of Products and Services as well as the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services involves in providing products and services to the Company; and (3) these agreements are entered into or completed within 12-month period, the proposed products and services supply to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services as well as the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratios of the annual caps in respect of the proposed products supply to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services as well as the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services exceed 25% but are less than 75% under the Listing Rules, such transactions constitute the Continuing Connected Transactions and shall be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio under the Listing Rules of the annual caps in respect of the deposit services proposed to be provided to the Company under the Financial Services Framework Agreement exceeds 25% but is less than 75%, the transaction constitute the Continuing Connected

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Transactions and major transactions at the same time, and shall be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules. As each of the highest applicable percentage ratios under the Listing Rules of the annual caps in respect of the other financial services contemplated under the Financial Services Framework Agreement exceeds 0.1% but less than 5% under the Listing Rules, thus such transactions shall be subject to the reporting, annual review and announcement requirements but exempt from seeking for the Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Board has reviewed and approved the resolutions regarding the renewal of the existing Continuing Connected Transactions. As Mr. Zhang Jingquan, Mr. Liu Chunlin, Mr. Ge Yaoyong, Mr. Zhang Dongsheng and Mr. Lv Guiliang, all being Directors of the Company, are deemed to have material interests in the above transactions, they have abstained from voting on the above resolutions accordingly. For strict corporate governance purpose, Mr. Liu Jian and Mr. Lv Junjie, being the rest of executive Directors, also abstained from voting. Save for the above persons, other Directors have no interests in the above resolutions.

The Directors (including the independent non-executive Directors) are of the view that the renewal of the existing Continuing Connected Transactions are on normal commercial terms in the ordinary and usual course of business of the Group, and is fair and reasonable and in the interests of the Group and Shareholders as a whole.

The Company has appointed TC Capital as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the renewal of the existing Continuing Connected Transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how they should vote in respect of the above resolutions at the EGM. The Independent Board Committee comprising all independent non-executive Directors has been established by the Company to advise the Independent Shareholders as to whether the renewal of the existing Continuing Connected Transactions are entered on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and are in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders as to how they should vote in respect of the above resolutions, after taking into account the recommendations of the Independent Financial Adviser.

V. GENERAL INFORMATION

Information on the Company

The Company is a joint stock limited liability company incorporated in the PRC on 23 September 1997, which is one of the largest coal enterprises in the PRC. The principal businesses of the Company include coal operations, transportation operations, coal related chemical operations and other operations.

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Information on Yitai Group

Yitai Group is one of the Company's Controlling Shareholders, which is a limited liability company duly incorporated in the PRC. Yitai Group's core businesses include technology development in relation to coal-based chemical products and processing and sale of livestock products. The ultimate beneficial owner of Yitai Group is Yitai Investment.

Information on Yitai Investment

Yitai Investment, a stock limited company incorporated under the PRC law in December 2005, changed from a limited liability company to a stock limited company in June 2017 and the company name changed from Inner Mongolia Yitai Investment Limited Liability Company to Inner Mongolia Yitai Investment Co., Ltd. The operations of Yitai Investment include investment of energy industry and railway construction. The ultimate beneficial owner of Yitai Investment is a large number of third-party shareholders who are not connected persons of the Company.

Information on Yitai Finance

Yitai Finance obtained approval for establishment from the CBIRC on 8 January 2015 and obtained approval for incorporation. The operations of Yitai Finance include: providing financial and financing advisory, credit appraisal and related consulting; agency service for its members; assisting its members in collecting and making transaction payments; approved insurance agency business; providing security and guarantee for its members; handling entrusted loan and entrusted investments among its members; handling bill acceptance and discounting affairs for its members; conducting internal financial transfers between members and the corresponding settlement, clearing design; absorbing deposits from its members; providing loans and finance lease to its members; engaging in inter-bank borrowings. The ultimate beneficial owner of Yitai Finance is Yitai Investment.

VI. EGM

The second EGM will be held at 2:30 p.m on Wednesday, 16 December 2020 at Room 1, Conference Center, Building of Inner Mongolia Yitai Coal Co., Ltd., Ordos, Inner Mongolia, the PRC. The notice convening the EGM is set out on pages 70 to 71 of this circular.

In order to determine the H Shareholders entitled to attend the 2020 second EGM to be held on 16 December 2020, the register of members of H shares of the Company has been closed from Monday, 16 November 2020 to Wednesday, 16 December 2020 (both days inclusive). Holders of H shares of the Company whose names appear on the register of members of H shares of the Company maintained at Computershare Hong Kong Investor Services Limited on Wednesday, 16 December 2020 are entitled to attend and vote at the EGM upon completion of the registration procedures. In order to qualify for attending and voting at the EGM, all transfer documents of H shares of the Company, accompanied by the relevant share certificates, must be lodged by the Shareholders with the Company's H share registrar before Friday, 13 November 2020 at 4:30 p.m.

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Whether or not you propose to attend the EGM, you are requested to complete the proxy form in accordance with the instruction printed thereon and return it to the Hong Kong H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible but in any event no later than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment thereof if you so wish.

VII. VOTING AT THE EGM BY WAY OF POLL

Pursuant to Rule 13.39(4) of the Listing Rules, all votes of the Shareholders at the general meetings must be taken by poll. Therefore, the resolutions set out in the notice of the EGM will be required to be voted by way of poll.

On a poll, every Shareholder present in person or by proxy or (being a corporation) by its duly authorized representative at the EGM shall have one vote for each share registered in his/her/its name in the register of members. A Shareholder entitled to more than one vote needs not use all his/her/its votes or cast all the votes he/she uses in the same manner.

VIII. RECOMMENDATION

Based on the information disclosed in this circular, the Directors (including the independent non-executive Directors) are of the opinion that the renewal of the existing Continuing Connected Transactions and the estimation of the Company for the maximum of daily related party transactions (B shares) are on normal commercial terms in the ordinary and usual course of business of the Group, and is in the interests of the Company and its Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of and approve the proposed resolutions regarding the renewal of the existing Continuing Connected Transactions at the EGM.

IX. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee as set out on pages 39 to 41 of this circular, which contains its recommendations to the Independent Shareholders, and the letter from the Independent Financial Adviser as set out on pages 41 to 58 of this circular, which contains its opinions to the Independent Board Committee and the Independent Shareholders in respect of the renewal of existing Continuing Connected Transactions. Your attention is also drawn to other information as set out in this circular.

At the EGM, a resolution will be also considered and approved in relation to the expected caps of daily related party transactions of the Company for the year 2021 to 2023 (B Shares), the details of which, please refer to the Announcement Regarding Expected Caps of Daily Related Party Transactions of the Company for the Year 2021 to 2023 dated 29 October 2020 as published by the Company on the websites of the Shanghai Stock Exchange (<http://www.cninfo.com.cn/new/index>) and the Company (<http://www.yitaicoal.com/>).

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The following table sets out the specific details of daily related party transactions (B shares) for the year 2021 to 2023:

Unit: 0'000 yuan Currency: RMB

Type	Related party	Details	2021 (Estimated)	2022 (Estimated)	2023 (Estimated)	Remark
Sales of goods	Yitai Group and its subsidiaries	Sales of materials and equipments	8,200	8,200	8,200	Note 2
	Yuanji Chemical	Sales of chemicals	48,200	48,200	48,200	Note 3(1)
	Jingtai Electronic Power Generation	Sale of coal and oil products	34,500	114,000	114,000	Note 2
	Jingtai Environmental Technology	Equipment manufacturing and oil products	1,700	1,700	1,700	Note 2
Subtotal			92,600	172,100	172,100	
Provide labor services	Yitai Group and its subsidiaries	Provide standardized management, leasing and other services	1,465	1,655	1,655	Note 2
	Yitai Real Estate	Property leasing	400	400	400	Note 3(2)
	Yuanji Chemical	Sales agent	1,500	1,500	1,500	Note 3(1)
	Jingtai Environmental Technology	Project management fee	1,100	1,100	1,100	Note 2
Subtotal			4,465	4,655	4,655	
Purchase of goods	Yitai Group and its subsidiaries	Purchase of catalysts, coal, agricultural and sideline products, etc.	549,700	562,700	562,700	Note 1
	Yitai Investment	Purchase of electricity, flowers, agricultural and sideline products	4,200	4,200	4,200	Note 1
	Yitai Information	Purchase of information products	9,025	9,610	6,650	Note 3(3)
	Yanzhou Coal Neng Hua	Purchase of coal	79,700	79,700	79,700	Note 2
Subtotal			642,625	656,210	653,250	

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Type	Related party	Details	2021 (Estimated)	2022 (Estimated)	2023 (Estimated)	Remark
Receipt of labor services	Machine Equipment Complete Co.	Bidding agency, supervision service	7,100	5,100	2,700	Note 2
	Yitai Group and its subsidiaries	Hazardous waste treatment and design services	20,700	20,700	20,700	Note 2
	Yitai Investment and its subsidiaries	Greening Service	2,300	2,300	2,300	Note 2
	Yitai Information	Information Service	5,010	3,840	5,000	Note 3(3)
	Jingtai Environmental Technology	Operation and maintenance service	14,000	14,000	14,000	Note 2
	Jiaye Environmental Energy	Energy saving project technical service	1,400	3,100	2,800	Note 3(4)
	Mengji Railway	Shipment service	66,000	66,000	66,000	Note 3(5)
	Xin Baoshen Railway	Shipment service	13,000	13,000	13,000	Note 3(6)
Subtotal			129,510	128,040	126,500	
Total			869,200	961,005	956,505	
Financial Services	Yitai Finance	Maximum daily deposit balance	1,170,000	1,170,000	1,170,000	Note 1
		Maximum annual interest	18,840	18,840	18,840	Note 1
		Maximum financial service handling fee	3,335	3,335	3,335	Note 1

Note 1: The transaction also constitutes a Continuing Connected Transaction that requires Independent Shareholders' approval. For details, please refer to the section headed "Letter from the Board" in this circular.

Note 2: The transaction also constitutes a Continuing Connected Transaction. For details, please refer to the Company's announcement dated 29 October 2020 in relation to the renewal of existing Continuing Connected Transactions and entering into new Continuing Connected Transactions.

Note 3: The transaction does not constitute a Continuing Connected Transaction, and shall not be aggregated pursuant to Rule 14A.81 of the Listing Rules. Please find in below for further transaction details.

(1) Inner Mongolia Yuanji Chemical Co., Ltd. ("**Yuanji Chemical**")

1. Type of enterprise: Limited liability company
2. Legal representative: Pan Qingmin
3. Registered capital: RMB130 million

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4. Address: Dalu Town, Jungar Banner, Inner Mongolia
 5. Main businesses: Production and sales of chemical products (excluding hazardous chemicals); coal sales, loading and unloading, sales of building materials, hardware mechanical and electrical products and equipment, mine equipment repair and construction, mine production technical services, construction machinery leasing, earth and stone works, landscaping; non-storage operation of following commodities: naphtha, methanol.
 6. Related relationship: The holding subsidiary of the Company holds 36% shareholdings in Inner Mongolia Yuanji Chemical Co., Ltd., and the senior executives of Yitai Group serve as its Directors, thus Inner Mongolia Yuanji Chemical Co., Ltd. constitutes a related party under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.
 7. Main content of the transaction: The Company and its subsidiaries sold chemical products to Yuanji Chemical, and Yuanji Chemical paid corresponding consideration to the Company and its subsidiaries.
- (2) Inner Mongolia Yitai Real Estate Co., Ltd. (“**Yitai Real Estate**”)
1. Type of enterprise: Limited liability company
 2. Legal representative: Wang Yongjun
 3. Registered capital: RMB9,000 million
 4. Address: Block 14, Yimei South Road, Dongsheng District, Erdos, Inner Mongolia
 5. Main businesses: Real estate development; property sales and leasing.
 6. Related relationship: Erdos Yitai Investment Holdings Company Limited holds 100% shareholdings in Yitai Real Estate, and its Directors serve as Directors of Yitai Real Estate, thus Erdos Yitai Investment Holdings Company Limited constitutes a related party under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.
 7. Main content of the transaction: The Company and its subsidiaries provided property leasing services to Yitai Real Estate, and Yitai Real Estate and its subsidiaries paid corresponding consideration.
- (3) Inner Mongolia Yitai Information Technology Co., Ltd. (“**Yitai Information**”)
1. Type of enterprise: Other limited liability company
 2. Legal representative: Liu Kun
 3. Registered capital: RMB10 million
 4. Address: Room 605, High-tech Building, High-tech Industrial Park, Erdos, Inner Mongolia
 5. Main businesses: Software development; information technology consulting and technical services; research and development and production of computer software and hardware product; computer information system integration, network engineering; computer software and hardware outsourcing services; engineering technical services of industrial automation

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system; sales of computer software, hardware and peripheral equipment, accessories and consumables and electronic monitoring equipment; weak current engineering, intelligent construction and installation engineering.

6. Related relationship: Yitai Group holds 15% shareholdings in Inner Mongolia Yitai Information Technology Co., Ltd., and the Directors of Yitai Group serve as its Directors, thus Inner Mongolia Yitai Information Technology Co., Ltd. constitutes a related party under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.
7. Main content of the transaction: Yitai Information provided information products and information services to the Company and its subsidiaries, and the Company and its subsidiaries paid corresponding consideration to Yitai Information.

(4) Inner Mongolia Yitai Jiaye Environmental Energy Co., Ltd. (“**Jiaye Environmental Energy**”)

1. Type of enterprise: Joint stock company (unlisted)
2. Legal representative: Zhang Donghai
3. Registered capital: RMB1 million
4. Address: Yitai Building, Tianjiao North Road, Dongsheng District, Erdos, Inner Mongolia
5. Main businesses: Research and development, production, sales, logistics, import and export of chemical products (excluding hazardous chemicals); research and development and services on energy-saving and environmental protection technology, environmental governance, pollutant treatment; coal production, logistics, washing, coking; mechanical and electrical equipment as well as materials processing and sales; installation and maintenance engineering of mechanical and electrical equipment; installation and maintenance engineering of chemical equipment and facilities; financial services; research and development, production, sales and services of new energy technology.
6. Related relationship: Majority of the board members of Jiaye Environmental Energy are the Directors or senior managers of Yitai Group and the Company, thus Jiaye Environmental Energy constitutes a related party under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange and a connected person under the Listing Rules.
7. Main content of the transaction: Jiaye Environmental Energy and its subsidiaries provided energy-saving project technical services to the Company and its subsidiaries; the Company and its subsidiaries paid corresponding consideration to Jiaye Environmental Energy.

(5) Mengji Railway Co., Ltd. (“**Mengji Railway**”)

1. Type of enterprise: Other limited liability company
2. Legal representative: Wang Lianchun
3. Registered capital: RMB22,180 million
4. Address: No. 30, Xilin North Road, Xincheng District, Hohhot, Inner Mongolia
5. Main businesses: Railway passenger and freight transportation of the Zhangjiakou – Jining Line and the second dual line of Jining – Baotou Railway, related railway passenger and freight transportation services. General operating items: construction of the Zhangjiakou – Jining Line

LETTER FROM THE BOARD

Zhangji and the second dual line of Jining – Baotou Railway, construction of the Zhangjiqkou – Tangshan Line, related railway supporting facilities construction; repair and manufacturing of transportation facilities (except franchise); distribution of materials, machinery and equipment; warehousing and logistics; investment in railway, highway, municipal infrastructure construction, and mineral resource development industries; technical consulting services.

6. Related relationship: The Company holds 8.93% shareholdings in Mengji Railway Co., Ltd., and the Directors of the Company serve as its Directors, thus Mengji Railway Co., Ltd. constitutes a related party under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.
7. Main content of the transaction: Mengji Railway provided transportation services to the Company and its subsidiaries, and the Company and its subsidiaries paid corresponding consideration to Mengji Railway.

(6) Xin Baoshen Railway Co., Ltd. (“**Xin Baoshen Railway**”)

1. Type of enterprise: Limited liability company
2. Legal representative: Gu Jun
3. Registered capital: RMB2,544.96 million
4. Address: Headquarter Economic Building, Dongsheng District, Ke’elun Road West, Dongsheng District, Erdos, Inner Mongolia
5. Main businesses: Undertaking the construction and operation of the Baotou-Shenmu section railway project; manufacture and repair of transportation equipment (except franchise); investment in railway, highway and municipal infrastructure; distribution of metal materials, machinery and equipment; warehousing, logistics, technical consulting services.
6. Related relationship: The Company holds 15% shareholdings in Xin Baoshen Railway Co., Ltd., and the Directors of the Company serve as its Directors, thus Xin Baoshen Railway Co., Ltd. constitutes a related party under the Rules Governing the Listing of Stocks on Shanghai Stock Exchange.
7. Main content of the transaction: Xin Baoshen Railway provided transportation services to the Company and its subsidiaries, and the Company and its subsidiaries paid corresponding consideration to Xin Baoshen Railway.

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

As at the date of this circular, the executive directors of the Company are Mr. Zhang Jingquan, Mr. Liu Chunlin, Mr. Ge Yaoyong, Mr. Zhang Dongsheng, Mr. Liu Jian, Mr. Lv Guiliang and Mr. Lv Junjie; and the independent non-executive directors of the Company are Mr. Zhang Zhiming, Mr. Huang Sujian, Mr. Wong Hin Wing and Ms. Du Yingfen.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



内蒙古伊泰煤炭股份有限公司

INNER MONGOLIA YITAI COAL CO., LTD.*

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

(Stock Code: 3948)

1 December 2020

To the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

We refer to the circular issued by the Company to Shareholders dated 1 December 2020 (the “**Circular**”) of which this letter forms a part. Terms defined in the Circular shall have the same meanings when used in this letter unless the context otherwise requires.

We have been appointed by the Board to as members of the Independent Board Committee to advise the Independent Shareholders as to whether the renewal of existing Continuing Connected Transactions is on normal commercial terms and are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

TC Capital has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the renewal of existing Continuing Connected Transactions is on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. The text of the letter of advice from the Independent Financial Adviser containing their recommendation and the principal factors they have taken into account in arriving at their recommendation is set out from pages 41 to 58 of the Circular.

After considering the information contained in the letter from the Board and the contents contained in the letter from the Independent Financial Adviser in the Circular, we consider that the renewal of existing Continuing Connected Transactions is conducted in the ordinary and usual course of business of the Company, is on normal commercial terms and is fair and reasonable, and is in the interests of the Company and the Shareholders as a whole.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the renewal of Continuing Connected Transactions.

Yours faithfully,
For and on behalf of
Independent Board Committee
Independent non-executive Directors

Mr. Zhang Zhiming

Mr. Huang Sujian

Mr. Wong Hin Wing

Ms. Du Yingfen

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from TC Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the renewal of Continuing Connected Transactions (as defined below) and the Proposed Annual Caps (as defined below), for the purpose of inclusion in this circular.



1 December 2020

*The Independent Board Committee and the Independent Shareholders
Inner Mongolia Yitai Coal Co., Ltd.**

Dear Sirs,

RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders on (1) the renewal of existing continuing connected transactions (the “**Continuing Connected Transactions**”) in respect of (i) the products supply to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services; (ii) the products supply to the Company under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services; and (iii) the deposit services under the Financial Services Framework Agreement (together with the Yitai Group Framework Agreement on Purchase and Sale of Products and Services and the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services, collectively, the “**Continuing Connected Agreements**”); and (2) the proposed annual caps of the Continuing Connected Transactions for the three years ending 31 December 2023 (the “**Proposed Annual Caps**”), details of which are set out in the letter from the Board (the “**Letter from the Board**”) in the circular of Inner Mongolia Yitai Coal Co., Ltd.* (the “**Company**”) to the Shareholders dated 1 December 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter have the same meanings as those defined in the Circular unless the context otherwise requires.

Listing Rules implication of the Continuing Connected Transactions

As at the Latest Practicable Date, Yitai Group directly and indirectly held 58.76% of the existing issued share capital of the Company and was a Controlling Shareholder of the Company, and thus constituted a connected person of the Company. Meanwhile, the Company and Yitai Group held 40% and 60% of shareholdings in Yitai Finance respectively, thus Yitai Finance constituted a connected person of the Company. Therefore, the Yitai Group Framework Agreement on Purchase and Sale of Products and Services between the Company and Yitai Group and the transactions contemplated thereunder, and the Financial

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Services Framework Agreement between the Company and Yitai Finance and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Yitai Investment directly held 99.64% of the existing share capital of Yitai Group and was the Controlling Shareholder of Yitai Group, and thus Yitai Investment constituted a connected person of the Company. Therefore, the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services between the Company and Yitai Investment and its subsidiary and the transactions contemplated thereunder constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As (i) Yitai Group and Yitai Investment are connected parties to each other; (ii) each of the Yitai Group Framework Agreement on Purchase and Sale of Products and Services as well as the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services involves in providing products and services to the Company; and (iii) these agreements are entered into or completed within 12-month period, the proposed products and services supply to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services as well as the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services shall be aggregated pursuant to Rule 14A.81 of the Listing Rules.

As the highest applicable percentage ratios of the annual caps in respect of the proposed products supply to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services as well as the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services exceed 25% but are less than 75% under the Listing Rules, such transactions constitute the Continuing Connected Transactions and shall be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. As the highest applicable percentage ratio under the Listing Rules of the annual caps in respect of the deposit services proposed to be provided to the Company under the Financial Services Framework Agreement exceeds 25% but is less than 75%, the transaction constitute the Continuing Connected Transactions and major transactions at the same time, and shall be subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Continuing Connected Transactions are entered in the ordinary and usual course of business of the Company and the terms of the Continuing Connected Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and the Proposed Annual Caps are fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the relevant resolution(s) to approve the Continuing Connected Transactions and the Proposed Annual Caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships with, or have any interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us. For the period from the date of the two years preceding the Latest Practicable Date to the Latest Practicable Date, we did not act as an independent financial adviser to any transactions of the Company save as the engagement of an independent financial adviser of the Continuing Connected Transactions.

BASIS OF OPINION

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company. We have reviewed, among other things, (i) the annual report of the Company for year ended 31 December 2019 (the “**2019 Annual Report**”) and the third quarterly report for the year 2020 of the Company for the nine months ended 30 September 2020 (the “**2020 Third Quarterly Report**”); (ii) the Continuing Connected Agreements; (iii) relevant market data and information available from public sources; and (iv) the other information as set out in the Circular.

We have assumed that all such information, opinions, facts and representations, which have been provided to us by the Directors and/or the representatives of the Company and for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld by the Company or is misleading.

We consider that we have sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, Yitai Group, Yitai Investment and Yitai Finance and any of their respective subsidiaries and associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Continuing Connected Transactions and the Proposed Annual Caps, we have taken into account the following principal factors and reasons:

1. Information on the Group, Yitai Group, Yitai Investment and Yitai Finance

1.1 Information on the Group

As stated in the Letter from the Board, the Company is a joint stock limited liability company incorporated in the PRC on 23 September 1997, which is one of the largest coal enterprises in the PRC. The principal businesses of the Company include coal operations, transportation operations, coal related chemical operations and other operations.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is certain audited financial information of the Group for the two years ended 31 December 2019 as extracted from the 2019 Annual Report and the certain unaudited financial information of the Group for the nine months ended 30 September 2019 and 2020 as extracted from the 2020 Third Quarterly Report:

	For the nine months ended		For the year ended 31	
	30 September		December	
	2019	2020	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(audited)	(audited)
Total operating revenue	<u>30,890,739</u>	<u>24,326,746</u>	<u>39,184,621</u>	<u>40,929,039</u>
Profit from operations	<u>4,607,643</u>	<u>1,884,482</u>	<u>6,381,465</u>	<u>6,130,086</u>
Net profit	<u>3,631,520</u>	<u>1,267,228</u>	<u>5,171,916</u>	<u>4,807,133</u>

As shown in the above table, total operating revenue of the Group for the year ended 31 December 2019 was increased by approximately 4.45% to approximately RMB40,929.04 million as compared to that for 2018. As noted from the 2019 Annual Report, the operating revenue generated from coal operation accounts for approximately 81.08% of total operating revenue of the Group for 2019. The profit from operations amounted to approximately RMB6,130.09 million for the year ended 31 December 2019, which is similar to the level of profit from operations for the year ended 31 December 2018. The net profit for the year ended 31 December 2019 was approximately RMB4,807.13 million, representing a decrease of approximately 7.05% as compared to that of approximately of RMB5,171.92 million for the year ended 31 December 2018. As stated in the 2019 Annual Report, in 2019, the coal demand in the PRC slowed down its growth rate, and quality coal production capacity was released on an ongoing concern with a basically balanced supply and demand. Market prices of coal fluctuated within a reasonable and narrow range. By promptly reacting to the then latest market development, the Company stabilized supply and demand relations and consolidated the size of its principal business to ensure a stable production, delivery and sale of coal.

As further illustrated in the above table, total operating revenue of the Group for the nine months ended 30 September 2020 was approximately RMB24,326.75 million, representing a decrease of approximately 21.25% as compared to that of approximately RMB30,890.74 for the corresponding period in 2019. The profit from operations was decreased by approximately RMB2,723.16 million or 59.10% to approximately RMB1,884.48 million and the net profit of the Group was decreased by approximately RMB2,364.29 million or approximately 65.10% to approximately RMB1,267.23 million for the nine months ended 30 September 2020 as compared to the corresponding period in 2019, respectively. As stated in the 2020 Third Quarterly Report, in the first three quarters, affected by the COVID-19 epidemic, the production, sales volume and selling prices of coal and coal chemical products of the Company have different degrees of decline from the same period last year, resulted in a downward performance of the coal sector and an increase in losses in the coal chemical sector, which

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affected the Company's overall profitability. Besides, the construction of Xinjiang Yili and Xinjiang Ganquanpu projects were temporarily suspended due to the epidemic, and the capitalization of interest and expenses was suspended, which also have a certain degree of impact on the Company's profit.

1.2 Information on Yitai Group

As stated in the Letter from the Board, Yitai Group is one of the Company's Controlling Shareholders, which is a limited liability company duly incorporated in the PRC. Yitai Group's core businesses include technology development in relation to coal-based chemical products and processing and sales of livestock products. The ultimate beneficial owner of Yitai Group is Yitai Investment.

1.3 Information on Yitai Investment

As stated in the Letter from the Board, Yitai Investment, a stock limited company incorporated under the PRC law in December 2005, changed from a limited liability company to a stock limited company in June 2017 and the company name changed from Inner Mongolia Yitai Investment Limited Liability Company to Inner Mongolia Yitai Investment Co., Ltd. The operations of Yitai Investment include investment of energy industry and railway construction. The ultimate beneficial owner of Yitai Investment is a large number of third-party shareholders who are not connected persons of the Company.

1.4 Information on Yitai Finance

As stated in the Letter from the Board, Yitai Finance obtained approval for establishment from the CBIRC on 8 January 2015 and obtained approval for incorporation. The operations of Yitai Finance include: providing financial and financing advisory, credit appraisal, and related consulting, agency service for its members; assisting its members in collecting and making transaction payments; approved insurance agency business; providing security and guarantee for its members; handling entrusted loan and entrusted investments among its members; handling bill acceptance and discounting affairs for its members; conducting internal financial transfers between members and the corresponding settlement, clearing design; absorbing deposits from its members; providing loans and finance lease to its members; engaging in inter-bank borrowings. The ultimate beneficial owner of Yitai Finance is Yitai Investment.

2. Reasons for and benefits of the entering into the Continuing Connected Transactions

As stated in the Letter from the Board, in respect of the products supply to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services, (i) Yitai Group has provided products to the Company for several years. Therefore, Yitai Group is able to fully understand the Company's business and operating needs; (ii) the Company's management believes that maintaining acquisition of stable and high quality products is of utmost importance to the current and future production and operations of the Company; (iii) as a part of the employee benefits of its subsidiaries including the Company, Yitai Group provides healthy organic agricultural and sideline products to the staff of the Company, contributing to improving staff centripetal force and sense of

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identity towards the Company and building a good corporate culture; (iv) given that the Company has self-operated hotels and restaurants, the provision of high quality green organic agricultural and sideline products by Yitai Group to the Company is beneficial to the improvement of the hotels' and restaurants' services level of the Company; and (v) the consideration to be paid for products provided to the Company are no higher than that for similar products provided to the Company by independent third parties, which is beneficial to the daily operations and management of the Company; the expansion of income source and further enhancement of profitability of the Company.

As stated in the Letter from the Board, in respect of the products supply to the Company under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services, (i) the power energy produced by the solar photovoltaic power plant under Yitai Investment is clean energy, therefore the use of power provided by Yitai Investment's subsidiary is in line with the environmental economic philosophy of the Company and contribute to the Company's social responsibility practice; and (ii) the power price paid by the Company to Yitai Investment shall be determined to be RMB0.3419/kilowatt hour according to the market price standard provided to independent third party(ies), and it is not higher than the average market price or power price paid to other independent third party by the Company.

As stated in the Letter from the Board, the Company is neither obliged nor committed to engage Yitai Finance to provide the deposit services under the Financial Services Framework Agreement, and Yitai Finance is merely one of the financial institutions which provides deposit services to the Company. This arrangement allows the Company to have the flexibility and discretion to select the appropriate provider for deposit services. It is expected that Yitai Finance, as an inter-group service provider, is more familiar with the Company's operation and will have better and more efficient communication with the Company compared with other commercial banks and financial institutions in the PRC for the deposit services under the Financial Services Framework Agreement. In addition, the interest rate offered by Yitai Finance for the deposit services will not be lower than those that would have been offered to the Company by other major commercial banks in the PRC or those offered by Yitai Finance to third parties. According to the Financial Services Framework Agreement, the deposit balance shall not exceed the loan outstanding balance of the Company in Yitai Finance. If Yitai Finance defaults payment when the Company withdraws its deposits, the Company shall withhold the repayment of outstanding loan to Yitai Finance. Having considered that the Company has its sole discretion to use the deposit services provided by other commercial banks and financial institutions when the relevant terms are more favourable than those offered by Yitai Finance, the Company is of the view that the deposit services provide the Company with an alternative choice of service provider for deposit services and allow the Company to select the service provider offering the most favorable terms to the Company.

Having considered that (i) the provision of power by Yitai Investment under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services provides clean energy which is beneficial for the Company's corporate social responsibility of the Group; (ii) the provision of products to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services and the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services and the provision of the deposit services under the Financial Services Framework Agreement provide the stability and reliability of the supply of the products and the deposit services to the Group due to the long-established relationship; and (iii) the Continuing

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Connected Transactions do not restrict the Group to procure the products/services from the corresponding contractual parties only and therefore offer an additional option to the Group. Therefore, the Group may, but is not obliged to, continue to procure the products/services from the corresponding contractual parties if the price is competitive, we concur with the Directors' view that the renewal of the Continuing Connected Transactions is in the ordinary and usual course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Independents Shareholders as a whole.

3. Principal terms of the Continuing Connected Transactions

The principal terms of the Continuing Connected Transactions have been set out in the Letter from the Board and are summarized below.

3.1 Products supply to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services

On 29 October 2020, the Company and Yitai Group entered into the Yitai Group Framework Agreement on Purchase and Sale of Products and Services, pursuant to which, among others, Yitai Group and/or its subsidiaries (as the product provider) shall provide, among others, coal products, chemical-related materials, technology and agricultural and sideline products to the Company and/or its subsidiaries (as the product buyer) from time to time. The pricing policies were stated in the Letter from the Board.

As advised by the representatives of the Company, the products provided by Yitai Group for the year ended 31 December 2019 and the six months ended 30 June 2020 were supply of coal products and chemical-related materials, which accounted for approximately 93.0% and 7.0% of the total transaction amounts with Yitai Group for the year ended 31 December 2019 and approximately 87.0% and 13.0% of the total transaction amounts with Yitai Group for the six months ended 30 June 2020, respectively.

For supply of coal products, the representatives of the Company advised that since (i) Yitai Group supplied the coal products exclusively to the Group for the year ended 31 December 2019 and the six months ended 30 June 2020; and (ii) the coal products supplied by Yitai Group was of higher quality than the coal products purchased by the Group from independent third parties for the year ended 31 December 2019 and the six months ended 30 June 2020, the final price of coal products shall be determined by the Company after negotiation with Yitai Group with reference to the market price of relevant similar products in certain areas regularly as mentioned in the sub-paragraph headed "pricing policies" in the paragraph headed "Yitai Group Framework Agreement on Purchase and Sale of Products and Services" in the Letter from the Board and on the basis of the quality of coal products, which is not higher than the value of similar coal products sold by the Company to independent third parties. Given market price of the same quality of the coal products from Yitai Group is not available and the price of coal products from Yitai Group is determined with reference to the market prices of similar coal products, we consider that the price of coal products from Yitai Group is fair and reasonable as far as the Independent Shareholders are concerned as long as the price of coal product from Yitai Group is not higher than selling prices of similar coal products by the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Group to independent third parties. Hence, we have obtained and reviewed the largest invoices (the “**Selected Coal Invoices**”) in relation to purchase of coal products from Yitai Group for each individual month for the year ended 31 December 2019 and the six months ended 30 June 2020. We then compared all or the three largest items if more than three items (the “**Selected Coal Products**”) in each of the Selected Coal Invoices and compared the prices of the Selected Coal Products with the selling prices of similar coal products by the Group to independent third parties of the corresponding period from 1 January 2019 to 30 June 2020, where applicable. We have reviewed 28 invoices by the Group to the independent third parties and noted that the selling prices of coal products to third parties were not less than the prices of the Selected Coal Products. Thus the prices in the invoices with Yitai Group were not less favourable than the selling prices of similar coal products to independent third parties by the Group.

For supply of chemical-related materials, the representatives of the Company advised that the Company purchased the chemical-related materials exclusively from Yitai Group as Yitai Group holds the patent of the chemical-related materials. Therefore, we have obtained and reviewed the largest invoices in relation to purchase of chemical-related materials from Yitai Group for each individual month for the year ended 31 December 2019 and the six months ended 30 June 2020, and compared them with the selling price of similar products by Yitai Group to independent third parties of the corresponding period. We have reviewed 49 invoices of selling similar products by Yitai Group to independent third parties and noted that the prices of chemical-related materials offered by Yitai Group to the Group were not higher than the selling prices offered by Yitai Group to independent third parties. We noted that the prices offered by Yitai Group to the Group were not less favourable than the selling prices provided by Yitai Group to independent third parties for the chemical-related materials of the corresponding period.

As stated in the Letter from the Board, when determining the fees charged by Yitai Group from the Company for coal chemical new technology, the Company will require Yitai Group to provide the price for developing similar coal chemical new technology for the independent third party, to ensure that the price charged by Yitai Group from the Company for developing new technology is not higher than the cost of similar technology development costs in the market, and also will not higher than the similar new technology development costs paid by the Company to independent third parties. When determining the prices of agricultural and sideline products, the Company would require Yitai Group to provide a price list used by the latter for its sales of similar products to independent third parties, so as to make sure that the selling price offered by Yitai Group for agricultural and sideline products will neither be higher than the market price of similar products, nor higher than such price as paid by the Company to independent third parties for similar products. Thus the prices offered by Yitai Group to the Group were not less favourable than the prices provided by Yitai Group to independent third parties for technology and agricultural and sideline products.

Based on the above, we are of the view that the pricing policies for the provision of products to the Group under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services are fair and reasonable so far as the Independent Shareholders are concerned as (i) the purchase prices of coal products from Yitai Group are not less favourable than the

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selling prices of similar coal products of the Group to independent third parties; and (ii) the prices of chemical-related materials, technology and agricultural and sideline products offered by Yitai Group to the Group are not less favourable than the prices of similar chemical-related materials, technology and agricultural and sideline products offered by Yitai Group to independent third parties.

3.2 Products supply to the Company under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services

On 29 October 2020, the Company and Yitai Investment entered into the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services, pursuant to which Yitai Investment and/or its subsidiaries (as the product provider) shall provide, among others, power and agricultural and sideline products to the Company and/or its subsidiaries (as the product buyer) from time to time. The pricing policies were stated in the Letter from the Board.

For supply of power, we have obtained and reviewed the largest invoices in relation to purchase of power from Yitai Investment for each individual month for the year ended 31 December 2019 and the six months ended 30 June 2020, and compared them with the invoices for purchase of power by the Group from independent third parties for same use for the corresponding period. We have reviewed 18 invoices of purchase of power by the Group from the independent third parties. And we noted that the purchase prices offered from Yitai Investment are not less favourable than the purchase prices from independent third parties for purchase of power for the corresponding period.

For supply of agricultural and sideline products, as advised by the representatives of the Company, the Company has not purchased the agricultural and sideline products in same quality from independent third parties, and the Company didn't purchase agricultural and sideline productions from Yitai Investment every month in 2019 and for the six months ended 30 June 2020. We have accordingly obtained and reviewed the largest five invoices (the "**Selected Agricultural and Sideline Invoices**") in relation to purchase of agricultural and sideline products from Yitai Investment for the year ended 31 December 2019 and the six months ended 30 June 2020, respectively. We then compared all or the three largest items if more than three items (the "**Selected Agricultural and Sideline Products**") in each of the Selected Agricultural and Sideline Invoices and compared the prices of the Selected Agricultural and Sideline Products with the prices of similar agricultural and sideline products sold by Yitai Investment to independent third parties for the corresponding month. We have reviewed 11 invoices by Yitai Investment to the independent third parties. We noted that the purchase prices of agricultural and sideline products offered to the Group were not less favourable than the purchase prices offered by Yitai Investment to independent third parties for purchase of agricultural and sideline products for the corresponding period.

Based on the above, we are of the view that the pricing policies for the provision of products to the Group under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services are fair and reasonable so far as the Independent Shareholders are concerned.

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3.3 *Deposit services under the Financial Services Framework Agreement*

On 29 October 2020, the Company (as the service recipient) and Yitai Finance (as the service provider) entered into the Financial Services Framework Agreement, pursuant to which Yitai Finance shall provide, among others, the deposit services to the Company and/or its subsidiaries. The pricing policy of the deposit services was stated in the Letter from the Board.

We have obtained and reviewed a summary list in relation to the deposit of the Group placed in Yitai Finance for the year ended 31 December 2019 and the six months ended 30 June 2020. We compared the interest rates of deposit offered by Yitai Finance to the Group against (i) the benchmark deposit interest rates stipulated by PBOC for comparable deposits; (ii) the interest rates offered by a commercial bank in the PRC for deposits of similar type and terms; and (iii) the interest rates offered by Yitai Finance to other members of Yitai Group for deposits of similar type and terms for the corresponding periods. We noted that the interests received from Yitai Finance for the deposit services under the Financial Services Framework Agreement were not less favourable than (i) benchmark deposit interest rates stipulated by PBOC for comparable deposits; (ii) the interest rates received from the commercial bank in the PRC; and (iii) the interest rates received by other members of Yitai Group from Yitai Finance. Therefore, we are of the view that the pricing policy for deposit services under the Financial Services Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

4. The Proposed Annual Caps and basis of determination

4.1 *Proposed annual caps for the products supply to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services*

The below tables set out (i) the amounts of provision of products to the Company by Yitai Group for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 and the approved annual caps for the three years ended/ending 31 December 2020; and (ii) the proposed annual caps for the three years ending 31 December 2023.

	Historical amounts for the six months			Approved annual caps for the years		
	Historical amounts for the years ended 31 December		ended 30 June	ended/ending 31 December		
	2018	2019	2020	2018	2019	2020
	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>
Provision of products to the Company by Yitai Group	299,536	335,026	131,368	825,900	1,001,200	1,189,500

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**Proposed annual caps for the years
ending 31 December**

2021	2022	2023
(RMB'0,000)	(RMB'0,000)	(RMB'0,000)

Provision of products to the Company by			
Yitai Group	549,700	562,700	562,700

As stated in the Letter from the Board, the historical utilisation rates in 2018 and 2019 were 36.27% and 33.46%, respectively, which were relatively lower due to factors out of control of the Company. The Hongqinghe Coal Mine of Yitai Group has large reserves with a exploitable reserve of 2,124 million tons. Therefore, it was designed and built by Yitai Group based on the annual production capacity of 30 million tons, and the historical annual caps were also determined based on the production capacity. Subsequently, the production capacity was approved by competent authority at 15 million tons per year. On basis of the foregoing reasons, the Company reduced its coal purchases from Yitai Group correspondingly.

The representatives of the Company advised that when determining the annual caps of provision of products to the Company by Yitai Group for the three years ending 31 December 2023, the Company primarily considered: (i) the expected purchase volume of coal products from Yitai Group by the Company; (ii) the demands of chemical-related materials of the Company from Yitai Group; and (iii) the demand of agricultural and sideline products, technology and material equipments of the Company from Yitai Group.

Expected purchase amount of coal products

As stated in the Letter from the Board, in 2021, 2022 and 2023, the Company is expected to purchase 15 million tons of coal from Yitai Group every year, respectively. Because the Yitai Group's coal products have the superior quality in the whole district, the expected price of coal with such high quality will reach approximately RMB340/ton. Therefore, the total purchase amount of coal of the Company from Yitai Group of each of 2021 to 2023 will be RMB5,100 million respectively.

The representatives of the Company advised that the expected purchase volume of coal products from Yitai Group is approximately 15 million tons for each of the three years ending 31 December 2023, which represents the full production capacity of Hongqinghe Mine, which is held and operated by Yitai Group. Given (i) the coal products supplied by Yitai Group was of higher quality than the coal products purchased by the Group from independent third parties; (ii) the Continuing Connected Transactions do not restrict the Group to procure the products from the corresponding contractual parties only and therefore offers an additional option to the Group; and (iii) the coal products produced from Hongqinghe Mine will be only sold to the Company, we consider that the expected purchase volume of coal products for the three years ending 31 December 2023, which is based on the full production capacity of Hongqinghe Mine, is justifiable. We consider that the expected purchase volume of coal products from Yitai Group for each of the three years ending 31 December 2023 is fair and

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reasonable after considering it is less than the purchase volume of coal products by the Group from third parties for the year ended 31 December 2019 as it offers an additional option to the Group if the terms are more favourable to independent third parties.

The representatives of the Company advised that the expected purchase price of coal products for the three years ending 31 December 2023 was determined based on the average purchase price of coal products from Yitai Group in October 2020, which is RMB340/ton. We have obtained and reviewed a summary list of monthly average purchase prices of coal products which were calculated based on the sum of monthly transaction amounts of coal products between the Company and the Yitai Group divided by the monthly total purchase volume of coal products from Yitai Group for the period from January 2020 to October 2020. We noted that the average purchase price of coal products from Yitai Group in October 2020 is RMB340/ton. Therefore, we consider the Company using RMB340/ton in determining the annual caps in the purchase amount of coal products from Yitai Group for the three years ending 31 December 2023 is fair and reasonable and on normal commercial terms and it is in line with current price of coal products from Yitai Group.

Expected purchase amount of chemical-related materials

The representatives of the Company advised that the expected purchase amount of chemical-related materials from Yitai Group was based on (i) the highest average price of chemical-related materials from Yitai Group for the two years ended 31 December 2019 and the six months ended 30 June 2020; and (ii) the expected purchase volume of chemical-related materials from Yitai Group for the three years ending 31 December 2023. The Company expected that two existing, three (two existing and one new) and three (two existing and one new) coal-related chemical projects of the Group will use chemical-related materials from Yitai Group for the years ending 31 December 2021, 2022 and 2023 respectively. The expected purchase volume of chemical-related materials from Yitai Group of the existing coal-related chemical projects of the Group is determined with reference to the highest rate of using chemical-related materials per ton of coal-related chemical for the two years ended 31 December 2019 and the six months ended 30 June 2020 times the expected production volume of the existing coal-related chemical projects of the Group for the three years ending 31 December 2023. The expected production volume of the existing coal-related chemical projects of the Group is determined with reference to the production volume for the year ended 31 December 2019 and the six months ended 30 June 2020. The expected purchase volume of chemical-related materials from Yitai Group of the new coal-related chemical project of the Group is determined with reference to the expected production volume of new coal-related chemical projects of the Group times the rate of using chemical-related materials per ton of coal-related chemical of similar project. The expected production volume of the new coal-related chemical project of the Group is determined with reference to the expected production capacity of the project as approved in the meeting of shareholders of the Company. Thus we are of the view that the expected purchase volume of chemical-related materials are fair and reasonable.

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Expected purchase amount of agricultural and sideline products, technology and material equipments

The representatives of the Company advised that the expected purchase amount of agricultural and sideline products was determined based on the average prices of agricultural and sideline products from Yitai Group for the eight months ended 31 August 2020 and the expected maximum volume of agricultural and sideline products available from Yitai Group for the three years ending 31 December 2023 as indicated by Yitai Group. The representatives of the Company advised that, in order to increase the quality of the restaurants in hotels run by the Group and increase the employee benefit, the Group will use agricultural and sideline products from Yitai Group, which are better quality, in the restaurants of the hotel and staff canteens. Given (i) the agricultural and sideline products supplied by Yitai Group was of higher quality; (ii) the Continuing Connected Transactions do not restrict the Group to procure the products from the corresponding contractual parties only and therefore offers an additional option to the Group, we consider that the expected purchase volume of agricultural and sideline products for each of the three years ending 31 December 2023, which is based on the expected maximum volume of agricultural and sideline products available from Yitai Group, is justifiable.

The representatives of the Company advised that, to increase the quality of coal chemical products of the Group, the Group is negotiating with Yitai Group to provide coal chemical new technology to the Group for the three years ending 31 December 2023. Based on the discussion between the Group and Yitai Group, the Group is expected to pay RMB10 millions for the new technology development expenses to Yitai Group annually for the three years ending 31 December 2023 for the new technology developed by Yitai Group.

The Company is expected to purchase from Yitai Group of certain material equipments of RMB27 million for each of 2021, 2022 and 2023 to replace certain equipments of the Group due to deterioration, which was determined with reference to historical amount of material equipments provided from Yitai Group of same kind for the six months ended 30 June 2020.

Given the proposed annual caps for the provision of products to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services were determined with referene to (i) the latest development of mine of the connected party providing the coal products under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services and the average coal price in October 2020; (ii) the latest development of the coal-related chemical projects of the Group using the chemical-related materials under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services; and (iii) the latest intention of the Group and the latest discussion with Yitai Group on the expected amount of agricultural and sideline products, technology and equipments, we are of the view that the proposed annual caps for the provision of products to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services were determined based on reasonable estimation and after due and careful consideration and is fair and reasonable so far as the Company and the Independent Shareholders are concerned although (i) the proposed annual caps for the provision of products to the Company under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services are higher than the historical transacted amount for the two years ended 31 December 2019; and (ii) the production and

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sales volume of coal and coal chemical products of the Company for the nine months ended 30 September 2020 have different degrees of decline from the same period last year as mentioned in the paragraph headed “Information on the Group” above.

4.2 *Proposed annual caps for the provision of products to the Company under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services*

The below tables set out (i) the amounts of provision of products to the Company by Yitai Investment for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 and the approved annual caps for the three years ended/ending 31 December 2020; and (ii) the proposed annual caps for the three years ending 31 December 2023.

	Historical amounts for the years ended 31 December		Historical amounts for the six months ended 30 June	Approved annual caps for the years ended/ending 31 December		
	2018	2019	2020	2018	2019	2020
	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>
Provision of products to the Company by Yitai Investment	2,934	2,945	1,597	5,000	5,000	5,000

	Proposed annual caps for the years ending 31 December		
	2021	2022	2023
	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>
Provision of products to the Company by Yitai Investment	4,200	4,200	4,200

As stated in the Letter from the Board, the historical utilisation rates in 2018 and 2019 were 58.68% and 58.90%, respectively, which were relatively lower due to following factors: (i) when determining the historical annual caps, the new energy power company providing power planned to use tracking brackets pursuant to the agreement, the expected production capacity is 2,700 hours/year, but in practise, the equipment was changed into fixed photovoltaic power equipment due to objective factors, the actual power generation of which is approximately 2,000 hours; and (ii) the electricity price experienced a downturn trend to a certain extent after determination of the previous annual caps, resulted in a decrease in actual tariff amount.

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The representatives of the Company advised that when determining the annual caps of provision of products to the Company by Yitai Investment for the three years ending 31 December 2023, the Company primarily considered: (i) the expected purchase amount of power from Yitai Investment by the Company; and (ii) the expected purchase amount of flowers and agricultural and sideline products from Yitai Investment by the Company.

Expected purchase amount of power

The representatives of the Company advised that the expected quantity of power to be purchased from Yitai Investment is 98,274,300 kilowatt hours (“kWh”) for each of 2021, 2022 and 2023. As advised by the representatives of the Company, the power provider is a photovoltaic power station with the full production capacity of approximately 100 million kWh and the power produced from the photovoltaic power station will be only sold to the Company. The representatives of the Company also advised that as communicated with Yitai Investment, Yitai Investment will increase the amount of hours for generating electricity for the three years ending 31 December 2023 as (i) Yitai Investment plans to enhance efficiency of its photovoltaic power station by increasing power generation hours of the photovoltaic power station; and (ii) the quantity of power by a photovoltaic power station will be influenced by local solar intensity and sunshine time. Hence the quantity of power to be generated by Yitai Investment for the three years ending 31 December 2023 will increase and the expected purchase quantity of power will increase accordingly. Therefore, we consider the expected purchase quantity of power from Yitai Investment of approximately 98.27 million kWh is justifiable. We consider that the expected quantity of power from Yitai Group for the three years ending 31 December 2023 is fair and reasonable after considering it is less than the purchase quantity of power by the Group from third parties for the year ended 31 December 2019 as it offers an additional option to the Group if the terms are more favourable to independent third parties.

We also noted that the expected unit price of power is RMB0.3419 per kWh for the three years ending 31 December 2023, which is same as the historical unit price for the six months ended 30 June 2020. We have obtained the largest invoices for each of the six months period ended 30 June 2020 issued by Yitai Investment to the Company and noted that the unit price of power purchased from Yitai Investment was RMB0.3419 per kWh for the period. The representative of the Company advised that the unit price of power purchased from Yitai Investment of RMB0.3419 per kWh has not been changed since March 2019. Therefore, we consider the expected purchase price of power from Yitai Investment of RMB0.3419 per kWh is fair and reasonable and on normal commercial terms and it is also in line with the current unit price of power purchased from Yitai Investment.

Expected purchase amount of flowers and agricultural and sideline products

The representatives of the Company advised that the expected purchase amount of flowers and agricultural and sideline products for the three years ending 31 December 2023 was determined with reference to (i) the current market price(s) of flowers, current price(s) of agricultural and sideline products of connected person of the Company selling to its members and current purchase price(s) of agricultural and sideline products provided by third parties; (ii) the

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expected purchase volume of flowers, which was determined with reference to the historical purchase volume of flowers in 2019; and (iii) the expected purchase volume of agricultural and sideline products, which was determined with reference to the expected maximum volume of agricultural and sideline products available from Yitai Investment for the three years ending 31 December 2023 as indicated by Yitai Investment and the number of employees of the Group.

Given the proposed annual caps for the provision of products to the Company under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services were determined based on (i) the latest development of the photovoltaic power station of the connected party providing the power under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services and the historical purchase price of power for the period from January 2020 to June 2020; and (ii) the expected demand of the Group on flowers and agricultural and sideline products based on historical purchase volume of the Group in 2019 and the available sales volume of Yitai Investment on agricultural and sideline products and the current prices as mentioned above, we are of the view that the proposed annual caps for the provision of products to the Company under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services were determined based on reasonable estimation and after due and careful consideration and is fair and reasonable so far as the Company and the Independent Shareholders are concerned although (i) the proposed caps for the provision of products to the Company under the Yitai Investment Framework Agreement on Purchase and Sale of Products and Services are higher than the historical transacted amount for the two years ended 31 December 2019; and (ii) the production and sales volume of coal and coal chemical products of the Company for the nine months ended 30 September 2020 have different degrees of decline from the same period last year as mentioned in the paragraph headed “Information on the Group” above.

4.3 Proposed annual caps for deposit services under the Financial Services Framework Agreement

The below tables set out (i) the deposit balance for the years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 and the approved annual caps for the three years ended/ending 31 December 2020; and (ii) the proposed annual caps for the three years ending 31 December 2023.

	Historical amounts for the six months ended			Approved annual caps for the years ended/ending 31 December		
	Historical amounts for the years ended 31 December 2018	2019	30 June 2020	2018	2019	2020
	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>
Deposit balance	899,623	896,881	897,678	900,000	900,000	900,000

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**Proposed annual caps for the years
ending 31 December**

2021	2022	2023
<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>	<i>(RMB'0,000)</i>

Deposit balance	1,170,000	1,170,000	1,170,000
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The representatives of the Company advised that given the commercial terms (including interest rate) provided by Yitai Finance in respect of the deposit services are no less favourable than those provided to the Company by domestic commercial banks in respect of similar services, the Company intends to increase the deposit placed in Yitai Finance. As stated in the Letter from the Board, the Company considered, among others, the below factors in determining the proposed annual caps of deposit services for the three years ending 31 December 2023: (i) in 2020, under the impact of the environment, the coal price increased significantly, and the Company expected that the production capacity of Suancigou Mine will increase from 12 million tons per year to 18 million tons per year in the future, the demand for deposits will increase in line with the increase of operating income; and (ii) it is expected that the selling prices of products in the coal-chemical segment will further increase, the transportation capacity of the railway segment will be further enhanced. Both segments will show a good trend of development and the operating income will experience a notably growth in the future. After discussed with Yitai Finance, the Company intends to increase 30% of its deposit in Yitai Finance in determining the proposed annual caps for the deposit services for the three years ending 31 December 2023. Given the Continuing Connected Transactions do not restrict the Group to procure the services from the corresponding contractual parties only and therefore offers an additional option to the Group, we consider that the proposed annual caps of the deposit services of RMB11,700 million for each of the three years ending 31 December 2023, which is lower than cash and bank balances of the Company of approximately RMB12,237 million as at 30 September 2020, is justifiable.

Given the proposed annual caps for deposit services under the Financial Services Framework Agreement for the three years ending 31 December 2023 were determined with reference to (i) the expected demand of the deposit services of the Group based on the latest development of the Group; and (ii) the expected deposit services available from Yitai Finance based on the latest discussion with Yitai Finance, we are of the view that the proposed annual caps for deposit services under the Financial Services Framework Agreement was determined based on reasonable estimation and after due and careful consideration and is fair and reasonable so far as the Company and the Independent Shareholders are concerned although the proposed caps for deposit services under the Financial Services Framework Agreement are higher than the historical transacted amount for the two years ended 31 December 2019.

INTERNAL CONTROL MEASURES

We have obtained the connected transaction implementation guidelines of the Company which set out the guidelines for conducting connected transactions and the responsibilities of the responsible departments of the Group. The finance department of the Group is responsible for monitoring the implementation of the

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continuing connected transactions and collecting the amount of continuing connected transactions to make sure that the caps will not be exceeded. The finance department should report the information on the continuing connected transactions to the office to the Board monthly. The internal audit department of the Group should periodically review the decision making process and implementation of the connected transactions.

Moreover, as stated in the 2019 Annual Report, the independent non-executive Directors reviewed the continuing connected transactions and were of the view that, among others, each continuing connected transaction was conducted pursuant to relevant agreement and the auditors of the Company were of the views that, among others, (i) nothing has come to the auditor's attention that causes the auditor to believe that the disclosed continuing connected transactions in the 2019 Annual Report were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (ii) with respect to the aggregate amount of each of the continuing connected transactions set out in the 2019 Annual Report, nothing has come to the auditor's attention that causes the auditor to believe that such continuing connected transactions have exceeded the maximum aggregate annual value.

Based on the above, we consider that the internal control of the Company is sufficient in place to ensure the continuing connected transactions are conducted in accordance with the terms of the agreements and the annual caps are not exceeded.

RECOMMENDATION

Having considered the above principal factors and reasons, we consider that (i) the Continuing Connected Transactions are entered in the ordinary and usual course of business of the Company, the terms of the Continuing Connected Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned, the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and the Proposed Annual Caps are fair and reasonable. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the ordinary resolution(s) in this regard.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edward Wu
Chairman

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

*The English translation of the Chinese name(s) in this letter, where indicated with * is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS AND CONFIRMATIONS

As at the Latest Practicable Date:

- (a) none of the Directors, supervisors and senior management of the Company or their spouses or children under the age of 18 was granted any rights to subscribe any equity security or debt security of the Company;
- (b) except Mr. Zhang Jingquan, Mr. Liu Chunlin, Mr. Ge Yaoyong and Mr. Zhang Dongsheng who hold management positions in Yitai Investment and Yitai Group and as such are deemed as connected Directors of the Company under the Listing Rules, none of the Directors has material interests in any contract or arrangement which has been entered by any member of the Group since 31 December 2019 (being the date to which the latest published audited annual financial statements of the Company were made up), was subsisting as at the Latest Practicable Date and significant in relation to the business of the Group;
- (c) none of the Directors has any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited annual financial statements of the Company were made up);
- (d) save as disclosed in “Competing Interests” in Appendix I, so far as it is known to the Directors, none of the Directors and any of their respective associates was interested in any business (apart from the business of the Group) which competes or is likely to compete either directly or indirectly with the business of the Group; if each of them was the Controlling Shareholder, they are required to make disclosure under Rule 8.10 of the Listing Rules;
- (e) the Company has not been aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited annual financial statements of the Company were made up);
- (f) none of the Directors entered into any service contract (excluding agreements expiring or determinable by employers within one year without payment of compensation other than statutory compensation) with the Company or any member of the Group; and

- (g) the Board confirms that to the best of their knowledge, information and belief having made all reasonable enquiries, as at the Latest Practicable Date, there was no voting trust or other agreement or other arrangement or understanding (other than an outright sale) entered into by or binding upon any Shareholder and there was no obligation or entitlement of any Shareholder whereby he has or may have temporarily or permanently passed control over the exercise of the voting right in respect of his shares to a third party either generally or on a case-by-case basis.

Interests of Directors, Supervisors and Chief Executive

As at the Latest Practicable Date, the interests of the Directors and Supervisors of the Company in the shares of the Company and its associated corporations, which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange, were as follows:

Name of director/ supervisor	Name of associated corporation	Type of interest	Number of ordinary shares interested	Unit: Share Percentage of the associated corporation's issued share capital (%)
Directors:				
Mr. Zhang Jingquan	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr. Liu Chunlin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	6,181,234	0.86
Mr. Ge Yaoyong	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	52,798	0.01
Mr. Zhang Dongsheng	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	5,151,028	0.71
		Interest of spouse	153,446	0.02
Mr. Lv Guiliang	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr. Liu Jian	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	2,266,452	0.31
Mr. Lv Junjie	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	1,328,225	0.18
Supervisors:				
Mr. Zhang Zhenjin	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	3,841,149	0.53
		Interest of spouse	219,093	0.03
Mr. Liu Xianghua	Inner Mongolia Yitai Investment Co., Ltd.	Beneficial owner	358,993	0.05
Ms. Li Cailing	Inner Mongolia YitaiInvestment Co., Ltd.	Beneficial owner	257,551	0.04

Save as disclosed above, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executives of the Company had registered an interest or a short position in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which he/she was deemed or taken to have under such provisions of the SFO) or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Hong Kong Stock Exchange.

Interests of Substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, Supervisors or chief executives of the Company, the following persons or corporations (other than Directors, Supervisors or chief executives of the Company) who had interests and short positions in the shares or underlying shares of the Company as recorded in the register required to be kept under Section 336 of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (“SFO”) or as otherwise notified to the Company were as follows:

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	Number of shares	Percentage of the underlying shares in issue (%) ^{5,6}	Percentage of the total issued shares (%) ^{5,6}
Inner Mongolia Yitai Group Co., Ltd. ¹	Non-overseas listed foreign shares	Beneficial owner/ Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Inner Mongolia Yitai Investment Co., Ltd. ²	Non-overseas listed foreign shares	Interest of controlled corporation	Long	1,912,000,000	65.30	58.75
Yitai Group (Hong Kong) Co., Ltd. ¹	Non-overseas listed foreign shares	Beneficial owner	Long	312,000,000	10.65	9.58
Inner Mongolia Ordos Investment Holding Group Co., Ltd.	H shares	Beneficial owner	Long	55,443,600	17.00	1.70
Ordos Hongrui Trade Company Limited	H shares	Trust beneficiary	Long	44,711,200	13.71	1.37
Inner Mongolia Manshi Investment Group Limited	H shares	Beneficial owner	Long	28,321,000	8.68	0.87
Great Huazhong Energy Co. Ltd	H shares	Beneficial owner	Long	27,168,000	8.33	0.83
Chen Yihong ³	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61

Name of substantial shareholder	Class of shares	Type of interest	Long/Short position	Number of shares	Percentage of the underlying shares in issue (%) ^{5,6}	Percentage of the total issued shares (%) ^{5,6}
Harvest Luck Development Limited ³	H shares	Interest of controlled corporation	Long	20,017,000	6.14	0.61
Poseidon Sports Limited ³	H shares	Beneficial owner	Long	20,017,000	6.14	0.61
China Datang Corporation ⁴	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55
Datang International (Hong Kong) Limited ⁴	H shares	Beneficial owner	Long	18,031,100	5.53	0.55
Datang International Power Generation Co., Ltd. ⁴	H shares	Interest of controlled corporation	Long	18,031,100	5.53	0.55

Notes:

1. Inner Mongolia Yitai Group Co., Ltd. holds the entire issued share capital of Yitai Group (Hong Kong) Co., Ltd. and is thus deemed to be interested in the 312,000,000 B shares held by Yitai Group (Hong Kong) Co., Ltd. Inner Mongolia Yitai Group Co., Ltd. directly holds 1,600,000,000 domestic shares.
2. Inner Mongolia Yitai Investment Co., Ltd. holds 99.64% of the registered capital of Inner Mongolia Yitai Group Co., Ltd. and is thus deemed to be interested in all of the 1,912,000,000 shares directly or indirectly held by Inner Mongolia Yitai Group Co., Ltd.
3. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Poseidon Sports Limited holds 20,017,000 shares (long position) of the Company. Harvest Luck Development Limited holds 100% interest in Poseidon Sports Limited while Harvest Luck Development Limited is wholly owned by Chen Yihong. Pursuant to the SFO, Chen Yihong and Harvest Luck Development Limited are deemed to be interested in the 20,017,000 shares (long position) held by Poseidon Sports Limited.
4. According to the disclosure of interest form submitted to the Hong Kong Stock Exchange, Datang International (Hong Kong) Limited holds 18,031,100 shares (long position) of the Company. Datang International (Hong Kong) Limited is wholly owned by Datang International Power Generation Co., Ltd. while China Datang Corporation holds 34.71% of interests of Datang International Power Generation Co., Ltd. Pursuant to the SFO, Datang International Power Generation Co., Ltd. and China Datang Corporation are deemed to be interested in the 18,031,100 shares (long position) held by Datang International (Hong Kong) Limited. As at the Latest Practicable Date, the above 18,031,100 shares represented 5.53% of the H shares in issue.
5. According to the Articles of Association, the Company has two classes of shares, namely (i) “non-overseas listed foreign shares” which include domestic shares and B shares; and (ii) H shares.
6. The percentage of shareholdings is rounded down to the two decimal places.

Save as disclosed above, as at the Latest Practicable Date, no person, other than the Directors and Supervisors of the Company whose interests are set out in the section headed “Interests of Directors, Supervisors and Chief Executive” above, had any interest or short position in the shares or underlying shares of the Company that are required to be recorded in the register of interests required to be kept pursuant to Section 336 of the SFO.

Service Contracts

The Company has entered into service contracts with all of its Directors and Supervisors. None of the Directors or Supervisors has entered into or proposed to enter into any service contracts with the Company which cannot be terminated by the Company within one year without any compensation (other than the statutory compensation).

COMPETING INTERESTS

The Company confirms that since the date to which the latest published audited accounts of the issuers, none of the Directors, proposed Directors or experts has any direct or indirect interest in any assets which were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, save as disclosed below, none of the Directors or their associates has any competing interests in any business which competes or is likely to compete, either directly or indirectly, with the business of the Group:

Name of Director	Position in the Company	Position in Yitai Investment	Position in Yitai Group
Mr. Zhang Jingquan	Chairman	Director	Director and Vice President
Mr. Liu Chunlin	Executive Director	Director and Chief Accountant	Director and Chief Accountant of Yitai Group
Mr. Ge Yaoyong	Executive Director	Director	Director and Vice General Manager of Yitai Group
Mr. Zhang Dongsheng	Executive Director	Director	Director and Vice General Manager of Yitai Group
Mr. Lv Guiliang	Executive Director and Chief Finance Officer	None	None

Interests in Contract or Arrangement

As at the Latest Practicable Date, none of the Directors, Supervisors, or chief executive of the Company was materially interested, either directly or indirectly, in any subsisting contract or arrangement that is significant in relation to the business of the Group.

QUALIFICATION OF EXPERTS AND CONSENTS

The experts have given and have not withdrawn their written consents to the issue of this circular with the inclusion herein of their reports and/or references to their names in the form and context in which they respectively appear.

The following is the qualification of the experts who have provided their opinions or advice, which are contained in this circular:

Name	Qualification	Nature of opinion or advice
TC Capital	A corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong	Letter from the Independent Financial Adviser

- (a) As at the Latest Practicable Date, the experts do not have any shareholding in any member of the Group and they do not have rights (whether legally enforceable or not) to subscribe for or to nominate others to subscribe for the securities in any member of the Group.
- (b) As at the Latest Practicable Date, the experts have given and have not withdrawn their written consents to the issue of this circular with their statements included in the form and context in which they are included.
- (c) As at the Latest Practicable Date, the experts have not had any interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited annual financial statements of the Company were made up).

MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that they were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019 (being the date to which the latest published audited consolidated financial statements of the Group were made up).

MATERIAL LITIGATION

As at the Latest Practicable Date, to the best knowledge and information of the Directors, none of the members of the Group was engaged in any litigation or claims of material importance and no litigation or claims of material importance were known to the Directors to be pending or threatened against any member of the Group.

MATERIAL CONTRACT

From 1 April 2020, the Company entrusted the safe production and technology management business of six coal mines owned by it to Inner Mongolia Zhongtai Energy Co., Ltd. The specific entrustment scope includes all assets and safety production systems within relevant scope and area of safety production in both surface and underground mines of the six coal mines of the Company, and the office and living areas of the entrusted party. The amount involved in the agreement is RMB3,065,469,552.03.

GENERAL INFORMATION

- (1) Ms. Wong Wai Ling of SW Corporate Services Group Limited has been engaged by the Company as one of its joint company secretaries. Its primary contact person at the Company is Ms. Zhao Xin, another joint company secretary of the Company. Ms. Zhao Xin is deemed as a qualified company secretary under the Listing Rules.
- (2) The registered office of the Company is located at Yitai Building, Tianjiao North Road, Dongsheng District, Ordos City, Inner Mongolia Autonomous Region, the PRC. The Group is principally engaged in the production and sale of coal, the provision of railway and road transportation services, the production and sale of coal related chemicals.
- (3) The share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited located at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (4) The English text of this circular shall prevail over the Chinese text.

DOCUMENTS FOR INSPECTION

Copies of the following documents are made available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 40/F, Sunlight Tower, 248 Queen's Road East, Wanchai, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) Yitai Group Framework Agreement on Purchase and Sale of Products and Services;
- (b) Yitai Investment Framework Agreement on Purchase and Sale of Products and Services;
- (c) Financial Services Framework Agreement;

- (d) the letter from the Independent Board Committee, the text of which is set out on pages 39 to 40 of this circular;
- (e) the letter from the Independent Financial Adviser, the text of which is set out on pages 41 to 58 of this circular;
- (f) the written consents from experts mentioned in paragraph headed “QUALIFICATION OF EXPERTS AND CONSENTS” in this appendix;
- (g) the service agreements of the Directors; and
- (h) this circular.

1. FINANCIAL INFORMATION OF THE GROUP

Details of the financial information of the Group for each of the three years ended 31 December 2017, 2018 and 2019 as well as for the six months ended 30 June 2020 are disclosed in the following annual reports of the Company for the years ended 31 December 2017, 2018 and 2019, as well as the Interim Report for the six months ended 30 June 2020 respectively, which have been published and are available on the website of the Stock Exchange (<https://www.hkexnews.hk>) and the website of the Company (<http://www.yitaicoal.com/>):

- The Interim Report 2020 of the Company for the six months ended 30 June 2020 published on 8 September 2020 (available on: www1.hkexnews.hk/listedco/listconews/sehk/2020/0908/2020090800382.pdf), please refer to pages 69 to 308 in particular.
- The Annual Report 2019 of the Company for the year ended 31 December 2019 published on 16 April 2020 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0416/2020041600715.pdf>), please refer to pages 158 to 408 in particular.
- The Annual Report 2018 of the Company for the year ended 31 December 2018 published on 23 April 2019 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0423/ltn201904231197.pdf>), please refer to pages 139 to 260 in particular.
- The Annual Report 2017 of the Company for the year ended 31 December 2017 published on 25 April 2018 (available on: <https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0423/ltn20180423947.pdf>), please refer to pages 143 to 248 in particular.

2. STATEMENT OF INDEBTEDNESS

As at the close of business on 30 September 2020, the Group had unaudited outstanding interest-bearing debts of approximately RMB36,215,086 thousand, comprising borrowings from financial institutions of RMB29,787,479.52 thousand and bonds repayable of RMB5,901,225 thousand and financial lease costs repayable of RMB0, of which (1) for borrowings from financial institutions, the guaranteed borrowings amounted to RMB15,800,479.52 thousand, the secured borrowings amounted to RMB0 thousand, and the unsecured and unguaranteed borrowings amounted to RMB13,987,000.00 thousand; (2) for bonds repayable, all are unsecured and unguaranteed bonds; (3) for financial lease costs repayable, all are secured financial lease.

Save as aforesaid and apart from intra-group liabilities, the Group did not have any mortgages, charges, debentures, loan capital, bank loans and overdrafts, debt securities or other similar indebtedness, finance leases or hire purchase commitments, liabilities under acceptances or acceptances credits, or any guarantees, or any other contingent liabilities outstanding at the close of business on 30 September 2020.

As at the Latest Practicable Date, the Directors are not aware of any material adverse changes in the Group's indebtedness position and contingent liabilities since the close of business on 30 September 2020.

3. WORKING CAPITAL

The Directors, after due and careful enquiry, are of the opinion that the Group has sufficient working capital for its present requirements for at least the next 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

(I) Industry Development Trend

In the second half of 2020, economic development in the PRC continued to improve, and social demand was fully restored. With the normalization of production in mining areas, coal supply capacity has increased, but factors such as safety, environmental protection, and resource inspections will still have a certain impact on coal supply. Besides, supported by the heating supply and storage of coal in the North China and the decline in hydropower, coal supply and demand have reached an overall balance, and coal prices fluctuated within a reasonable range.

At present, there are still great uncertainties in the recovery of the global economy. The Company will closely monitor the market dynamics and timely track and understand the changes in the national regulation policies on the coal industry and mining resources management to build up its ability in coal market analysis. The Company will positively improve its own strengths through expansion and enhancement of the Company's business segments including coal production, railway and coal-related chemical operation, to maximize the returns to its shareholders.

(II) Development Strategies of the Company

In the second half of 2020, macroeconomic situation in the PRC is expected to continue to develop steadily. Facing opportunities and challenges, the Group intends to adopt the following strategies:

Firstly, the Company will take the national thorough implementation of supply-side reform as an opportunity to further participate in production capacity replacement, in order to ensure the release of advanced production capacity of existing mines and increase the earnings generated from its principal business of coal sector. Meanwhile, the Company will continue to actively seek mergers and acquisitions opportunities, focus on the implementation of reserved resources, integrate internal and external high-quality coal resources and make sure the continuity of resources to enrich the strategic reserves of the Company. Furthermore, the Company will promote the implementation of professional operation for coal production, maintain the vitality of production and operation, and implement stricter control over the costs of coal.

Secondly, the Company will adapt to the policy and market changes on the basis of consolidating the key long-term customers to develop customers, and optimize the structure of coal for chemical use through combination of spot and futures, benchmarking and bidding, in order to increase sales profit. In addition, the Company will seize the opportunities brought by

the commencement of operation of Haoji Railway, the implementation of “Transfer of Highway to Railway” policy and the westward movement of power bases to actively explore the markets and direct rail access business in Central China, thereby tapping new markets for coal sales and railway operations of the Company.

Thirdly, the Company will develop clean coal technology, drive the growth of new driving forces, and explore high quality development. We will firmly extend the industry chain, improve added value of products and focus on quality and efficiency improvement for projects which have been put into operation to enhance the overall profitability of the coal chemical sector. On the basis of steadily advancing the examination and approval, construction and operation of coal chemical projects, the Company will promote the medium-to-high end extension of the industry, increase added value, and further develop the markets to improve the benefits and core competitiveness of the industry.

Fourthly, the Company builds a capital sector and gradually realizes a new industrial structure of “Industrial + Capital” dual-wheel drive, thereby breaking the constraints of traditional industry and geographic, entering emerging industries and fully integrating external resources. The Company achieves the development mode of industrial and capital two-wheel drive, gradually reduces the cyclical risks of the relatively concentrated industrial sector and ensures the Company’s long-term and sustainable development.

Fifth, the Company will better monitor funds and allocate funds more efficiently. The Company uses Yitai Finance as a fund management platform to help its members allocate funds more efficiently. The interest rates of deposit services and other financial services provided by Yitai Finance to the Group will not be lower than the interest rates of similar services provided by any other independent third party for providing services of similar term, this will represent potential increase in interest income and cost savings to the Group.

5. FINANCIAL IMPACT OF ENTERING INTO CONTINUING CONNECTED TRANSACTIONS

The Transaction was entered into to meet the needs of the Company and its holding subsidiaries for daily normal business development. The related parties in the Transaction have good business reputation and financial status, which can reduce the Company’s operating risks, facilitate the continuous development of the Company’s normal business, and will not cause significant adverse effects on the Company’s financial status and operating results, and will not affect the independence of the Company.

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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



内蒙古伊泰煤炭股份有限公司

INNER MONGOLIA YITAI COAL CO., LTD.*

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

(Stock Code: 3948)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the second extraordinary general meeting (the “EGM”) of Inner Mongolia Yitai Coal Co., Ltd.* (the “**Company**”) in 2020 will be held at Room 1, Conference Center, Building of Inner Mongolia Yitai Coal Co., Ltd., Ordos, Inner Mongolia, the People’s Republic of China (the “**PRC**”) at 2:30 p.m. on Wednesday, 16 December 2020 for the purpose of considering, and if thought fit, passing the following resolutions.

AS ORDINARY RESOLUTIONS

1. To consider and approve the proposal relating to the estimation of the Company for the maximum of daily related party transactions (B shares) for 2021-2023.
2. To consider and approve the proposal relating to the estimation of the Company for the maximum of Continuing Connected Transactions (H shares) for 2021-2023:
 - 2.1 To consider and approve the Continuing Connected Transaction of products provided by Yitai Group and/or its subsidiaries to the Company and/or its subsidiaries under the Yitai Group Framework Agreement on Purchase and Sale of Products and Services;
 - 2.2 To consider and approve the Continuing Connected Transaction of products provided by Yitai Investment to the Company and/or its subsidiaries under Yitai Investment Framework Agreement on Purchase and Sale of Products and Services; and

* *For identification purpose only*

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

- 2.3 To consider and approve the Continuing Connected Transaction of deposit services provided by Yitai Finance to the Company and/or its subsidiaries under the Financial Services Framework Agreement.

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

Inner Mongolia, the PRC, 1 December 2020

As at the date of this notice, the executive directors of the Company are Mr. Zhang Jingquan, Mr. Liu Chunlin, Mr. Ge Yaoyong, Mr. Zhang Dongsheng, Mr. Liu Jian, Mr. Lv Guiliang and Mr. Lv Junjie; and the independent non-executive directors of the Company are Mr. Zhang Zhiming, Mr. Huang Sujian, Mr. Wong Hin Wing and Ms. Du Yingfen.

Notes:

1. The register of members of H shares of the Company will be closed from Monday, 16 November 2020 to Wednesday, 16 December 2020 (both days inclusive). Holders of H shares of the Company whose names appear on the register of members of H shares of the Company maintained at Computershare Hong Kong Investor Services Limited on Wednesday, 16 December 2020 are entitled to attend and vote at the EGM upon completion of the registration procedures. In order to qualify for attending and voting at the EGM, all transfer documents of H shares of the Company, accompanied by the relevant share certificates, must be lodged by shareholders with the Company's H share registrar before 4:30 p.m. on Friday, 13 November 2020. The address of the H share registrar of the Company is as follows:

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wanchai, Hong Kong
2. Any holder of H shares entitled to attend and vote at the EGM may, by the form of proxy of the Company, appoint one or more person(s) as his proxy(ies) to attend and vote at the EGM on his behalf. A proxy needs not be a shareholder of the Company.
3. A proxy shall be appointed by a shareholder by a written instrument signed by the appointor or his attorney duly authorized in writing. If the shareholder is a corporation, the same must be either under its common seal or under hand of its legal representative(s) or duly authorized attorney(s). If the written instrument is signed by an attorney of the appointor, the power of attorney or other authority of such attorney shall be notarially certified.
4. To be valid, the form of proxy and the relevant notarially certified power of attorney (if any) and other relevant authority (if any) as mentioned in Note 3 above must be served to the Company's H share registrar, Computershare Hong Kong Investor Services Limited, at 17M floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude a shareholder from attending and voting in person at the meeting should he so wishes.
5. A shareholder or his proxy should produce proof of identity when attending the EGM. Where a shareholder is a legal person, the legal representative(s) of such shareholder or the person authorized by its board of directors or other governing body shall produce a copy of the resolution of the board of directors or other governing body of such legal person shareholder appointing such person to attend the meeting.
6. The EGM is expected to last for half a day. The travelling and accommodation expenses shall be at the own cost of the shareholders attending the EGM.