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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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If you are in any doubt about any of the contents of this circular or as to what action to take in relation to this circular, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Yanzhou Coal Mining Company Limited**, you should at once hand this circular to the purchaser(s) or to the bank, or a licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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This circular is for information only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities in the Company.

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兖州煤業股份有限公司

**YANZHOU COAL MINING COMPANY LIMITED**

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

**(Stock Code: 1171)**

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE DEEMED DISPOSAL OF  
40.8% EQUITY INTERESTS IN HAINAN INTELLIGENT LOGISTICS;  
(2) PROPOSAL OF SUPPLEMENTAL AUTHORIZATION  
FOR THE COMPANY TO CARRY OUT DOMESTIC AND  
OVERSEAS FINANCING ACTIVITIES; AND  
(3) PROPOSAL TO INCREASE  
THE 2020-2024 CASH DIVIDEND RATIO OF THE COMPANY**

**Independent financial adviser to the Independent Board Committee and  
the Independent Shareholders**



**Donvex Capital Limited**  
富域資本有限公司

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The notice convening the EGM to be held at the headquarters of the Company at 298 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC at 8:30 a.m. on Wednesday, 9 December 2020 was published on 16 November 2020. Whether or not you are able to attend the meeting in person, you are strongly advised to complete and sign the form of proxy in accordance with the instructions printed thereon. The form of proxy shall be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares) or the Office of the Secretary to the Board at 298 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC (for holders of A Shares) as soon as possible but in any event not later than 24 hours before the time appointed for the holding of the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

16 November 2020

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## DEFINITIONS

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

“A Share(s)”	domestic share(s) in the ordinary share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“Asset Valuation Report”	the asset valuation report on Hainan Intelligent Logistics prepared by Shanghai Orient, the summary of the Asset Valuation Report of Hainan Intelligent Logistics is set out in appendix I of this circular
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Capital Increase Agreement”	the capital increase agreement dated 23 October 2020 entered into among the Company, Yankuang Group, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics
“Company”	Yanzhou Coal Mining Company Limited (兗州煤業股份有限公司), a joint stock limited company established under the laws of the PRC in 1997, and the H Shares and A Shares of which are listed on the Stock Exchange and the Shanghai Stock Exchange, respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the second extraordinary general meeting of 2020 to be held at the headquarters of the Company at 298 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC at 8:30 a.m. on Wednesday, 9 December 2020, to consider and approve, among other things, the Capital Increase Agreement and the transaction contemplated thereunder, the proposal of supplemental authorization for the Company to carry out domestic and overseas financing activities and the proposal to increase the 2020-2024 cash dividend ratio of the Company

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## DEFINITIONS

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“Group”	the Company and its subsidiaries
“Hainan Intelligent Logistics”	Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. (兗礦(海南)智慧物流科技有限公司)
“H Share(s)”	the overseas listed foreign invested share(s) in the ordinary share capital of the Company with a nominal value of RMB1.00 each, which are listed on the Stock Exchange
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Huaneng Fuel”	China Huaneng Group Fuel Co., Ltd. (中國華能集團燃料有限公司)
“Independent Board Committee”	the board committee comprising all the independent non-executive Directors who are independent in relation to the Capital Increase Agreement and the transaction contemplated thereunder, which is set up to consider the Capital Increase Agreement and the transaction contemplated thereunder
“Independent Financial Adviser” or “Donvex Capital”	Donvex Capital Limited, a corporation licensed to carry out type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance, which is appointed by the Company as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Capital Increase Agreement and the transaction contemplated thereunder
“Independent Shareholder(s)”	Shareholder(s) other than Yankuang Group (including the 391,507,272 A Shares held by the guarantees and trust account opened by Yankuang Group and CITIC Securities Co., Ltd., the voting rights in respect of which are exercisable by CITIC Securities Co., Ltd.) and its associates, who are neither involved nor interested in the Capital Increase Agreement and the transaction contemplated thereunder
“Latest Practicable Date”	10 November 2020, being the latest practicable date of ascertaining certain information contained in this circular before the issuing of this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time

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## DEFINITIONS

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“Notice of EGM”	the notice for convening the EGM dated 16 November 2020, which has been issued to the Shareholders separately and a copy of which can be downloaded from the Company’s website (www.yanzhoucoal.com.cn) and the website of the Stock Exchange (www.hkex.com.hk)
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Orient”	Shanghai Orient Appraisal Co., Ltd. (上海東洲資產評估有限公司)
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Taizhong Property”	Hainan Taizhong Property Group Co., Ltd. (海南泰中物產集團有限公司)
“Transaction”	the transaction contemplated under the Capital Increase Agreement
“Working Day(s)”	any day(s) except Saturday, Sunday and statutory holiday(s) in the PRC
“Yankuang Group”	Yankuang Group Company Limited (兗礦集團有限公司), a state-controlled limited liability company and the controlling shareholder of the Company holding directly and indirectly approximately 56.01% of the total issued share capital of the Company as at the Latest Practicable Date
“%”	per cent

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LETTER FROM THE BOARD

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兖州煤業股份有限公司

**YANZHOU COAL MINING COMPANY LIMITED**

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

**(Stock Code: 1171)**

*Directors:*

Li Xiyong  
Wu Xiangqian  
Liu Jian  
Zhao Qingchun  
He Jing  
Wang Ruolin

*Registered office:*

298 South Fushan Road Zoucheng  
Shandong Province  
PRC  
Postal Code: 273500

*Principal place of business in Hong Kong:*

40th Floor, Sunlight Tower  
248 Queen's Road East  
Wanchai  
Hong Kong

*Independent non-executive Directors:*

Tian Hui  
Zhu Limin  
Cai Chang  
Poon Chiu Kwok

16 November 2020

*To the Shareholders*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE DEEMED DISPOSAL OF  
40.8% EQUITY INTERESTS IN HAINAN INTELLIGENT LOGISTICS;  
(2) PROPOSAL OF SUPPLEMENTAL AUTHORIZATION  
FOR THE COMPANY TO CARRY OUT DOMESTIC AND  
OVERSEAS FINANCING ACTIVITIES; AND  
(3) PROPOSAL TO INCREASE  
THE 2020-2024 CASH DIVIDEND RATIO OF THE COMPANY**

**I. INTRODUCTION**

The purpose of this circular is to provide you with the information relating to (1) the discloseable and connected transaction in relation to the deemed disposal of 40.8% equity interests in Hainan Intelligent Logistics; (2) the proposal of supplemental authorization for the Company to carry out domestic and overseas financing activities; and (3) the proposal to increase the 2020-2024 cash dividend ratio of the Company.

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## LETTER FROM THE BOARD

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### II. THE TRANSACTION

#### (A) The Capital Increase Agreement

On 23 October 2020, the Company entered into the Capital Increase Agreement with Yankuang Group, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics. The principal terms of the Capital Increase Agreement are summarized as follows:

Date: 23 October 2020

Parties: The Company; Yankuang Group; Taizhong Property; Huaneng Fuel; and Hainan Intelligent Logistics

Yankuang Group is the controlling shareholder and a connected person of the Company. To the Directors' knowledge, information and belief, and having made all reasonable enquiries, Taizhong Property, Huaneng Fuel and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

Transactions: The parties intend to increase the registered capital of Hainan Intelligent Logistics by RMB400 million in cash:

1. The Company waives the pre-emptive rights in respect of the Transaction, and agrees to introduce Yankuang Group as a new shareholder of Hainan Intelligent Logistics to subscribe for the partial capital increase;
2. Huaneng Fuel waives the pre-emptive rights in respect of the Transaction, and agrees to introduce Yankuang Group as a new shareholder of Hainan Intelligent Logistics to subscribe for the partial capital increase;
3. Taizhong Property exercises the pre-emptive rights in respect of the Transaction and subscribes for 50% of the pre-emptive rights in respect of the Transaction waived by Huaneng Fuel, and agrees to introduce Yankuang Group as a new shareholder of Hainan Intelligent Logistics to subscribe for the partial capital increase;
4. Yankuang Group, as a new shareholder of Hainan Intelligent Logistics, subscribes for the pre-emptive rights in respect of the Transaction waived by the Company and 50% of the pre-emptive rights in respect of the Transaction waived by Huaneng Fuel.

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## LETTER FROM THE BOARD

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- Consideration: Yankuang Group and Taizhong Property shall contribute RMB315.4816 million and RMB247.8784 million to Hainan Intelligent Logistics in cash, respectively.
- Payment: The actual paid-in capital increase shall be completed within 30 Working Days after the Capital Increase Agreement takes effect.
- Conditions precedent: The Capital Increase Agreement shall take effect upon the fulfilment of the following conditions:
1. The legal representatives or authorized representatives of the parties have signed and affixed their official seals;
  2. All parties have completed the internal approval procedures.
- Closing:
1. The Company shall perform the closing of the Transaction within 5 Working Days after the Capital Increase Agreement becomes effective or on any other date as unanimously agreed by Yankuang Group and the Company.
  2. In terms of the unsettled loans, guarantees and other non-operating capital exchanges Hainan Intelligent Logistic has with the Company and member units of the Company, Hainan Intelligent Logistics shall prior to the closing: (1) repay the relevant loans and interests to the Company and its member units in accordance with the commercial terms stipulated in the loan contract/agreement, regardless of whether the loans are due; (2) release the guarantee provided by the Company and its member units for Hainan Intelligent Logistics; (3) settle other non-operating capital exchanges with the Company and its member units to ensure compliance with listing regulatory requirements.
  3. Prior to the closing, Hainan Intelligent Logistics shall not have new loans, guarantees and other non-operating capital exchanges with the Company and its member units.



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## LETTER FROM THE BOARD

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### **(B) Basis of Determination of the Consideration**

The consideration under the Capital Increase Agreement was determined with reference to the result of asset valuation of Hainan Intelligent Logistics, and after arm's length negotiations among the parties based on the principle of fairness. The Company has entrusted Shanghai Orient to prepare the Asset Valuation Report of Hainan Intelligent Logistics, which will be included in the circular to be despatched to the Shareholders regarding the Transaction. Pursuant to the Asset Valuation Report, as of 31 May 2020, being the valuation benchmark date, the book value of total shareholders' equity of Hainan Intelligent Logistics was RMB117.23 million, and the appraised value of total shareholders' equity using the asset-based approach was RMB140.84 million, with an appraised appreciation of RMB23.61 million and an appreciation rate of 20.14%. Based on the above, the Directors are of the view that the consideration under the Capital Increase Agreement is fair and reasonable.

The Company's criteria for selecting and evaluating institutions for the Transaction include: (i) being a legal person or other organizations in the PRC, and capable of independently assuming civil liabilities; (ii) having securities and futures business qualification, and have been filed with the Shandong Provincial SASAC; (iii) possessing a professional team with experience in valuation services for large enterprises; (iv) the person-in-charge of the project has the qualification of an asset appraiser and has been engaged in appraisal business for over five years, while the project team must consist of over three personnel; (v) having favourable bank credit and business reputation, not in the status of being ordered to suspend business, property being taken over, frozen or bankruptcy. Based on the aforementioned selection criteria, the Company has engaged Shanghai Orient to prepare the Asset Valuation Report on Hainan Intelligent Logistics.

Having considered the following factors, the Board is of the view that the adoption of the asset-based method in assessing Hainan Intelligent Logistics and relevant assumptions are fair and reasonable: Hainan Intelligent Logistics is a trading enterprise of commodities such as colored metals and coal. Due to the business model and industry characteristics of trading industry, it is difficult to form intangible assets such as trademarks, patents and proprietary technologies with conspicuous or greater value. The market entry conditions of trading industry are general, no obvious industry barriers have been formed, and there is no need for a long establishment period or market introduction stage. The economic behaviour in the Transaction is proposed capital increase. By adopting the asset-based approach, entire value of the total shareholders' equity of Hainan Intelligent Logistics can be reasonably reflected, which has better pertinence and accuracy when compared to the income approach.

The valuation assumptions set up by Shanghai Orient and its assessors for the valuation of Hainan Intelligent Logistics are implemented in accordance with relevant PRC laws and regulations, followed common practices and standards in the market, and are in line with the actual situation of Hainan Intelligent Logistics. Accordingly, the Board is of the view that the valuation assumptions in the Asset Valuation Report are fair and reasonable.

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## LETTER FROM THE BOARD

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### (C) Information on the Parties of the Transaction

#### **The Company**

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

#### **Yankuang Group**

Yankuang Group is a large-scale state-owned enterprise mainly engaged in the mining and trading of coal, supplemented by coal chemical industry, electromechanical equipment manufacturing, electrolytic aluminum (which is gradually transitioning to deep processing of aluminum profiles), material sales, engineering construction and other industries, of which coal business is its core business. As one of the leading enterprises in the coal industry of the PRC, Yankuang Group is a leading enterprise in the energy industry in Shandong Province.

#### **Taizhong Property**

Taizhong Property is a group company established in the PRC principally engaged in energy trade, investment and finance. Its controlling shareholder, Mount East Holding Pty Ltd, is a company established in Australia whose principal business is the international trade of bulk commodities such as energy, metals and agricultural products. Its ultimate beneficial owner is Mr. Zheng Zijian.

#### **Huaneng Fuel**

Huaneng Fuel is a limited liability company established in the PRC with coal wholesale, import and export, and warehousing services as its principal business, and with China Huaneng Group Co., Ltd. being its actual controller. China Huaneng Group Co., Ltd. is a large state-owned enterprise principally engaged in power development, investment, construction, operation and management, and production and sales of electric power (heat).

#### **Hainan Intelligent Logistics**

As of the Latest Practicable Date, Hainan Intelligent Logistics is a controlled subsidiary of the Company. It was incorporated in Haikou, Hainan Province on 27 September 2018 and with a registered capital of RMB100 million. It is principally engaged in bonded warehousing, storage and transportation, and coal wholesale operations; supply chain management; coal supply chain consulting services; sales of cotton, unprocessed beans, coke and fuel oil, mineral products, general equipment, special equipment, and other businesses.

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## LETTER FROM THE BOARD

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The audited consolidated major financial data of Hainan Intelligent Logistics and its two subsidiaries as of 31 December 2018 and 2019 and 31 May 2020, prepared in accordance with Chinese accounting standards, are summarized as follows:

*RMB0'000*

	<b>For the year ended</b>		<b>For the five</b>
	<b>31 December</b>		<b>months ended</b>
	<b>2018</b>	<b>2019</b>	<b>31 May</b>
			<b>2020</b>
Operating income	335.94	506,981.25	349,308.13
Total profit	25.66	2,083.51	623.33
Net profit	23.08	1,387.63	357.70

*RMB0'000*

	<b>As of 31 December</b>		<b>As of 31 May</b>
	<b>2018</b>		<b>2019</b>
			<b>2020</b>
Total assets	46,175.31	295,171.50	463,977.07
Total liabilities	36,152.24	283,760.79	452,208.66
Net assets	10,023.07	11,410.71	11,768.41

The audited major financial data of Hainan Intelligent Logistics as of 31 December 2018 and 2019 and 31 May 2020, prepared in accordance with Chinese accounting standards, are summarized as follows:

*RMB0'000*

	<b>For the year ended 31</b>		<b>For the five</b>
	<b>December</b>		<b>months ended</b>
	<b>2018</b>	<b>2019</b>	<b>31 May</b>
			<b>2020</b>
Operating income	335.94	506,929.89	349,233.82
Total profit	25.66	2,054.38	591.65
Net profit	23.08	1,365.88	334.21

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## LETTER FROM THE BOARD

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RMB0'000

	As of 31 December		As of 31 May
	2018	2019	2020
Total assets	46,175.31	295,130.18	429,467.33
Total liabilities	36,152.24	283,741.22	417,744.16
Net assets	10,023.07	11,388.96	11,723.17

In accordance with the PRC Accounting Standards, the gross profit margin of Hainan Intelligent Logistics in 2018, 2019 and the first five months of 2020 are 13.51%, 1.97% and 2.60%, respectively. In the past two years, Hainan Intelligent Logistics had a relatively lower gross profit margin. The gross profit margin of Hainan Intelligent Logistics in 2018 is higher than that of 2019 and the first five months of 2020, which is mainly due to the difference in proportion of Hainan Intelligent Logistics' coal trading business and other trading business such as electrolytic copper in each period. In accordance with the PRC Accounting Standards, the income of trading business such as electrolytic copper is recognised on a net basis thus has a high book gross profit margin, while the income of coal trading business is recognised on a gross basis thus has a low book gross profit margin. Considering the coal business is the main source of operating income of Hainan Intelligent Logistics, after the deduction of businesses including electrolytic copper, the gross profit margin of Hainan Intelligent Logistics (coal business only) in 2018, 2019 and the first five months of 2020 are 1.64%, 1.73% and 2.44%, respectively. There is no huge difference in the gross profit margin in each period.

In accordance with the PRC Accounting Standards, Hainan Intelligent Logistics' net cash flow generated from operating activities in 2018, 2019 and the first five months of 2020 are RMB169.7 million, RMB-1,222.4 million and RMB-583.1 million, respectively. In the past two years, Hainan Intelligent Logistics has contributed no operating cash flow to the Group. Hainan Intelligent Logistics' net cash flow generated from operating activities in 2018 is higher than that of 2019 and the first five months of 2020, which is mainly due to the difference between the cash received from sales of goods and provision of labour services and the cash paid for purchase of goods and receipt of labour services. In accordance with the PRC Accounting Standards, in 2018, 2019 and the first five months of 2020, the cash received from sales of goods and provision of labour services are RMB302.7 million, RMB8,812.6 million and RMB6,423.7 million, respectively, while the cash paid for purchase of goods and receipt of labour services are RMB133.2 million, RMB9,932.4 million and RMB6,978.4 million.

In accordance with the PRC Accounting Standards, the net profit margin of Hainan Intelligent Logistics in 2018, 2019 and the first five months of 2020 are 6.87%, 0.27% and 0.10%, respectively. Significant improvement in profitability has not been shown. Hainan Intelligent Logistics was established on 27 September 2018. The operating period in 2018 is approximately three months and its respective business segment are in the initial stage, therefore the absolute value of

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## LETTER FROM THE BOARD

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income scale and profit are relatively small. In addition, due to a higher proportion of trading businesses such as electrolyze copper that recognise income on a net basis, led to a higher gross profit margin in Hainan Intelligent Logistics for the year. In 2019 and 2020, Hainan Intelligent Logistics has gradually getting on track by strengthening its logistics and transportation business and optimising supply chain of its financial products, significant increase in the absolute value of operating income and profit of Hainan Intelligent Logistics have been shown after 2019 compared to that at the time of establishment. However, from the point of view of net profit margin, an indicator of profitability, its profitability has not improved significantly. Before deciding to waive the pre-emptive rights for the transaction, the Board have considered Hainan Intelligent Logistics' improvement in the net profit and the unimproved situation in profitability. Considering the Hainan Intelligent Logistics' low gross profit margin, low cash flow contribution and unimproved profitability, the Board decided to waive the pre-emptive rights for the transaction.

Subsequent to the Transaction, the registered capital of Hainan Intelligent Logistics will amount to RMB500 million. As of the Latest Practicable Date and immediately after the Transaction, the shareholding structure of Hainan Intelligent Logistics is/will be as follows:

*RMB0'000*

Shareholder	As of the Latest Practicable Date		Immediately after the Transaction	
	Capital contribution	Capital contribution ratio	Capital contribution	Capital contribution ratio
The Company	5,100	51%	5,100	10.2%
Taizhong Property	3,900	39%	21,500	43%
Huaneng Fuel	1,000	10%	1,000	2%
Yankuang Group	—	—	22,400	44.8%
<b>Total</b>	<u>10,000</u>	<u>100%</u>	<u>50,000</u>	<u>100%</u>

### (D) Benefits of and Reasons for the Transaction

The gross profit margin and cash flow contribution of Hainan Intelligent Logistics are relatively low. The Transaction will benefit the Company in further optimizing its industrial layout, focusing on the development of its principal businesses, and enhancing its core competitiveness. The Transaction has a relatively small impact on the total profit of the Company, which is in line with the Company's development strategies and in the interests of all Shareholders.

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## LETTER FROM THE BOARD

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### **(E) Financial Impact of the Transaction on the Company**

Immediately after the Transaction, Hainan Intelligent Logistics will cease to be a subsidiary of the Company, and its accounts will no longer be consolidated into the accounts of the Group.

As equity method will be adopted by the Group to account for Hainan Intelligent Logistics after the Transaction in accordance with the PRC accounting standards, the Transaction has no impact on the Group's profit or loss for the current period, and has no material impact on the Group's assets and liabilities.

The exact financial impact of the Transaction is subject to the review by the Company's auditors.

### **(F) Approval from the Board**

The Transaction was considered and approved at the sixth meeting of the eighth session of the Board of the Company on 23 October 2020. Li Xiyong and Wu Xiangqian, the related Directors of the Company, abstained from voting on the resolution relating to the Transaction, and the non-related Directors voted thereon. The Board of the Company are of the view that the Capital Increase Agreement is fair and reasonable, and is entered into on normal commercial terms or better, and in the interests of the Company and Shareholders as a whole.

### **(G) Listing Rules Implications**

After the Transaction, the Company's shareholding in Hainan Intelligent Logistics will decrease from 51% to 10.2% and thus the Transaction constitutes a deemed disposal under Rule 14.29 of the Listing Rules. As the highest applicable percentage ratio of the Transaction is more than 5% but less than 25%, the Transaction constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

In addition, Yankuang Group is the controlling shareholder of the Company. As of the Latest Practicable Date, Yankuang Group holds directly and indirectly approximately 56.01% of the shares of the Company. In accordance with the Listing Rules, Yankuang Group is a connected person of the Company. As the highest applicable percentage ratio in respect of the Transaction is more than 5%, the Transaction also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### III. PROPOSAL OF SUPPLEMENTAL AUTHORIZATION FOR THE COMPANY TO CARRY OUT DOMESTIC AND OVERSEAS FINANCING ACTIVITIES

Reference is made to the circular of the Company dated 29 May 2020, in relation to, among others, the proposal to authorize the Company to carry out domestic and overseas financing activities. The annual general meeting of the Company convened on 19 June 2020 considered and approved the Company or its controlled subsidiaries to carry out financing activities of an aggregate amount not exceeding the equivalent of RMB50 billion (the “**Original Authorization to Carry Out Financing Activities**”).

In order to supplement the working capital of the Company, swap the high-interest debts and satisfy its need for capital expenditure, subject to the relevant laws, regulations as well as listing rules in places where the Company’s securities are listed and on the basis that the Original Authorization to Carry Out Financing Activities remains valid, the Board proposed:

1. To approve the Company or its controlled subsidiaries to carry out financing activities of an aggregate amount not exceeding the equivalent of RMB30 billion and to determine the financing currency and methods based on merits of market conditions, which are restricted to the following financing methods only: bank loans, corporate bonds, medium-term notes, short-term bonds, super short-term bonds, renewable bonds, perpetual bonds, perpetual medium-term notes, private placement bonds, operating lease, financing lease, asset securitization, asset-backed notes, financing on transfer of right of return over assets, debt-to-equity funds, private placement of industry funds, acceptance of equity investment and bonds investment in the controlled subsidiaries by the subsidiaries of insurance companies, trusts and public offering funds.

When the financing businesses are to be implemented, the necessary approval procedures and information disclosure obligations shall be performed in accordance with the relevant regulations of the places where the Company is listed.

2. To authorize the chairman of the Board to deal with all matters in respect of the abovementioned financing businesses in accordance with the relevant laws and regulations, which include but are not limited to the followings:
  - (1) in light of the Company’s situation and the market conditions, and according to the relevant laws, rules and the requirements of regulatory authorities, to formulate and adjust specific plan in relation to such financing activities, including but not limited to the determination of the suitable entity to carry out the financing activities, the amounts, methods, terms and other matters related to financing activities;
  - (2) to determine the engagement of intermediaries and to sign and implement all agreements and documents in respect of the financing activities and disclose the relevant information;

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## LETTER FROM THE BOARD

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- (3) to deal with the reporting, registration, approval and other relevant matters of the materials in respect of the financing activities provided to the domestic and overseas regulatory authorities and other relevant authorities.
3. The aforementioned authorization shall be valid for one year upon approval by the Shareholders at the EGM, except where the circumstances require the person(s) so authorized to exercise his powers after the expiry of the term of authorization in relation to any contracts, agreements or decisions regarding the financial guarantees that have been made within the term of authorization.

The above proposal of supplemental authorization for the Company to carry out domestic and overseas financing activities shall be submitted to the EGM as a special resolution for consideration and approval by the Shareholders.

#### **IV. PROPOSAL TO INCREASE THE 2020-2024 CASH DIVIDEND RATIO OF THE COMPANY**

To increase the return of the Shareholders and to share its development with the investors, the Company proposes to increase its 2020-2024 cash dividend ratio in accordance with relevant laws, regulations and regulatory documents, including the Company Law of the PRC, the Securities Law of the PRC, the Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies (Zheng Jian Fa [2012] No. 37) and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (CSRC Notice [2013] No. 43) of the CSRC, the Guideline on Cash Dividend of Listed Companies (Shang Zheng Gong Zi [2013] No. 1) as well as relevant provisions of the Articles of Association. The details are set out as follows:

##### **1. Current arrangements of cash dividend ratio**

Pursuant to the Articles of Association, the cash dividends distributed by the Company shall account for approximately 35% of the Company's net profit after deducting the statutory reserve for that particular accounting year.

##### **2. Increase of the cash dividend ratio**

To increase the return of the Shareholders and to share its development with its investors, taking into account of the performance commitment provided by Yankuang Group in relation to the acquisition of its relevant assets, and the development, business operation, profitability and other factors of the Company upon completion of the abovementioned acquisition, the Company proposed to determine the 2020-2024 cash dividend ratio as: the total cash dividends distributed by the Company in each accounting year shall account for approximately 50 percent of the Company's net profit for the accounting year after deducting statutory reserves, and the cash dividend per share shall not be less than RMB0.5.



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## LETTER FROM THE BOARD

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### 3. Approval procedure

In accordance with the regulatory rules of the places where the Company's shares are listed and the Articles of Association, this proposal will be submitted to the EGM as a special resolution and is subject to the two-thirds majority approval by the Shareholders and their proxies attending the EGM and with shares entitling the holder to vote.

### V. EGM

The Notice of EGM was published on 16 November 2020. At the EGM, among other things, the following resolutions will be proposed to the Shareholders:

#### **As ordinary resolution:**

- (1) To consider and approve the Capital Increase Agreement of Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. and the transaction contemplated thereunder (being resolution no.4 of the Notice of EGM).

#### **As special resolutions:**

- (2) To consider and approve the proposal of supplemental authorization for the Company to carry out domestic and overseas financing activities (being resolution no.2 of the Notice of EGM).
- (3) To consider and approve the proposal to increase the 2020-2024 cash dividend ratio of the Company (being resolution no.3 of the Notice of EGM).

Whether or not you are able to attend the meeting in person, you are strongly advised to complete and sign the form of proxy published on 16 November 2020 in accordance with the instructions printed thereon. The form of proxy shall be lodged with the Company's H Share Registrar, Hong Kong Registrars Limited at 17M/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares of the Company) or the Office of the Secretary to the Board at 298 South Fushan Road, Zoucheng, Shandong Province 273500, the PRC (for holders of A Shares the Company) as soon as possible but in any event not later than 24 hours before the time appointed for the holding of the meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

Yankuang Group is the controlling shareholder of the Company, therefore Yankuang Group and its associates are connected persons (as defined under the Listing Rules) of the Company. Pursuant to Rule 14A.36 of the Listing Rules, where independent shareholders' approval is required with regard to a connected transaction, any connected person with a material interest in such transaction and any shareholder with a material interest in such transaction and its associates will not vote on such transaction. Accordingly, Yankuang Group and its associates shall abstain from voting at the EGM on the resolution in connection with the Capital Increase Agreement and the transaction contemplated thereunder

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## LETTER FROM THE BOARD

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(being resolution no.4 of the Notice of EGM), which must be taken by way of poll as required under the Listing Rules except where the chairman of the EGM, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands.

As at the Latest Practicable Date, Yankuang Group controlled or was entitled to exercise control over the voting rights in respect of 2,267,169,423 A Shares and 454,989,000 H Shares in the Company, representing, in aggregate, approximately 56.01% of the entire issued share capital of the Company.

As at the Latest Practicable Date, the 2,267,169,423 A Shares held by Yankuang Group included: (i) 1,875,662,151 A Shares held by Yanchuang Group's own account, the voting rights in respect of which are exercisable by Yanchuang Group; and (ii) 391,507,272 A Shares held by the guarantees and trust account opened by Yankuang Group and CITIC Securities Co., Ltd., the voting rights in respect of which are exercisable by CITIC Securities Co., Ltd. The aforementioned guarantees and trust account provide guarantees for the exchangeable corporate bonds issued by Yankuang Group. Save as disclosed above, to the extent that the Company is aware, having made all reasonable enquiries, as at the Latest Practicable Date:

- (i) there was no voting trust or other agreement or arrangement or understanding entered into by or binding upon Yankuang Group, whereby it had or might have temporarily or permanently passed control over the exercise of the voting rights in respect of its Shares in the Company to a third party, whether generally or on a case-by-case basis;
- (ii) Yankuang Group was not subject to any obligation or entitlement whereby it had or might have temporarily or permanently passed control over the exercise of the voting right in respect of its Shares in the Company to a third party, whether generally or on a case-by-case basis; and
- (iii) it was not expected that there would be any discrepancy between Yankuang Group's beneficial shareholding interest in the Company and the number of shares in the Company in respect of which it would control or would be entitled to exercise control over the voting right at the EGM.

### **VI. CLOSURE OF REGISTER OF MEMBERS**

The H Share register of members of the Company will be closed from Tuesday, 1 December 2020 to Wednesday, 9 December 2020 (both days inclusive), during which period no transfer of the Company's H Shares will be registered. In order to attend the EGM, all share transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's H Share Registrar, Hong Kong Registrars Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, no later than 4:30 p.m. on Monday, 30 November 2020 for registration. Holders of the Company's overseas listed foreign invested shares (in the form of H shares) whose names appear on the Company's register of members of H shares which is maintained by Hong Kong Registrars Limited at the close of business on Monday, 30 November 2020 are entitled to attend the EGM.

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## LETTER FROM THE BOARD

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### VII. RECOMMENDATION

Your attention is drawn to the (i) the Letter from the Independent Board Committee as set out on pages 18 to 19 of this circular, which contains its recommendations to the Shareholders in respect of approving the resolution on the Transaction; (ii) the Letter from the Independent Financial Adviser as set out on pages 20 to 33 of this circular, which contains its opinions to the Independent Board Committee and Independent Shareholders on whether the Transaction is fair and reasonable; and (iii) additional information as set out in the appendices of this circular.

The Independent Board Committee, having taken into account the advice from Donvex Capital Limited, considers that although the Capital Increase Agreement was not entered into in the ordinary and usual course of business of the Group, the Capital Increase Agreement and the transaction contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, and in the interests of the Company and Shareholders as a whole. Accordingly, the Independent Board Committee recommends that the Independent Shareholders vote in favour of the ordinary resolution to be proposed at the EGM in respect of the Transaction.

Taking into account, among other things, the above-mentioned reasons and benefits of the Transaction, the Directors consider that although the Capital Increase Agreement was not entered into in the ordinary and usual course of business of the Group, the Capital Increase Agreement and the transaction contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, and in the interests of the Company and Shareholders as a whole. Accordingly, the Board recommends that the Independent Shareholders vote in favour of the above-mentioned resolution regarding the Capital Increase Agreement of Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. and approve the transaction contemplated thereunder at the EGM.

The Directors consider that the special resolution regarding the proposal of supplemental authorization for the Company to carry out domestic and overseas financing activities and the special resolution regarding the proposal to increase the 2020-2024 cash dividend ratio of the Company are in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend the Shareholders vote in favour of these resolutions at the EGM.

By order of the Board  
**Yanzhou Coal Mining Company Limited**  
**Zhao Qingchun**  
*Director*

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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兖州煤業股份有限公司

**YANZHOU COAL MINING COMPANY LIMITED**

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

**(Stock Code: 1171)**

*Registered office:*

298 South Fushan Road

Zoucheng

Shandong Province

PRC

Postal Code: 273500

*Principal place of business in Hong Kong:*

40th Floor, Sunlight Tower

248 Queen's Road East

Wanchai Hong Kong

16 November 2020

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE DEEMED DISPOSAL OF  
40.8% EQUITY INTERESTS IN HAINAN INTELLIGENT LOGISTICS**

We refer to the circular of the Company dated 16 November 2020 (“**Circular**”) to the Shareholders, of which this letter forms part. Terms defined therein shall have the same meanings when used in this letter unless the context otherwise requires. We have been appointed by the Board as the Independent Board Committee to advise you as to whether, in our opinion, the Transaction is fair and reasonable in so far as the Independent Shareholders are concerned.

Donvex Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee in respect of the Capital Increase Agreement and the Transaction. The Letter from Independent Financial Adviser, which contains its advice, together with the principal factors taken into consideration in arriving at such advice, are set out on pages 20 to 33 of this Circular.

Your attention is also drawn to the “Letter from the Board” set out on pages 4 to 17 of this Circular and the additional information set out in the appendices to this Circular. Having taken into account the transaction contemplated under the Capital Increase Agreement and having considered the interests of the Independent Shareholders and the advice from the

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Independent Financial Adviser, we consider that although the Capital Increase Agreement was not entered into in the ordinary and usual course of business of the Group, the Capital Increase Agreement and the transaction contemplated thereunder are fair and reasonable, entered into on normal commercial terms or better, and in the interests of the Company and Shareholders as a whole.

Accordingly, we recommend that the Independent Shareholders vote in favour of the resolution to approve the discloseable and connected transaction in relation to the deemed disposal of 40.8% equity interests in Hainan Intelligent Logistics.

Yours faithfully,

**Yanzhou Coal Mining Company Limited**  
**Tian Hui, Zhu Limin, Cai Chang and Poon Chiu Kwok**  
*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 2502, 25/F  
Carpo Commercial Building  
18-20 Lyndhurst Terrace  
Central  
Hong Kong

16 November 2020

*The Independent Board Committee and the Independent Shareholders of  
Yanzhou Coal Mining Company Limited*

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO  
THE DEEMED DISPOSAL OF 40.8% EQUITY IN INTERESTS IN HAINAN  
INTELLEGENANT LOGISTICS**

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Increase Agreement and Capital Increase, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 16 November 2020 to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used herein have the same meanings as those defined in the Circular unless otherwise stated.

As stated in the Letter from the Board, on 23 October 2020, the Company entered into the Capital Increase Agreement with Yankuang Group, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics. Pursuant to the Capital Increase Agreement,

- a. Hainan Intelligent Logistics, a subsidiary of the Company, will increase its registered capital by RMB400 million at the capital increase price determined by the appraised value of total shareholders’ equity (i.e. RMB1.4084 per share);
- b. the Company and Huaneng Fuel, as the existing shareholders of Hainan Intelligent Logistics, will waive their pre-emptive rights to increase capital to Hainan Intelligent Logistics;
- c. Taizhong Property will contribute RMB247.8784 million to Hainan Intelligent Logistics (of which RMB176.00 million will be deemed to be the increased registered capital of Hainan Intelligent Logistics) as an existing shareholder of Hainan Intelligent Logistics; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- d. Yankuang Group, as a new shareholder of Hainan Intelligent Logistics, will contribute RMB315.4816 million to Hainan Intelligent Logistics (of which RMB224.00 million will be deemed to be the increased registered capital of Hainan Intelligent Logistics).

Yankuang Group is the controlling shareholder of the Company, directly and indirectly, holding approximately 56.01% of the Shares of the Company. Therefore, Yankuang Group is a connected person of the Company. Accordingly, the entering into the Capital Increase Agreement and the Transaction constitute a connected transaction of the Company under Chapter 14A of the Listing Rules and is subject to the reporting, announcement, and Independent Shareholders' approval requirements under the Listing Rules. The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, approve the Capital Increase Agreement and the Transaction. Yankuang Group and its associates will abstain from voting on the resolution to approve the Capital Increase Agreement and the Transaction contemplated thereunder.

The Independent Board Committee, comprising all of the independent non-executive Directors, namely Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang and Mr. Poon Chiu Kwok, has been established to advise the Independent Shareholders on (a) whether the terms of the Capital Increase Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole; (b) whether the Transaction is on normal commercial terms and in the Company's ordinary and usual course of business; and (c) how the Independent Shareholders should vote in respect of the resolution to approve the Capital Increase Agreement and the Transaction at the EGM. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

### INDEPENDENCE

We did not act as financial adviser to the Group and their respective connected persons in the past two years immediately preceding the Latest Practicable Date.

In the last two years, we have acted as the independent financial adviser to independent board committee and independent shareholders of the Company for the major and continuing connected transaction in relation to the provision of financial services to Yankuang Group, details of which are set out in the circular of the Company dated 11 October 2019 and major and connected transaction in relation to the acquisition of a series of target companies and target assets, details of which are set out in the circular of the Company dated 16 November 2020 (the "**Previous Engagement**"). Under the Previous Engagement, we were required to express our opinion on and give recommendations to the independent board committee and independent shareholders of the Company in relation to the provision of comprehensive credit facility services under the financial services agreement. Apart from the independent financial adviser roles in connection with the Previous Engagement and the Transaction, we have not acted in any capacity of the Group in the past two years.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders in relation to the Capital Increase Agreement and the Transaction. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view regarding the Capital Increase Agreement and the Transaction, and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group.

Our opinion is based on the financial, economic, market, and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any other securities of the Company.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Transaction, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

#### A. Background information on the parties

##### 1. The Company and the Group

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

The Group is principally engaged in the business of mining, preparation, processing and sales of coal and coal chemicals.

The tables below set forth a summary of the consolidated financial information of the Group for the year ended 31 December 2018 (“FY2018”), the year ended 31 December 2019 (“FY2019”), six months ended 30 June 2019 (“1H2019”), and six months ended 30 June 2020 (“1H2020”) as extracted from the annual report for the year ended 31 December 2019 (“2019 Annual Report”) and the interim report for six months ended 30 June 2020 (“2020 Interim Report”) of the Company:

	<b>FY2019</b> <i>RMB million</i> (Audited)	<b>FY2018</b> <i>RMB million</i> (Audited)	<b>1H2020</b> <i>RMB million</i> (Unaudited)	<b>1H2019</b> <i>RMB million</i> (Unaudited)
Total revenue	67,805	67,447	35,325	33,237
Profit after taxation	11,827	11,323	6,355	7,492

  

	<b>As at</b> <b>30 June</b> <b>2020</b> <i>RMB million</i> (Unaudited)	<b>As at 31 December</b> <b>2019</b> <i>RMB million</i> (Audited)	<b>2018</b> <i>RMB million</i> (Audited)
Total assets	219,703	204,696	210,761
Net assets	84,150	85,349	87,045

The revenue of the Group increased from approximately RMB67,447 million for FY2018 to approximately RMB67,805 million for FY2019, which remained stable during FY2019. The revenue of the Group increased from approximately RMB33,237 million for 1H2019 to approximately RMB35,325 million for 1H2020, which was mainly attributable to the increase in sales volume of coal from 55,288 kilotons for 1H2019 to 67,620 kilotons for 1H2020.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The profit after taxation of the Group increased from approximately RMB11,323 million for FY2018 to approximately RMB11,827 million for FY2019, representing a stable trend during FY2019. The profit after taxation of the Group decreased from approximately RMB7,492 million for 1H2019 to approximately RMB6,355 million for 1H2020, which was mainly attributable to decrease in gross profit on the sales of coal of the Group.

The total assets and net assets of the Group as at 30 June 2020 was approximately RMB219,703 million and RMB84,150 million respectively.

### 2. *Taizhong Property*

Taizhong Property is a group company established in the PRC principally engaged in energy trade, investment and finance. Its controlling shareholder, Mount East Holding Pty Ltd, is a company established in Australia whose principal business is the international trade of bulk commodities such as energy, metals and agricultural products.

### 3. *Huaneng Fuel*

Huaneng Fuel is a limited liability company established in the PRC with coal wholesale, import and export, and warehousing services as its principal business, with China Huaneng Group Co., Ltd. being its actual controller. China Huaneng Group Co., Ltd. is a large state-owned enterprise principally engaged in power development, investment, construction, operation and management, and production and sales of electric power (heat).

### 4. *Hainan Intelligent Logistics*

As at the date of this announcement, Hainan Intelligent Logistics is a controlled subsidiary of the Company, which was incorporated in Haikou, Hainan Province on 27 September 2018 and with a registered capital of RMB100 million. It is principally engaged in bonded warehousing, storage and transportation, and coal wholesale operations; supply chain management; coal supply chain consulting services; sales of cotton, unprocessed beans, coke and fuel oil, mineral products, general equipment, special equipment, and other businesses.

The audited consolidated financial performance of Hainan Intelligent Logistics for the two years ended 31 December 2019 and for the five months ended 31 May 2020, prepared in accordance with Chinese accounting standards, are summarized as follows:

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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	<b>For the five months ended 31 May 2020 RMB'000 (Audited)</b>	<b>For the year ended 31 December 2019                      2018 RMB'000                      RMB'000 (Audited)                      (Audited)</b>	
Revenue	3,493,081	5,069,813	3,359
Gross profit	90,729	99,875	454
Profit before tax	6,233	20,835	257
Profit after tax	3,577	13,876	231
Profit margin	0.1%	0.27%	6.87%

As illustrated above, we are aware that the profit margin of Hainan Intelligent Logistics decreased from 6.87% to 0.1% from the year ended 31 December 2018 to the five months ended 31 May 2020. After the review of the audit report and discussion with the management of Hainan Intelligent Logistics, we understand that:

The revenue of Hainan Intelligent Logistics is mainly contributed from trading operations of coal and electrolyze copper respectively.

The significant decrease in profit margin was due to the significant decrease in the gross profit contributed from trading operation of electrolyze copper (which has higher gross profit margin) from approximately RMB405,534 million to RMB12.5 million and further to RMB5.6 million, representing a proportion of 89%, 13% and 6% in the total gross profit for the respective year/period.

The audited consolidated financial position of Hainan Intelligent Logistics as at 31 December 2018, 31 December 2019 and 31 May 2020 respectively, prepared in accordance with Chinese accounting standards, are summarized as follows:

	<b>As at 31 May 2020 RMB'000 (Audited)</b>	<b>As at 31 December 2019                      2018 RMB'000                      RMB'000 (Audited)                      (Audited)</b>	
Total assets	4,639,770	2,951,715	461,753
Total liabilities	4,522,087	2,837,608	361,522
Net assets	117,684	114,107	100,230

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### B. The Capital Increase Agreement

On 23 October 2020, the Company entered into the Capital Increase Agreement with Yankuang Group, Taizhong Property, Huaneng Fuel and Hainan Intelligent Logistics. Pursuant to the Capital Increase Agreement,

- a. Hainan Intelligent Logistics, a subsidiary of the Company, will increase its registered capital by RMB400 million at the capital increase price determined by the appraised value of total shareholders' equity (i.e. RMB1.4084 per share);
- b. the Company and Huaneng Fuel, as the existing shareholders of Hainan Intelligent Logistics, will waive their pre-emptive rights to increase capital to Hainan Intelligent Logistics;
- c. Taizhong Property, as the existing shareholder of Hainan Intelligent Logistics, will contribute RMB247.8784 million to Hainan Intelligent Logistics (of which RMB176.00 million will be deemed to be the increased registered capital of Hainan Intelligent Logistics); and
- d. Yankuang Group, as a new shareholder of Hainan Intelligent Logistics, will contribute RMB315.4816 million to Hainan Intelligent Logistics (of which RMB224.00 million will be deemed to be the increased registered capital of Hainan Intelligent Logistics).

The principal terms of the Capital Increase Agreement are summarized as follows:

**Date:** 23 October 2020

**Parties:**

- (a) the Company;
- (b) Yankuang Group;
- (c) Taizhong Property;
- (d) Huaneng Fuel; and
- (e) Hainan Intelligent Logistics  
(Collectively referred to as the "**Parties**")

Yankuang Group is the controlling shareholder and a connected person of the Company. To the Directors' knowledge, information and belief, and having made all reasonable enquiries, Taizhong Property, Huaneng Fuel and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### The Transaction

The Parties intend to increase the registered capital of Hainan Intelligent Logistics by RMB400 million in cash by way of the following manners:

1. The Company waives the pre-emptive rights in respect of the Capital Increase, and agrees to introduce Yankuang Group as a new shareholder of Hainan Intelligent Logistics to contribute capital under the Transaction;
2. Huaneng Fuel waives the pre-emptive rights in respect of the Capital Increase, and agrees to introduce Yankuang Group as a new shareholder of Hainan Intelligent Logistics to contribute capital under the Transaction;
3. Taizhong Property exercises the pre-emptive rights in respect of the Capital Increase and subscribes for 50% of the pre-emptive rights in respect of the Capital Increase waived by Huaneng Fuel, and agrees to introduce Yankuang Group as a new shareholder of Hainan Intelligent Logistics to contribute capital under the Transaction; and
4. Yankuang Group, as a new shareholder of Hainan Intelligent Logistics, subscribes for the pre-emptive rights in respect of the Capital Increase waived by the Company and 50% of the pre-emptive rights in respect of the Capital Increase waived by Huaneng Fuel.

Immediately after the Transaction, the registered capital of Hainan Intelligent Logistics will increase from RMB100 million to RMB500 million. In addition, the equity interest in Hainan Intelligent Logistics held by the Company will decrease from 51% to 10.2% and therefore Hainan Intelligent Logistics will cease to be a subsidiary of the Company.

Set out below is a table demonstrating the shareholding structure of Hainan Intelligent Logistics as at the Latest Practicable Date and immediately after the Transaction, respectively.

Shareholder	As at the Latest Practicable Date		Immediately after the Transaction	
	Capital Contribution <i>RMB'000</i>	Shareholding	Capital Contribution <i>RMB'000</i>	Shareholding
The Company	51,000	51%	51,000	10.2%
Taizhong Property	39,000	39%	215,000	43%
Huaneng Fuel	10,000	10%	10,000	2%
Yankuang Group	—	—	224,000	44.8%
<b>Total</b>	<b>100,000</b>	<b>100%</b>	<b>500,000</b>	<b>100%</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **Conditions precedent**

Pursuant to the Capital Increase Agreement, the completion is subject to the fulfilment of a series of conditions precedent, details of which have been set out in the section headed “II. THE CAPITAL INCREASE” in the Letter from the Board to this Circular.

### **Consideration and payment terms**

Yankuang Group and Taizhong Property shall contribute RMB315.4816 million and RMB247.8784 million, respectively, to Hainan Intelligent Logistics in cash.

The actual paid-in capital increase shall be completed within 30 Working Days after the Capital Increase Agreement takes effect.

### **Basis of the consideration**

The consideration amounting to RMB315.4816 million contributed by Yankuang Group was determined based on normal commercial terms after arm’s length negotiations among the Parties with reference to, among others, (i) the production and operation, financial condition and future development plan of Hainan Intelligent Logistics; and (ii) the valuation results of Hainan Intelligent Logistics which is included in the Asset Valuation Report issued by Shanghai Orient Appraisal Co., Ltd, an independent valuer engaged by the Company (“**Shanghai Orient**” or “**Valuer**”).

### **C. Assessment on the Asset Valuation Report**

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

#### *(a) The Valuer*

The Company has engaged Shanghai Orient to perform the valuation and prepare the Asset Valuation Report for Hainan Intelligent Logistics.

To assess the qualification of Shanghai Orient to perform the valuation for Hainan Intelligent Logistics, we have reviewed the qualification of Shanghai Orient. Shanghai Orient confirms that (a) it is independent from the Company; (b) all relevant material information provided by the Company had been incorporated in the Asset Valuation Report; and (c) there were no other material relevant information or representations relating to Hainan Intelligent Logistics provided or made by the Company to Hainan Intelligent Logistics not having been included in the valuation.

In respect of the experience of Shanghai Orient, we have requested and obtained a portfolio list from Shanghai Orient demonstrating their track record of valuation for the target companies with similar business operation to Hainan Intelligent Logistics. Based

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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on our assessment, we consider that Shanghai Orient has accumulated extensive experience and therefore is competent to conduct the valuation for Hainan Intelligent Logistics.

We have also reviewed the scope of work of Shanghai Orient and noted that there is no limitation on the scope of work which might adversely impact on the degree of assurance in the Asset Valuation Report.

Based on the above, we are of the view that the scope of work of Shanghai Orient is appropriate and Shanghai Orient is qualified and competent to perform the valuation of Hainan Intelligent Logistics and prepare the Asset Valuation Report.

*(b) Valuation methodology adopted by the Valuer*

We have reviewed the Asset Valuation Report regarding the assumption made and methodology adopted for the valuation of Hainan Intelligent Logistics. We understand that Shanghai Orient has adopted the asset-based approach for the valuation of Hainan Intelligent Logistics as Shanghai Orient considers that the asset-based approach is able to reflect the value of the total shareholders' equity of Hainan Intelligent Logistics for purpose of capital increase.

*(c) Application of the asset-based approach*

Based on the Asset Valuation Report, we also understand that the asset-based approach primarily involves the assessment of each of the assets and liabilities of Hainan Intelligent Logistics the with different valuation approaches based on the nature of each asset and liability. The details of the asset-based approach are set out as follows:

1. The asset-based approach has been applied for the valuation of the major assets of Hainan Intelligent Logistics such as monetary capital, account receivables, inventories, long-term equity investments and long-term unamortized expenses, as set out below:

***Monetary capital*** – Monetary capital mainly includes bank deposits and other monetary capitals which were evaluated by Shanghai Orient at the carrying value after verification.

***Account receivables*** – Account receivables mainly include trade receivables, prepayments and other receivables, etc. The appraised value of account receivables is determined on the basis of the recoverable amount for each item with adjustment of the risk of loss.

***Inventories*** – Inventories mainly include commodity. The appraised value of inventories is determined at the carrying value after the Shanghai Orient's verification for the inventories, e.g. physical assets, invoices and accounting documents, inventory storage system and internal control system etc.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*Long-term equity investment* – The Shanghai Orient evaluated each of the companies invested by Hainan Intelligent Logistics with adoption of the appropriate valuation methodology based on the business natures. The appraised value of the long-term equity investment of Hainan Intelligent Logistics was determined based on the shareholding percentage in each of the companies invested by Hainan Intelligent Logistics.

*Long-term unamortized expense* – The long-term unamortized expense as at the benchmark date were evaluated by Shanghai Orient at the carrying value after verification of relevant contracts.

2. The asset-based approach has been applied for the valuation of the current and non-current liabilities of Hainan Intelligent Logistics. The appraised value of each liability was determined at the carrying value after Shanghai Orient's verification such as invoices, contracts and payment advice etc.; and
3. The replacement cost approach has been applied for the valuation of the equipment assets (mainly the electronic equipment) and the intangible assets (mainly the software and domain names) of Hainan Intelligent Logistics. The replacement cost approach considers the cost to reproduce or replace in new condition the assets appraised in accordance with current market prices for same/similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear etc., by way of the following formula.

Appraised value = Full replacement cost × Depreciation rate

To assess the full replacement cost of the electronic equipment adopted by Shanghai Orient, we have discussed with Shanghai Orient and reviewed the working documents of Shanghai Orient. We understand that Shanghai Orient has obtained the market prices for full replacement cost of the electronic equipment or its similar items mainly through STAPRO (<https://www.stapro.com.tw/>) and PConline (<https://www.pconline.com.cn/>), two prevailing online shopping platforms for office electronic equipment.

In respect of the software, Shanghai Orient has directly obtained quotation for full replacement cost of the software from the software supplier.

Based on our review, we are of the view that (i) the market comparables (i.e. the similar items) of the electronic equipment were selected on a fair and reasonable basis; and (ii) the full replacement cost adopted by Shanghai Orient is fair and reasonable, and in line with the prevailing market prices of respective items.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Set forth below are the major assets with variance in the value appraised by Shanghai Orient in the valuation of Hainan Intelligent Logistics as at 31 May 2020 in accordance with the Asset Valuation Report.

<b>Financial items</b>	<b>As at 31 May 2020</b>			<b>Reason for the increase/decrease in the appraised value</b>	
	<b>Appraised value</b>	<b>Net book value under China Accounting Standards (“CAS”)</b>	<b>Variance between the net book value and appraised value</b>		
		<i>RMB’000</i>	<i>RMB’000</i>		<i>RMB’000</i>
		<i>a</i>	<i>b</i>		<i>c=a-b</i>
Bank balance	121,524	121,490	34	The increase in the bank balance is due to the increase in the exchange rate as at the benchmark date of the valuation.	
Long-term equity investments	289,115	265,528	23,587	The increase in the long-term equity investments is due to the increase in the net asset value of the subsidiaries of Hainan Intelligent Logistics as at the benchmark date of the valuation.	
Equipment assets	382	404	(22)	The decrease in the equipment assets is due to the decrease in replacement cost of the same types of electronic equipment purchased by Hainan Intelligent Logistics.	
Intangible assets	633	642	9	The increase in intangible assets is due to the inclusion of the domain names of Hainan Intelligent Logistics in the valuation.	

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As such, the valuation of 100% equity interest of Hainan Intelligent Logistics as at 31 May 2020 based on the asset-based approach was RMB140,839,210.14, representing an increase of approximately RMB23,607,500 or 20.14% as compared to the book value of the Hainan Intelligent Logistics.

Based on the assessment on the valuation as stated above, we consider that (i) the Valuer is qualified and competent to perform the valuation of Hainan Intelligent Logistics; (ii) the valuation of Hainan Intelligent Logistics was performed on a justifiable basis; and (iii) the consideration under the Capital Increase Agreement determined based on the valuation is fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

### **D. Reasons for and benefits of the entering into the Capital Increase Agreement**

The entering into the Capital Increase Agreements among the Parties is mainly due to the following reasons:

- i. As Hainan Intelligent Logistics is principally engaged in trading of commodities, the profit margin of Hainan Intelligent Logistics remains at a relatively low level. According to the financial statements of Hainan Intelligent Logistics stated above, the profit recorded by Hainan Intelligent Logistics was approximately RMB0.23 million, RMB13.88 million and RMB3.58 million for the two years ended 31 December 2019 and for the five months ended 31 May 2020, representing a profit margin of approximately 6.87%, 0.27% and 0.10%, respectively, as stated in the above section headed “PRINCIPAL FACTORS AND REASONS CONSIDERED – A. Background information on the parties – 4. Hainan Intelligent Logistics”.

As Hainan Intelligent Logistics will cease to be a subsidiary of the Company immediately after the Transaction under the Capital Increase Agreement and the financial results of Hainan Intelligent Logistics will no longer be consolidated into the financial statements of the Company, it is expected that the overall profit margin of the Company will be improved and the Group will shift the focus on and better centralise the resources on the development of its principal businesses, i.e. mining, processing and sale of coal and coal chemicals, which is in line with the Company’s development strategies in the long term; and

- ii. As Yankuang Group, as the new shareholder of Hainan Intelligent Logistics, has been familiar with the operations of the Company including Hainan Intelligent Logistics, the Transaction would provide opportunities for Hainan Intelligent Logistics to further develop and promote its commodities trading business on a timely and cost-effective manner by leveraging on the extensive network and resource of Yankuang Group.

Furthermore, the Company would continue to benefit from the additional income, in the case of the improvement in performance of Hainan Intelligent Logistics, by way of its remaining 10.2% equity interest in Hainan Intelligent Logistics after the Transaction.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Based on the reasons and benefits as discussed above, we consider and concur with the Directors that the terms of the Capital Increase Agreement and the Transaction are on commercial terms or better to the Group, fair and reasonable and in the interests of the Company and the Shareholders as a whole, notwithstanding that the Transaction, as the deemed disposal, is not in the ordinary and usual course of the business of the Group.

### **E. Financial impact of the Transaction on the Group**

Immediately after the Transaction, Hainan Intelligent Logistics will cease to be a subsidiary of the Company and therefore the financial results of Hainan Intelligent Logistics will no longer be consolidated into the financial statements of the Company.

As equity method will be adopted by the Group to account for Hainan Intelligent Logistics after the Transaction in accordance with Chinese accounting standards, it is expected that the Transaction has no impact on the Group's profit or loss for the current period, and has no material impact on the Group's assets and liabilities, which will be subject to audit of the Company.

It should be noted that the analyses above are for illustrative purpose only and do not purport to represent how the financial positions and performance of the Group will be upon completion of the Transaction.

### **RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (a) the terms of the Capital Increase Agreement are fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (b) despite the Transaction, as the deemed disposal, is not in the ordinary and usual course of business, the Transaction is on normal commercial terms or better to the Group.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the resolution(s) to be proposed at the EGM to approve the Capital Increase Agreement and the Transaction and we recommend the Independent Shareholders to vote in favor of the resolution(s) in this regard.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**  
**Doris Sy**  
*Director*

*Ms. Doris Sy is a person licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and is a responsible office of Donvex Capital Limited who has around 18 years of experience in corporate finance advisory.*

**SUMMARY OF THE ASSET VALUATION REPORT ON  
THE VALUE OF THE TOTAL SHAREHOLDERS' EQUITY OF YANKUANG  
(HAINAN) INTELLIGENT LOGISTICS SCIENCE AND TECHNOLOGY CO., LTD.  
INVOLVED IN THE PROPOSED CAPITAL INCREASE IN YANKUANG (HAINAN)  
INTELLIGENT LOGISTICS SCIENCE AND TECHNOLOGY CO., LTD.**

**Dong Zhou Ping Bao Zi (2020) No. 1083**

To Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd.

Shanghai Orient Appraisal Co., Ltd. is engaged by the Company to appraise the market value of the total shareholders' equity of Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. involved in the proposed capital increase in Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. as at 31 May 2020 following necessary valuation procedures and using asset-based approach and income approach with principles of independence, objectivity and fairness in accordance with the requirements of laws, administrative regulations and asset valuation standards. The asset valuation is reported as follows:

**I. THE CLIENT, APPRAISED ENTITY AND OTHER ASSET VALUATION  
REPORT USERS**

**(I) Overview of the client and appraised entity**

<b>Company name:</b>	<b>Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. ("Hainan Intelligent Logistics")</b>
Unified Social Credit Code:	91460100MA5T6DJP6E
Type of Company:	Other limited liability company
Address:	66(2)-6, Guilinyang Avenue, Guilinyang Economic Development Zone, Meilan District, Haikou City, Hainan Province
Legal representative:	He Jing
Registered capital:	RMB100,000,000
Date of Establishment:	27 September 2018
Operating period:	Long-term

Scope of business: Bonded warehouse, warehousing transportation, wholesale and operating of coal (prohibited to be sold and used in the fire-prohibited area of Haikou City); Supply chain management; coal supply chain consulting services; sales of cotton, unprocessed beans, coke and fuel oil (prohibited to be sold and used in the fire-prohibited area of Haikou City), mineral products, general equipment, special equipment, electrical machinery, computers, software and auxiliary equipment, chemical products, building materials, metal products, and metal materials; information consulting services, technology development, technology service, and technology transfer in the field of information technology; economic and trade consulting; technology promotion; road freight forwarding; import and export of goods and technology (except for goods or technology that the state restricts or prohibits companies from operating), product showcase, and domestic trade (except controlled exclusively by the state); second type of value-added telecommunications services; road freight transportation (internet freight); hazardous chemicals business (Limited to the permitted scope of business stated in “Hazardous Chemical Operation License” (Haikou·Meilan Wei Hua Jing Zi [2020] 00001) issued by the Ministry of Emergency Management). (The operation for all projects that involve business permits will rely on relevant permits or approvals) (Items which need approvals according to the laws shall be subject to the approvals of relevant authorities before operation activities can be carried out.)

### ***1. Enterprise’s shareholding structure and its changes***

Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. was established on 27 September 2018 with RMB51 million, RMB39 million and RMB10 million contributed by Yanzhou Coal Mining Company Limited, Shandong Taizhong E-Commerce Group Co., Ltd and China Hua Neng Group Fuels Co., Ltd, respectively. The registered capital was RMB100 million. The shareholding structure at its establishment is set out as follows:

Name of shareholder	Contributed registered capital (RMB0'000)	Percentage (%)	Paid-up capital (RMB'000)	Percentage (%)
Yanzhou Coal Mining Company Limited	5,100.00	51.00%	5,100.00	51.00%
Shandong Taizhong E-Commerce Group Co., Ltd	3,900.00	39.00%	3,900.00	39.00%
China Hua Neng Group Fuels Co., Ltd	1,000.00	10.00%	1,000.00	10.00%
<b>Total</b>	<b>10,000.00</b>	<b>100.00%</b>	<b>10,000.00</b>	<b>100.00%</b>

In May 2019, Shandong Taizhong E-Commerce Group Co., Ltd, a shareholder, changed its name into Shandong Taizhong Property Group Co., Ltd. The shareholding structure after the change is as follows:

Name of shareholder	Contributed registered capital (RMB0'000)	Percentage (%)	Paid-up capital (RMB'000)	Percentage (%)
Yanzhou Coal Mining Company Limited	5,100.00	51.00%	5,100.00	51.00%
Shandong Taizhong Property Group Co., Ltd	3,900.00	39.00%	3,900.00	39.00%
China Hua Neng Group Fuels Co., Ltd	1,000.00	10.00%	1,000.00	10.00%
<b>Total</b>	<b>10,000.00</b>	<b>100.00%</b>	<b>10,000.00</b>	<b>100.00%</b>

As of the valuation benchmark date, there was no change in the equity of Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd.

## 2. Operating conditions of the company

Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. is a state-owned controlled mixed-ownership enterprise with supply chain management, supply chain finance, new intelligent logistics, and internet platform technology research and development as its leading industries. The company was incorporated in Haikou City, Hainan Province in September 2018. By leveraging the strategic synergy and resource advantages among shareholders, the company has innovatively established a business model covering integrated upstream and downstream operations of the coal supply chain. On the basis of maintaining the

solidity and stability of the procurement for thermal coal, the company implemented the “Internet + Supply chain management + Finance” operation model based on the direction of specialization, platformization and internationalization to gradually enlarge the procurement side and supply side, provide the upstream resources and downstream demands of the coal supply chain with an integrated modern coal comprehensive supply chain services, including purchase and sale of coal, logistics and warehousing, supply chain finance, information processing and cross-border e-commerce. The company adheres to the business philosophy of “openness and compatibleness, win-win cooperation” to build an integrated comprehensive service platform company that leveraging supply chain finance for linking comprehensive supply chain, comprehensive industry chain and comprehensive value chain, including purchase and sales, logistics and trade. Led by the platform independent business and supplemented by the platform agency business, the company aims to build the “JD” in the coal industry, making it the most powerful online purchase and sales platform for thermal coal in the country, and striving to become the most influential listed company in the comprehensive supply chain of thermal coal in China within 3 to 5 years.

### 3. *Financial position of the company in recent years*

Financial position of the parent company (monomer) in past two years

*Unit: RMB0'000*

<b>Item/Year</b>	<b>January to May 2020</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Total assets	429,467.33	295,130.18	46,175.31
Total liabilities	417,744.16	283,741.22	36,152.24
Equity of owners	11,723.17	11,388.96	10,023.07

<b>Item/Year</b>	<b>January to May 2020</b>	<b>31 December 2019</b>	<b>31 December 2018</b>
Operating income	349,233.82	506,929.89	335.94
Total profit	591.65	2,054.38	25.66
Net profit	334.21	1,365.88	23.08

Financial position of the parent company (consolidated profit) in past two years

*Unit: RMB0'000*

Item/Year	January to May 2020	31	31
		December 2019	December 2018
Total assets	463,977.07	295,171.50	46,175.31
Total liabilities	452,208.66	283,760.79	36,152.24
Equity of owners	11,768.41	11,410.71	10,023.07

Item/Year	January to May 2020	31	31
		December 2019	December 2018
Operating income	349,308.13	506,981.25	335.94
Total profit	623.33	2,083.51	25.66
Net profit	357.70	1,387.63	23.08

The above data from 2018 to 2020 is extracted from the Zhonghui Kuai Shen [2020] No. 5426 unqualified audit report issued by Zhonghui Certified Public Accountants LLP.

Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. has implemented the accounting standards for business enterprises, the corporate income tax rate is 25%, the value-added tax rate is 13%, and the municipal maintenance tax, education surcharge and local education surcharge are 7%, 3% and 2% of the turnover tax, respectively.

## (II) Relationship between the client and the Appraised entity

Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd., the client is the appraised entity.

## (III) Other users of the asset valuation report

Pursuant to the agreements on the Asset Valuation Entrustment Contract, the users of this asset valuation report are the client, related management and supervision units, other users of the asset valuation report agreed in the entrustment agreement, as well as the users of the asset valuation report stipulated by national laws and administrative regulations. Any other third parties shall not become the legal users of this asset valuation report by obtaining thereof.



**II. VALUATION PURPOSE**

In accordance with the “Summary of general manager work meeting of Yanzhou Coal Mining Company Limited (28 May 2020, Issue 21)”, the proposed capital increase of Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. is required to conduct evaluation on the involved total shareholders’ equity of Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd.

The valuation purpose is to reflect the market value of the total shareholders’ equity of Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. as at the valuation benchmark date in order to provide a value reference for the proposed capital increase.

**III. VALUATION SUBJECT AND VALUATION SCOPE****(I) Valuation Subject**

The valuation subject is the total value of shareholders’ equity of the appraised entity. The economic activity to be implemented is proposed capital increase. As discussed with the client, the valuation subject is the total value of shareholders’ equity of the appraised entity.

**(II) Valuation Scope**

The valuation scope is the entire assets and liabilities of the appraised entity including current assets, non-current assets and liabilities. The total carrying amount of the entire assets and liabilities reported by the appraised entity amounted to RMB4,294,673,332.03 and RMB4,177,441,649.09, and shareholders’ equity amounted to RMB117,231,682.94. The economic activity to be implemented is proposed capital increase. As discussed with the client, the valuation scope is the entire assets and liabilities of the appraised entity.

The carrying amounts of the assets and liabilities within the valuation scope have been audited by Zhonghui Certified Public Accountants LLP which has issued an unqualified audit report (Zhonghui Kuai Shen [2020] No. 5426). The audit institution has issued a standard, unqualified audit opinion.

**(III) Major situation of the entrusted assets**

The entrusted assets within the valuation scope are mainly current assets and non-current assets, of which non-current assets mainly comprise of long-term equity investments, fixed assets, intangible assets and long-term deferred expenses. Details are as follows:

**1. Current assets**

Current assets are mainly comprise of monetary funds, notes receivable, accounts receivable, prepayments, other receivables, inventories and other current assets.

**2. Long-term equity investments**

There are 4 long-term equity investments, the list of which is as follows:

No.	Name of investee	Type of company	Place of registration	Registered capital (RMB0'000)	Shareholding ratio %
1	Huaneng Supply Chain Platform Technology Co., Ltd.* (華能供應鏈平臺科技有限公司)	limited liability company (a joint venture by Taiwan, Hong Kong and Macao and Mainland China)	11 Qiuhai Avenue, Longhua District, Haikou City, Hainan Province	10,000.00	40.00
2	Hainan International Energy Trading Center Co., Ltd.* (海南國際能源交易中心有限公司)	other limited liability company	Room 108-58, 1st Floor, Office Building, Former Office Building of Maritime Safety Administration, Yangpu Free Trade Port Zone, Hainan Province	27,000.00	35.50
3	Hainan Smart Warehousing Logistics Co., Ltd.* (海南智慧倉儲物流有限公司)	limited liability company (legal person solely invested or controlled by non-natural person)	Room 108-89, 1st Floor, Former Office Building of Maritime Safety Administration, Yangpu Free Trade Port Zone, Yangpu Economic Development Zone, Hainan Province	1,000.00	100.00

**APPENDIX I**

**SUMMARY OF THE ASSET VALUATION  
REPORT OF HAINAN INTELLIGENT LOGISTICS**

No.	Name of investee	Type of company	Place of registration	Registered capital (RMB0'000)	Shareholding ratio %
4	Hainan Smart Center Construction and Development Co., Ltd.* (海南智慧中心建設發展有限公司)	limited liability company (legal person solely invested or controlled by non-natural person)	No. 3, Zhenxing Road, Meilanxu, Yanfeng Town, Meilan District, Haikou City, Hainan Province	20,000.00	100.00

**3. Equipment**

The equipment category is mainly electronic equipment. There are a total of 104.00 sets electronic equipment, mainly include computers, printers, projectors, coffee machines, etc., which are mainly distributed within various functional departments and places of the enterprise.

**4. Intangible assets**

There is 1 intangible assets-software reported by the enterprise, basic information of which is as follows:

Name of software	Date of acquisition	Original book value (RMB)	Net book value (RMB)
BPM Software	2020/3/20	643,788.62	633,058.81

**5. Long-term deferred expenses**

Long-term deferred expenses are mainly the house decoration fee that has not been amortized, details of which are as follows:

Name of expense	Date of formation	Expected number of months for amortization	Remaining months with benefits	Original book value (RMB)	Net book value (RMB)
Golden Eagle Building	2019-08-01	24	14	283,198.17	165,198.93
Golden Eagle Building	2020-01-01	24	19	550,912.85	436,139.34

**(IV) Other intangible assets reported by the appraised entity**

Other intangible assets reported by the appraised entity are mainly domain names that are not recorded in the accounts.

The 2 domain names reported by Hainan Intelligent Logistics have been included in the valuation scope. Details are as follows:

No.	Right holder	Website record/ license number	Domain name	Homepage URL	Validity period
1	Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd.	Qiong ICP Bei 19000637-3	zihui56.com.cn	www.zihui56.com.cn	2019/1/5-2021/1/5
2	Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd.	Qiong ICP Bei 19000637-4	zihui56.com	www.zihui56.com	2019/2/28-2029/2/27

**(V) Type and quantity of off-balance sheet assets reported by the appraised entity**

Save for the reported off-balance sheet assets, the appraised entity has not reported other off-balance sheet assets.

**(VI) Reference of the type, quantity and carrying amount involved in the conclusion of reports issued by other institutions**

The carrying amounts of various assets and liabilities in this asset valuation report as at the valuation benchmark date is extracted from the audit result in the “Zhonghui Kuai Shen [2020] No. 5426” audit report issued by the Zhonghui Certified Public Accountants LLP. Other than that, there was no reference from other institutions’ reports.

**IV. VALUE TYPE AND ITS DEFINITIONS**

The value type of the valuation target is market value.

Market value is the estimated amount of the value of normal and fair transactions of the valuation target on the valuation benchmark date when the voluntary buyer and the voluntary seller act rationally without any coercion.

An “arm’s length transaction” is a transaction between parties who have no specific or special relationship, that is, a transaction between parties who are assumed to be unrelated and acting independently of each other.

**V. VALUATION BENCHMARK DATE**

The valuation benchmark date of this project asset is 31 May 2020.

The valuation benchmark date is determined by the client after taking into account the need for the implementation of the economic activity, the advantages provided by the information at the end of the accounting period and changes in interest rates and exchange rates before and after the valuation benchmark date.

**VI. BASIS OF VALUATION**

The details of the basis of valuation followed by this asset valuation are as follows:

**(I) Basis of Economic Activity**

1. Summary of general manager work meeting of Yanzhou Coal Mining Company Limited (28 May 2020, Issue 21);
2. The “Asset Valuation Entrustment Contract”.

**(II) Basis of Laws and Regulations**

1. Asset Valuation Law of the People’s Republic of China (Adopted at the 21st Meeting of the Standing Committee of the Twelfth National People’s Congress of the People’s Republic of China on 2 July 2016);
2. Company Law of the People’s Republic of China (Amended at the 6th Meeting of the Standing Committee of the Thirteenth National People’s Congress on 26 October 2018);
3. Measure for the Financial Supervision and Administration of Asset Valuation Industry (Order No. 86 of Ministry of Finance, as amended by Order No. 97 of Ministry of Finance);
4. Law of the People’s Republic of China on State-owned Assets of Enterprises (Adopted at the 5th Meeting of the Standing Committee of the Eleventh National People’s Congress of the People’s Republic of China on 28 October 2008);
5. Interim Measures on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council, as amended by Order No. 588 of the State Council);
6. Administrative Measures for State-Owned Assets Assessment (State Council Order No. 91);
7. Notice on Publication and Distribution of the Detailed Rules for the Implementation of the Measures for the Administration of State-owned Assets Appraisal (Guo Zi Ban Fa [1992] No. 36);

8. Interim Measures on the Administration of State-owned Assets Appraisal of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
9. Notice on Strengthening the Administration of State-owned Assets Appraisal (Guo Zi Wei Chan Quan [2006] No. 274);
10. Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
11. Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);
12. Enterprise Income Tax Law of the People's Republic of China (Amended for the second time at the 7th Meeting of the Standing Committee of the Thirteenth National People's Congress on 29 December 2018);
13. Decision of the State Council on Repealing the Interim Regulation of the PRC on Business Tax and Amending the Interim Regulations of the PRC on Value-Added Tax (Order No. 691 of the State Council);
14. Detailed Rules for the Implementation of the Interim Regulations of the People's Republic of China on Value Added Tax (Order No. 50 of the Ministry of Finance and the State Administration of Taxation, as amended by Order No. 65 of the Ministry of Finance and the State Administration of Taxation in 2011);
15. Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (Cai Shui [2016] No. 36);
16. Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (No. 32 [2018] of the Ministry of Finance);
17. Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs);
18. Other laws and regulations relating to the valuation practice.

### **(III) Basis of Valuation Standards**

1. Basic Standards on Assets Valuation (Cai Zi [2017] No. 43);
2. Code of Ethics for Assets Valuation (Zhong Ping Xie [2017] No. 30);

3. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);
4. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
5. Practice Guidelines for Asset Valuation – Asset Valuation Entrustment Contract (Zhong Ping Xie [2017] No. 33);
6. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
7. Practice Guidelines for Asset Valuation – Asset valuation methods (Zhong Ping Xie [2019] No. 35);
8. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
9. Guiding Opinions on Legal Ownership of the Asset Valuation Object (Zhong Ping Xie [2017] No. 48);
10. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
11. Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
12. Practice Guidelines for Asset Valuation – Machinery Equipment (Zhong Ping Xie [2017] No. 39);
13. Practice Guidelines for Asset Valuation – Intangible Assets (Zhong Ping Xie [2017] No. 37);
14. Guidelines for Valuation of Intellectual Property Rights (Zhong Ping Xie [2017] No. 44);
15. Guiding Opinions on Valuation of Patent Assets (Zhong Ping Xie [2017] No. 49);
16. Practice Guidelines for Asset Valuation – Engagement of Experts and Relevant Reports (Zhong Ping Xie [2017] No. 35);
17. Practice Guidelines for Asset Valuation – Asset Valuation File (Zhong Ping Xie [2018] No. 37).

**(IV) Basis of asset ownership**

1. Certificates of domain names;
2. purchase contracts or certificates of major assets;
3. ledgers for fixed assets, books, etc.;
4. other title-related certificates.

**(V) Pricing basis of valuation**

1. Loan prime rate (LPR) effective on the benchmark date promulgated by the National Interbank Funding Center under authorization;
2. Prevailing deposit and lending benchmark interest rates schedules of the People's Bank of China effective on the valuation benchmark date;
3. middle rates of exchange published by the Administration of Foreign Exchange under the People's Bank of China effective on the valuation benchmark date;
4. Machinery and electrical instrument quotation handbook published by China Machine Press;
5. available online price information of equipment;
6. accounting statements, books and vouchers and asset valuation returns provided by the Appraised Entity and its management as of the valuation benchmark date;
7. historical annual financial statements and auditor's reports of the Appraised Entity;
8. current and future annual market forecasts for the Appraised Entity's major products;
9. table of projected future income, costs and expenses provided by management of the Appraised Entity;
10. information on contracts on hand, orders and target customer provided by management of the Appraised Entity;
11. data and information about the capital market from the RoyalFlush (Wind) Securities Investment Analysis System;



12. information related to capital market from the S&P Capita IQ information platform of S&P Global Market Intelligence Media Center;
13. on-site survey records and other relevant valuation information collected by the asset appraiser.

**(VI) OTHER REFERENCES**

1. The accounting statements, books and certifications are asset valuation declaration form provided by the appraised entity and its management;
2. Common Methods and Parameters for Assets Appraisal (China Machine Press, 2011 edition);
3. statistics and analysis on the PRC macroeconomy, industries, regional markets and enterprises;
4. technical statistics of Shanghai Orient Appraisal Co., Ltd.;
5. other references.

**VII. VALUATION METHODS****(I) Introduction to Valuation Methods**

In accordance with the Basic Standards on Assets Valuation, the valuation methods used to determine the value of assets include the three basic approaches and their derivatives, namely the market approach, the income approach and the cost approach.

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, there are three basic approaches that can be used to perform a valuation on enterprise value: the income approach, the market approach, and the asset-based approach.

The income approach refers a valuation method that determines the valuation target through capitalisation or discounting of expected income. The adoption of income approach in appraising enterprise value emphasizes the overall expected profitability of the enterprise.

The market approach refers to a valuation method that compares the valuation subject with a comparable listed company or comparable transaction case to determine the value of the valuation object. The adoption of market approach in appraising enterprise value is characterized by the direct selection of valuation data from the market and strong persuasiveness of the valuation results.

The asset-based approach refers to the method of valuation, in which the value of the valuation target is determined by reasonable appraisal of the value of all on-and-off balance sheet assets and liabilities on the basis of the balance sheet of the appraised entity as at the valuation benchmark date. The adoption of asset-based approach in appraising enterprise value may lead to situations where not every asset and liability can be fully identified and appraised individually.

## **(II) Selection of valuation methods**

In accordance with the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any valuation of enterprise value, the suitability of the three basic asset valuation methods, namely the income approach, the market approach and the asset-based approach, shall be analyzed based on the purpose of valuation, the valuation target, the type of value, the collected information, etc., so as to ensure selection of appropriate valuation methods. If different valuation methods are suitable for valuation of enterprise value, asset appraising professionals should adopt two or more valuation methods for their valuation.

The basic idea of the asset-based approach is to rebuild or replace the asset being appraised in its current condition, with the potential investor being willing to pay no more than the current acquisition cost of the asset at the time he or she decides to invest in the asset. The valuation project satisfies the requirements of the asset-based approach, i.e., the appraised asset is in continuing use or is assumed to be in continuing use, and historical operating information is available. The adoption of the asset-based approach for consideration satisfies the requirements of the type of value of this valuation.

The income approach assesses the value of an asset by its expected profitability, which is the essential basis for determining the prevailing fair market value of the asset. As such, it can completely reflect the overall value of an enterprise and its valuation conclusion is more reliable and convincing. At the same time, the appraised entity has the preconditions for the adoption of the income approach: sustainable operation in the future, predictable future profit period, stable relationship between shareholders' equity and operating income of the enterprise, predictable and quantifiable operating income in the future, and the risk rewards related to the enterprise's expected revenue can be estimated and measured. The Company's adoption of the income approach can satisfy the requirement of the value type of this valuation.

There are two commonly used specific methods under the market approach, which are listed-company comparison and transaction-case comparison. The preconditions for the adoption of the market approach are a developed, fair and active open market with sufficient market information and the availability of comparable transaction cases on the open market. Upon inquiring domestic listed companies in the same industry with the appraised entity, there are few listed companies that are comparable in terms of product type, business model, enterprise scale, asset allocation, future growth. In addition, there are fewer equity transactions that have similar industry characteristic and business model in the recent proprietary trading market, information such as

transaction background and operating financial data of transaction cases cannot be obtained from public channels, therefore it does not have the basic conditions for the adoption of market approach.

Therefore, this valuation is made by adopting asset-based approach and income approach.

### **(III) Introduction to the asset-based approach**

The asset-based approach specifically refers to the method of adding up the appraised value of the various elemental assets that make up a business and subtracting the appraised value of the liabilities to arrive at the value of the total shareholders' equity of the enterprise.

The valuation of each major asset and liability category is as follows:

#### **1. *Monetary capital***

Monetary capital mainly includes bank deposits and other monetary capitals. Bank deposits and other monetary capitals are valued at their carrying value after verification.

#### **2. *Notes receivable***

For the valuation of notes receivable, the appraised value is determined by verifying that the carrying amount after verifying that the original bill information, books and records, and some of the original vouchers and other relevant information match the accounts, statements and bills.

#### **3. *Account receivables***

Receivable specifically include trade receivables, prepayments and other receivables, etc. On the basis of verification of the account receivables, the appraised value is determined on the basis of the estimated probable recoverable amount of each item, net of appraised risk of loss. The appraised risk losses are 0% for full collection of account receivables from related parties based on good reasons. For those accounts that cannot be collected with solid proofs or with extra-long aging, the risk losses are appraised to be 100%. If it is probable that a portion of receivables is unrecoverable and the unrecoverable amount is hard to determine, we have analyzed the amount, period of and reason for overdue, recovery status, the financial position, creditworthiness and operation and management of the debtor based on historic information and on – site investigation and estimated the portion that is probably unrecoverable using accounting methods of calculating provisions for bad debts and calculated its appraised value after deducting the risk loss.

#### 4. *Inventories*

Inventories mainly include commodity. Details of valuation are as follows:

##### (1) *Commodities*

Appraisers issued a certification letter to verify the physical assets in the inventory, the amount is normal and the carrying amount is accurate. For normal commodity, appraisers verified related invoices and accounting documents, understood the inventory storage system and internal control system and verified the inventory account details of the enterprise after the benchmark date according to the inventory list provided by the enterprise. The enterprise is engaged in commodity trading, the carrying value of the commodity consist of the purchase price and the reasonable expenses. Since the commodities are recently purchased goods, the price changes of which are relatively small, the carrying value is able to reflect the market value as at the valuation benchmark date. Therefore the verified carrying value is used as the appraised value.

#### 5. *Other current assets*

The appraised value is determined on the basis of its surviving beneficial rights or recoverable value of the asset, mainly VAT, income tax and tariff to be deducted by the enterprise, which we have determined their appraised values according to their verified carrying values.

#### 6. *Long-term equity investments*

For long-term equity investments, the formation of the long-term equity investments, the constitution of the carrying amount and the actual situation at the current stage were verified through inspections on the investment agreements, resolutions at general meeting, articles of association, relevant accounting records and other documents, thereby confirming the authenticity and integrity of such investments.

For the long-term equity investments in wholly-owned and controlled enterprises, the overall asset appraisal was carried out in accordance with the relevant industry standards, and the appraised value of each long-term equity investment was calculated separately pursuant to the shareholding percentage in the investee. The valuation principles, selection of valuation approaches, valuation process of various assets and liabilities, and selection of parameters were consistent with each other in the valuation of each investee, so as to reasonably, fairly and fully reflect the appraised value of various assets of each investee.

Appraised value of long-term equity investment = (Appraised value of the entire shareholders' equity in investee as at the valuation benchmark date + amount of unpaid contribution payable) × Proportion of capital contribution subscribed by the shareholder – amount of unpaid contribution payable of the shareholder

For joint-stock long-term equity investment, since the appraised entity does not have substantive control, the valuation is made, based on the proportion of shareholdings, according to the net assets of the appraised entity as at the benchmark date.

When determining the appraised value of long-term equity investments through the above method, consideration was neither given to the premium and discount of long-term equity arising from factors such as controlling rights or minority interests, nor to the impact of liquidity of equity interests on the appraised value of long-term equity investments.

#### 7. *Equipment assets*

Self-owned equipment is primarily evaluated by adopting the replacement cost method through the analysis of the characteristics, usages and data collection of various types of equipment involving the appraised entity. Second-hand equipment market price is adopted for the valuation of old electronic equipment that is active in the certain markets, such as computers.

Valuated value = Full replacement cost – Physical depreciation – Functional depreciation – Economic depreciation

= Full replacement cost × Comprehensive newness rate

##### (1) *Electronic equipment*

Equipment full replacement cost comprises the equipment purchase price and other reasonable expenses of the equipment at the point of time as at the valuation benchmark date, which is generally the updated replacement cost. Pursuant to Article 8 of the Interim Regulations of the People's Republic of China on Value Added Tax (Decree No. 538 of the State Council), "The value added tax amount paid or incurred on goods purchased and taxable labor services received is input value added tax and can be offset by output value added tax." Therefore, deductible value added tax still needs to be offset against the equipment full replacement cost.

Calculation formula of equipment full replacement cost:

Equipment full replacement cost = Equipment purchase price + Other reasonable expenses – Deductible value added tax

## A. Determination of purchase price of domestic equipment

General electronic equipment can be obtained through direct inquiries or inquiring information such as “Stapro Handbook” (史博泰手冊) and “PConline” (太平洋電腦網).

## B. Determination of other reasonable expenses

Other reasonable expenses mainly refer to capital costs and other expenses.

The capital costs of equipment with long construction period and high-value is calculated according to its construction period and payment method, while that of equipment with short construction period and low-value is generally not included. The loan interest rate is based on the loan prime rate (LPR) promulgated by the National Interbank Funding Center on 20 May 2020 under the authorization from the People’s Bank of China: the LPR for 1-year was 3.85%, and the LPR for more than 5-year was 4.65%.

Capital costs = (Purchase price × equipment progress ratio + domestic transportation and miscellaneous expenses) × normal construction period × loan interest rate during normal construction period + (+equipment foundation cost + installment and commissioning fee and other expenses) × normal construction period × loan interest rate during normal construction period × 1/2

## C. Determination of deductible VAT

Pursuant to the relevant requirements of the Interim Regulations of the People’s Republic of China on Value Added Tax (Decree No. 538 of the State Council), Detailed Rules for the Implementation of the Interim Regulations of the People’s Republic of China on Value Added Tax (Decree No. 50 of the Ministry of Finance and the State Administration of Taxation), the Notice of the Ministry of Finance and the State Administration of Taxation on Several Issues concerning the National Implementation of Value Added Tax Reform (Cai Shui [2008] No. 170), the Notice of the Ministry of Finance and the State Administration of Taxation on Issues concerning the Offsetting of Input Taxation on Fixed Assets (Cai Shui [2009] No. 113), the Notice on Adjustment of Value Added Tax Rates (Cai Shui [2018] No. 32) and the Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement No. 39 [2019] of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs), the deductible value added tax of the eligible equipment in this valuation is calculated as follows:

Deductible value added tax on equipment purchase price =  
Equipment purchase price/1.13×13%

Deductible value added tax on transportation and miscellaneous  
expenses = Transportation and miscellaneous expenses/1.09×9%

Deductible value added tax on equipment foundation cost =  
Transportation and miscellaneous expenses/1.09×9%

Deductible value added tax on installment and commissioning fee  
= Installment and commissioning fee /1.09×9%

(2) *Determination on newness rate:*

The newness rate of general equipment and electronic equipment with low-value is calculated by using the life method. The calculation formula is:

Newness rate = remaining useful life ÷ (life used + remaining useful life) × 100%

The remaining useful life is determined based on the rich experience of the professional appraisers and combined with the actual operating status of the equipment.

**8. *Intangible assets – other intangible assets***

Intangible assets are mainly software and domain names, etc. In accordance with the Standards of Practice on Asset Valuation – Intangible Assets, the valuation methods determining the value of intangible assets include the market approach, the income approach and the cost approach, as well as their derivative methods. A reasonable valuation method is selected after a thorough understanding of the relevant circumstances of the valuation target and the information collected and an analysis of the applicability of the above three basic methods.

- The income approach: On the basis of information obtained from the intangible asset of the valuation target, the expected income generated from the intangible asset or similar intangible asset based on the historical implementation and future prospects of the intangible asset and the business operations of the enterprise where the intangible asset has been implemented or is proposed to be implemented, and the expected change in income, the period of income, the costs and expenses related to the income, ancillary assets, cash flows, and risk factors, the market value of the valuation target is estimated using a discount rate that is consistent with the expected income.

- The cost approach: Based on all the inputs used to create an intangible asset, we consider the extent to which the value of the intangible asset is related to its cost, determine its replacement cost by calculating its reasonable cost, profit, and related taxes, and take into account depreciation factors to obtain the market value of the valuation target intangible asset.
- The market approach: The method of determining the value of the intangible assets after appropriate adjustments based on the market price of similar intangible assets.

The main functions and characteristics of the intangible assets included in the valuation scope are analyzed by the appraisers. From the perspective of the income contribution of intangible assets, the income contribution of corresponding intangible assets is difficult to be reasonable quantified. This valuation is not suitable for adopting the income approach and there is no relevant intangible asset transfer case in the market for reference, therefore the replacement cost method is adopted to value domain names whose carrying values have been expensed.

#### **9. *Long-term unamortized expenses***

The appraisers reviewed the relevant contracts, and verified the long-term unamortized expenses of the remaining assets or rights as at the benchmark date during the amortization process. For normal amortization items of the enterprise, the verified carrying value is used as the appraised value.

#### **10. *Liabilities***

Liabilities mainly comprise current and non-current liabilities. On the basis of verification, the appraised value of each liability is determined based on the number of debtors and amount of liabilities that the Appraised Entity would actually be required to assume after the economic activity for which the liabilities are appraised has been conducted.

### **VIII. APPRAISAL PROCESS AND FINDINGS**

We have implemented the valuation procedure for this project in accordance with the PRC Asset Valuation Standards and the relevant principles and regulations of the National Asset Valuation Standards. The entire valuation procedure is divided into the following four stages:

#### **(I) Preparation of valuation**

1. Upon acceptance of the engagement for this project, discuss and reach an agreement with the client on valuation purpose, valuation benchmark date, valuation target and scope and other issues, enter into a business entrustment contract, and formulate valuation plan for this project.



2. Collaborate with enterprises in asset stocktaking, guide and assist enterprises with declaration of asset within the valuation scope and prepare documents and information necessary for asset valuation.

**(II) On-site survey**

Based on the overall schedule of this project, on-site survey investigation work phase is from 9 June to 17 June 2020. After selecting the appropriate valuation methodology for this valuation, the following on-site survey is conducted:

1. Verification and validation of the assets and related information declared by the enterprise in the scope of valuation:
  - (1) Listen to overall enterprise introduction given by staff of the client and Appraised Entity, together with introduction of history and status of assets to be appraised, so as to have an overall picture about enterprises' internal system, state of operation and configuration of assets;
  - (2) review statements for asset valuation and declaration provided by enterprises, make reconciliation to relevant financial records and collaborate with enterprises to make adjustment or provide supplemental information when issues are identified;
  - (3) conduct on-site inspection and test counts on physical assets based on the statements for asset stocktaking, valuation and declaration;
  - (4) analyze the specific valuation methods for each type of asset based on the actual conditions and characteristics of the assets under valuation;
  - (5) for equipment assets, understand the management system and actual implementation, as well as the corresponding maintenance, review and collect relevant technical data and contract files, etc; for general-purpose equipment, conduct market research and inquired about price information;
  - (6) understand the cost structure, history and future revenue of the intangible assets involved, as well as information on the market conditions of the corresponding products; and
  - (7) the liabilities in the valuation range are primarily based on an understanding of the actual liability incurred by the Appraised Entity.
2. Judging the likely development trend of the enterprise over a period of time in the future by understanding of the historical operation of the Appraised Entity, its current operating status and the real status of the industry in which it operates, specifically as follows.

- (1) understand the legal situation relating to the continued operation of an Appraised Entity, mainly in relation to its articles of association, investment and capital agreements, the place of operation and its ability to operate;
- (2) understand the accounting system implemented by the Appraised Entity, depreciation policy for fixed assets, accounting for inventory costing and issue accounting method for inventory, etc., the tax rate implemented and tax status, debt, borrowings and cost of debt in recent years;
- (3) understand the Appraised Entity's business type, business model and historical operating results, including the percentage of revenue from its principal operations, the distribution of its major customers, and its connected transactions with connected persons.
- (4) obtain financial information such as balance sheets, income statements, cash flow statements and product income and cost breakdowns that have been audited in recent years;
- (5) understand the allocation and actual utilization of the enterprise's assets, analyze relevant surplus assets and non-operating assets and liabilities, and obtain consensus with the enterprise's management;
- (6) understand the core business strengths and weaknesses of the enterprise through an interview with the management of the Appraised Entity, business plans and operating strategies for the next few years, such as market demand, investment in research and development, pricing strategies, sales plans, cost and expense control, capital raising and projected new investment plans, etc., as well as the future income and cost components of our principal operations and their changing trends, etc.; major market competitors; and business risks faced, such as national policy risks, market (industry) competition risks, product (technology) risks, financial (debt) risks, and exchange rate risks, etc.;
- (7) interview with the Appraised Entity's main suppliers and sales customers to understand their business cooperation with the Appraised Entity, the key conditions for cooperation, and future cooperation intentions;
- (8) conduct necessary analysis and review of the future revenue forecast information provided by the management of the Appraised Entity, and to discuss with the client and relevant parties various future possibilities, taking into account the Appraised Entity's human resources, technology level, capital structure, operating conditions, historical results, development trends, as well as macroeconomic factors and the current status and development prospects of the industry in

which the appraised entity operates, and to analyze the applicability and compatibility of the future revenue forecast information with the valuation assumptions; and

- (9) understand the number and underlying circumstances of comparable enterprises and comparable market transactions that are in the same industry as the Appraised Entity, or are affected by the same economic factors.

### **(III) Valuation result analysis and summary**

Analyze, summarize and collate the valuation data collected during the on-site valuation survey stage as necessary to form basis for valuation estimate; select the correct formula and reasonable valuation parameters based on the selected valuation method to form a preliminary valuation result; summarize the preliminary valuation conclusions and conduct an analysis of the reasonableness of the valuation conclusions when it is confirmed that there is no duplication or omission of valuation in the scope of assets under valuation.

### **(IV) Preparation and submission of the report**

Prepare the preliminary asset valuation report based on the above works performed; exchange views with the client on the contents of the preliminary asset valuation report, revise and improve the asset valuation report after taking into account all relevant views communicated; and to submit a formal Asset Valuation Report to the client after completing the enterprise's internal audit procedures.

## **IX. VALUATION ASSUMPTION**

Asset appraiser followed the following assumptions and restrictions in this valuation:

### **(I) Basic Assumptions**

#### ***1. Transaction assumption***

The transaction assumption is that all assets to be evaluated are in the process of transaction, and the asset appraiser will make estimation in a simulated market according to the transaction conditions of assets to be evaluated. The transaction assumption is a most fundamental assumption for the further implementation of the asset valuation.

#### ***2. Open market assumption***

An open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and

sellers, where buyers and sellers are on equal footing and have access to adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

**3. *Enterprise going concern assumption***

Enterprise going concern assumption is assuming that the appraised entity can legally continue its production and operation business according to its current status within the foreseeable future operating period under the existing asset resources conditions and there will be no major adverse changes in the operating conditions.

**4. *Assumption about the use of an asset for an existing purpose***

Assumption about the use of an asset for an existing purpose is assuming that the use of an asset for an existing purpose is an assumption about the conditions under which the asset is to enter the market and the use status of the asset under such market conditions. First, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

**(II) General Assumptions**

1. This valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.
2. This appraisal does not consider the impact on the appraised entity's valuation conclusion of any collateral or guarantee that the appraised entity and its assets may assume in the future, or any additional price that may be paid as a result of special transactions.
3. It is assumed that there will be no significant changes in the socio-economic environment in which the appraised entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.
4. The current and future business operations of the appraised entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

**(III) Special valuation assumptions in the income approach**

1. It is assumed that the current and future management of the appraisal entity is complied with the laws and regulations, diligently performing its operation and management functions. After the implementation of such capital increase, there will be no serious impact on the development of the enterprise or damage to the interests of shareholders, and it will continue to maintain the existing operation management model and management level.
2. It is assumed that the core management and technical team of the appraised entity will remain stable in the future forecast period, and there will be no significant changes affecting the business development and profit realization of the enterprise.
3. It is assumed that the accounting policies adopted by the appraised entity after the valuation base date is consistent with the accounting policies adopted for the preparation of this valuation report in material aspects.
4. It is assumed that the appraised entity will have even cash inflow and cash outflow after the valuation benchmark date.
5. In accordance with the regulations of the “Hainan Taxation Bureau of State Administration of Taxation (Qiong Shui Fa [2018] No. 107)” document, before the implementation of new policies, the sample tax is calculated based on 50% of sales revenue of the appraised entity’s purchase and sales contract during the procurement and sales cycles. Based on the reasonable inference of the business policy in Hainan Province, it is assumed that the appraised entity will continue to enjoy the preferential stamp duty policy in the future.
6. According to the “Notice on Preferential Policies for Enterprise Income Tax in Hainan Free Trade Port (Cai Shui [2020] No. 31)” and the “Guideline for Industrial Structural Adjustment (2019 Version)”, enterprises can levy corporate income tax at 15% tax rate after the application for income tax concessions to the local tax bureau is approved. The appraised entity has not yet applied for corporate income tax concession, and is planned to apply for the income tax concession in 2021 so it is assumed that the appraised entity will enjoy the corporate income tax concession starting from 2021. Based on the reasonable inferences on the future, it is assumed that the appraised entity will continue to enjoy the preferential corporate income tax concession policy in the future.

The valuation conclusion of this report is calculated based on the status of the valuation target as at the valuation benchmark date and the assumptions and limitations of the valuation report on the valuation target. According to the requirements of asset valuation, assuming these assumptions were established as at the valuation benchmark

date, and in the event of a significant change in the future economic environment, the liabilities for deriving a different valuation conclusion as a result of the change in the assumptions shall not be beared.

The valuation conclusion of this asset valuation report is established at the valuation benchmark date under the above assumptions, and in the event of a significant change in the above assumptions, the undersigning asset appraiser and this valuation agency shall not be liable for deriving a different valuation conclusion as a result of the change in the assumptions.

## **X. VALUATION CONCLUSION**

In accordance with the national regulations on valuation of assets, we have implemented the necessary valuation procedures based on the principles of independence, impartiality and objectivity to obtain a valuation conclusion of the market value of the shareholders' entire interest of the Appraised Entity as at the valuation benchmark date in accordance with the valuation purpose, valuation assumptions and limitations described in this report.

### **(I) Relevant valuation results**

#### ***1. Asset-based approach valuation***

The valuation of the value of the entire equity interest of the corporate shareholders using the asset-based approach resulted in the following valuation of the Appraised Entity at the valuation benchmark date:

On the valuation benchmark date, the carrying value of the Appraised Entity's shareholders' equity is RMB117,231,700 with an appraised value of RMB140,839,200 and an appraised increase of RMB23,607,500, representing an appreciation rate of 20.14%.

Of which: the carrying value of total assets is RMB4,294,673,300 with an appraised value of RMB4,318,280,800 and an appraised increase of RMB23,607,500, representing an appreciation rate of 0.55%.

The carrying value of liabilities is RMB4,177,441,600 with an appraised value of RMB4,177,441,600 and no changes.

### **(II) Analysis of differences in valuation results and final valuation conclusions**

#### ***1. Different analysis of the valuation results by different methods***

- (1) The asset-based estimates the value from the perspective of the current reconstruction of the various assets of the enterprise, uses the replacement cost of assets as the standard of value, reflecting the

necessary social labor consumed by asset investments (acquisition and construction costs). Such acquisition and construction costs usually vary according to the situation of national economy.

- (2) The income approach estimates the value from future comprehensive profitability of the enterprise, uses the expected income of assets as the standard of value, reflecting the scale of the operating capacity (profitability) of the assets. Such profitability is subject to the impact of multiple conditions including macro economy, government control, business operation and management and the effective use of assets.

The difference in the valuation results between the two valuation methods is mainly due to the different perspectives on asset values considered by the various valuation methods. The asset-based approach estimates the value from the perspective of the current reconstruction of the various assets of the enterprise, while the income approach estimates the value from the future comprehensive profitability of the enterprise, resulting in the difference in the valuation results of each valuation method.

## ***2. Selection of valuation conclusions***

According to Practice Guidelines for Asset Valuation – Enterprise Value, when multiple valuation methods are used for the same valuation target, the conclusion of the appraisal should be formed by combining the valuation purpose, the quality and quantity of data used in different valuation methods, and by using either a qualitative or quantitative approach.

The appraised entity is a trading enterprise of commodities such as colored metals and coal. Due to the business model and industry characteristics of the trading industry, it is difficult to form intangible assets such as trademarks, patents and proprietary technologies that have obvious or greater value. The market entry conditions of this industry are general, no obvious industry barriers have been formed, and there is no need for a long establishment period or market introduction stage. In addition, the economic behavior is proposed capital increase, by adopting the asset-based approach, entire value of the total shareholders' equity of the appraised entity can be reasonably reflected, it has better pertinence and accuracy when compared to the income approach, therefore the asset-based approach is adopted as the conclusions of the valuation. Through the above analysis, we have selected the valuation results under the asset-based approach as the conclusions of the valuation of the entire equity interests in the appraised entity.

**The valuation conclusion is based on the above valuation work.**

**(III) Changes in the comparison of valuation conclusions and carrying value and reasons**

The major increase/decrease analyses for this valuation conclusion using the asset-based approach are as follows:

**Summary of valuation results by using the asset-based approach**

**Valuation benchmark date: 31 May 2020**

*Unit: RMB0'000*

No.	Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate (%)
1	Current assets	402,750.79	402,754.16	3.37	0.00
2	Non-current assets	26,716.54	29,073.92	2,357.38	8.82
3	In which: Available-for-sale financial assets				
4	Held-to-maturity investments				
5	Long-term receivables				
6	Long-term equity investments	26,552.75	28,911.49	2,358.73	8.88
7	Investment properties				
8	Fixed assets	40.35	38.15	-2.20	-5.46
9	Construction-in-progress				
10	Construction materials				
11	Disposal of fixed assets				
12	Productive biological assets				
13	Oil and gas assets				
14	Intangible assets	63.31	64.15	0.85	1.34
15	Development expenses				
16	Goodwill				
17	Long term unamortized expenses	60.13	60.13		
18	Deferred tax assets				
19	Other non-current assets				
20	Total assets	429,467.33	431,828.08	2,360.75	0.55
21	Current liabilities	417,744.16	417,744.16		
22	Non-current liabilities	0.00			
23	Total liabilities	417,744.16	417,744.16		
24	Net assets (owners' equity)	11,723.17	14,083.92	2,360.75	20.14

**1. Bank deposits**

The net carrying value of bank deposits is RMB121,489,900 with an appraised value of RMB121,523,600, representing an increase of RMB33,700 or an appreciation rate of 0.01%, primarily due to the adoption of benchmark date exchange rate which resulted in the appreciation in value.



**2. Long-term equity investment**

The net carrying value of long-term equity investment is RMB265,527,500 with an appraised value of RMB289,114,900, representing an increase of RMB23,587,300 or an appreciation rate of 8.88%. The main reasons for the appreciation in value are as follows:

The overall appraisal on a controlling subsidiary is conducted, and appraisal on a shareholding subsidiary is also conducted based on its unaudited net assets. The appraised value of long-term equity investment as at the valuation benchmark date calculated on a pro-rata basis is high than the carrying value of the investment cost, resulting in the appreciation in value.

**3. Fixed assets**

The net carrying value of fixed assets is RMB403,500 with a net appraised value of RMB381,500, representing a decrease of RMB22,000 or an appreciation rate of 5.46%.

The reason for the decrease in original value of electronic equipment mainly attributable to the relatively fast technological update of electronic equipment, the market price of similar products are generally lower than the level as it was purchased, resulting in the decrease in its original value. The decrease in original value results the decrease in the net appraised value.

**4. Intangible assets**

The carrying value of intangible assets is RMB633,100 with an appraised value of RMB641,500, representing an increase of RMB8,500 or an appreciation rate of 1.34%. The reason for the appreciation in value mainly attributable to: the inclusive of domain names whose carrying costs have been expensed into the scope of valuation to form the appreciation in value.

**(IV) Other considerations relating to the valuation conclusions**

Given that the Appraised Entity itself is an unlisted company, the valuation target is the value of the entire shareholders' equity, and the impact of control and liquidity is not considered in the valuation by asset-based approach and income approach, and the final valuation conclusion does not consider the impact of control and liquidity.

**(V) Validity of the valuation conclusions**

In accordance with the current valuation standards, the valuation conclusion revealed in this valuation report is based on the fact that there have been no significant changes in the valuation assumptions set out in this report, and this valuation report

conclusion may normally only be used if the period between the implementation date of the economic activity and the valuation benchmark date is not more than one year, i.e. the valuation conclusion is valid from 31 May 2020 to 30 May 2021.

The conclusion of this valuation report may not be used beyond the above validity period of the valuation conclusion.

**(VI) Other notes on the valuation conclusion**

During the validity period of the valuation conclusion after the valuation benchmark date, if there is a change in the number of assets and the valuation criteria involved in the valuation target, the client may deal with it in accordance with the following principles.

1. when there is a change in the quantity of assets, the amount of assets should be adjusted accordingly according to the original valuation method;
2. the client shall promptly engage a qualified valuation agency to re-determine the appraised value when there is a change in the asset price standard that significantly affects the asset valuation result; and
3. the client shall give due consideration to any changes in the quantity of assets and the price standard after the valuation benchmark date when implementing economic activities.

**XI. SPECIAL NOTES**

In using this valuation report, the user of the valuation report should pay attention to the following special issues that may affect the valuation conclusion, and give due consideration to them when making their own decisions and implementing economic activities in reliance on this report.

**(I) Incomplete or defective key information such as ownership**

Nil.

**(II) Other key information not provided by the Appointer**

Nil.

**(III) Uncertainties such as outstanding issues, legal disputes as at the valuation benchmark date**

The asset appraiser is not informed of any outstanding issues, legal disputes or other uncertainties of the enterprise as of the valuation benchmark date. The Appointer and the Appraised Entity have also clearly stated that there are no uncertainties such as unresolved issues and legal disputes.

**(IV) Significant use of expert work and relevant report:**

In the course of performing this valuation, we have obtained the following professional reports through lawful means, and have utilized the relevant contents of the professional reports with careful reference:

The “Zhonghui Kuai Shen [2020] No. 5426” audit report issued by Zhonghui Certified Public Accountants LLP;

In accordance with the relevant requirements of the existing valuation standards, we only assume the responsibility for improper citations for using relevant professional reports.

**(V) Explanation of the relevant limitations of the valuation procedures, the remedial measures adopted by the valuation agency and the impact on the valuation conclusion:**

Nil.

**(VI) The nature and amount of guarantees, leases and contingent liabilities (contingent assets) and their relationship to the valuation target:**

(1) As of the valuation benchmark date, details of office premises leased by Hainan Intelligent Logistics are as follows:

No.	Lessor	Address	Lease area (m <sup>2</sup> )	Rental period	Contract rent (tax included)
1	Guang Jiun Co., Ltd.* (廣俊有限公司)	904-905, 9th Floor, No. 1, 66 Nanlishi Road, Xicheng District, Beijing	284.01	2019/12/30-2021/12/29	RMB12.55/day/square meter
2	Shanghai Lianxing Economic Development Cooperation Company* (上海連興經濟發展合作公司)	1901-1903, Building A, 1518 Minsheng Road, Pudong New District, Shanghai	582.52	2019/9/19-2021/9/18	RMB111,625.40/month
3	Haikou Hongyantang Hotel Co., Ltd.* (海口紅燕堂酒店有限公司)	Building 1005, No. 140 Binhai Avenue, Xiuying District, Haikou City	981.85	2019/6/8-2022/6/7	RMB975,000.00/year
4	Li Xian	Room 7A706, Huasheng Central Park	92.51	2019/11/9-2020/11/8	RMB3,500.00/month

No.	Lessor	Address	Lease area (m <sup>2</sup> )	Rental period	Contract rent (tax included)
5	Tang Xiaomin	Room 801, No.80 Hanxiao Road, 1518 Minsheng Road, Pudong New District, Shanghai	385.24	2019/5/ 1-2021/4/30	RMB66,790.00/ month

- (2) Pursuant to the housing lease contract entered into between Hainan Smart Center Construction and Development Co., Ltd.\* and Meng Xiumi, Meng Xiumi leased her personal house in Yanwei Village, Yangchuanzhong Community, Guilin, Haikou City to Hainan Smart Center Construction and Development Co., Ltd.\*, with the rental period from 20 December 2019 to 19 June 2022, monthly rental of RMB5,000 and taxes of RMB6704.40/year.
- (3) Pursuant to the housing lease contract entered into between Hainan International Energy Trading Center Co., Ltd.\* and Shanghai Lianxing Economic Development Cooperation Company\* (上海聯興經濟發展合作公司), Shanghai Lianxing Economic Development Cooperation Company\* leased Room 1904-1906, Building A, 1518 Minsheng Road, Pudong New District, Shanghai to Hainan International Energy Trading Center Co., Ltd.\*, with the rental period from 19 September 2019 to 18 September 2021 and monthly rental of RMB223,250.79 (tax inclusive).

Pursuant to the housing lease contract entered into between Hainan International Energy Trading Center Co., Ltd.\* and Hainan Shoudong Property Management Co., Ltd.\* (海南首東物業管理有限公司), Hainan Shoudong Property Management Co., Ltd.\* leased the entire floor at 1st and 2nd Floor, Building 2, Shoudong Yihai International Plaza, No. 5 Changbin East Third Street, Xiuying District, Haikou (667.58 square meters per floor) and entire floor at 24th Floor, Building 3, Shoudong Yihai International Plaza, No. 5 Changbin East Third Street, Xiuying District, Haikou (1161.85 square meters) to Hainan International Energy Trading Center Co., Ltd.\*. The rental period of the 1st and 2nd Floor at Building 2 is from 15 June 2019 to 14 June 2022 with monthly rental of RMB234,988.16 (tax inclusive). The rental period of the 24th at Building 3 is from 1 November 2019 to 31 December 2022 with monthly rental of RMB195,190.80 (tax inclusive).

- (4) The company's endorsed or discounted undue bank acceptance notes receivable at the end of period are as follows:

Item	2020.05.31		2019.12.31		2018.12.31	
	Amount derecognized at the end of the period	Amount not derecognized at the end of the period	Amount derecognized at the end of the period	Amount not derecognized at the end of the period	Amount derecognized at the end of the period	Amount not derecognized at the end of the period
Bank acceptance notes receivable	87,072,754.25	-	87,072,754.25	-	-	-

## (5) Subsequent events

Hainan Cross-Border Trade Service Co., Ltd.\* (海南跨境貿易服務有限公司) is established on 5 June 2020, is a company jointly established by Yankuang Group Company Limited and Yankuang (Hainan) Intelligent Logistics Science and Technology Co., Ltd. with a registered capital of RMB500,000,000, which is not included in this valuation report.

Save for the above-mentioned disclosed matters, the appraiser did not find any other related matters through on-site investigation. However, due to the limitations of the asset appraiser's verification methods and the concealment formed by guarantees and contingent liabilities (assets), the valuation agency cannot issue a definitive opinion on the completeness of the above-mentioned matters.

**(VII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion**

We have not identified any deficiencies in the economic activity corresponding to the asset valuation that may have a significant impact on the valuation conclusion.

**(VIII) Other matters requiring explanation**

1. In this asset valuation report, all tables or textual expressions denominated in RMB ten thousands, if there is any difference between the total amount and the sum of the individual sub-values is due to rounding off.
2. The profit forecast of the appraised entity obtained by the asset appraiser is the basis of the income approach of this valuation report. The asset appraiser conducted necessary investigations, analyses, judgments on the profit forecast provided by the appraised entity. After many discussions with the management of the appraised entity, and adjustment and improvement by the appraised entity, the valuation agency adopted the related information and major assumptions of the profit forecast of the appraised entity. The asset appraiser's prudent use of the profit forecast of the appraised entity shall not be deemed as a guarantee for the appraised entity's future profitability

The user of the valuation report shall pay due attention to the impact of the aforementioned special matters on the valuation conclusion when using this asset valuation report.

**XII. RESTRICTIONS ON THE USE OF VALUATION REPORTS**

- (I) This asset valuation report shall only be used for the purposes of valuation and economic activity as set out herein.
- (II) The valuation agency and the asset appraiser shall not be liable if the Appointer or other users of the asset valuation report fails to use this asset valuation report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this asset valuation report.
- (III) Except for the Appointer, the other users of the asset valuation report as agreed in the asset valuation entrustment contract and the users of the asset valuation report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report.
- (IV) The user of the asset valuation report shall correctly understand and use the valuation conclusion. The valuation conclusion is not equivalent to the realizable price of the valuation target, and the valuation conclusion shall not be considered as a guarantee of the realizable price of the valuation target.
- (V) If this valuation project involves state-owned assets and is required to comply with the filing and approval procedures of the State-owned Assets Supervision and Administration Department in accordance with the relevant regulations, this valuation report shall be filed with the State-owned Assets Supervision and Administration Department before it can be formally used, and the valuation conclusion shall only apply to the economic activity shown in this report.
- (VI) This asset valuation report contains certain annexes and appraisal schedules, all of which also constitute an important part of this report, but shall be valid only when used in conjunction with the body of this report. The valuation agency and the asset appraiser assume no obligation or responsibility for any use other than that for which it is used, such as being shown to the non-asset valuation report user or the non-asset valuation report user who otherwise has access to this report, and do not provide further consultation in connection with this report, nor do they provide testimony, appear in court or otherwise hearings in legal proceedings, and reserve the right to pursue the non-asset valuation report user the losses incurred as a result.
- (VII) The right to interpret the contents of this asset valuation report shall rest with the valuation agency, and no other entity or department shall have the right to interpret it, unless otherwise expressly and specifically provided for in national laws and regulations; any extract, quote or disclosure of the whole or part of the contents of the valuation report in the public media shall be subject to the written

consent of the valuation agency and the undersigning appraiser of the report after the valuation agency has reviewed the relevant contents, except for the provisions of laws and regulations and other agreements of the relevant parties.

**XIII.DATE OF ISSUANCE OF THE ASSET VALUATION REPORT**

The Asset valuation report date is the date on which the valuation conclusion is formed and this Asset valuation report date is 13 August 2020.

**Valuation agency**

**Shanghai Orient Appraisal Co., Ltd.**

**Legal representative**

**He Jing**

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## APPENDIX II      FURTHER INFORMATION ON THE ASSET VALUATION REPORT OF HAINAN INTELLIGENT LOGISTICS

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### 1. FURTHER INFORMATION ON LONG-TERM EQUITY INVESTMENT

As stated in Appendix I of this circular, the non-current assets within the valuation scope of the asset valuation of Hainan Intelligent Logistics mainly include long-term equity investments, fixed assets, intangible assets, long-term deferred expenses, etc. Of which, further information on the invested units of long-term equity investment are as follows:

- (i) Main business of Huaneng Supply Chain Platform Technology Co., Ltd. includes: development and service of the comprehensive supply chain platform of coal, natural gas and logistics; wholesale operation of coal and natural gas; import and export business; information consulting services; development and application of the comprehensive supply chain technology of fuel; and management of the comprehensive supply chain of fuel.
- (ii) Main business of Hainan International Energy Trading Center Co., Ltd. includes: domestic and import and export online trading of five types of source products such as energy, chemical industry, non-ferrous metals, black metals, and mineral; ancillary services for planning, trading and settlement; financial agency, agency accounting and tax reporting; agent investment and custody business; domestic and foreign freight forwarding; E-commerce; energy technology development, technical services, technical consultation, and technology transfer; information service business in the second type of value-added telecommunications business; investment consultation; business information consultation, economic information consultation; provision of market management and settlement business for commodity operators for spot electronic transactions in the market.
- (iii) Main business of Hainan Smart Warehousing Logistics Co., Ltd. includes: bonded warehousing, trucking and warehousing, wholesale and operation of coal; supply chain management; coal supply chain consulting services; sales of cotton, unprocessed beans, coke and fuel oil, mineral products, general equipment, special equipment, electrical machinery, computers, software and auxiliary equipment, chemical products, construction materials, metal products, metal materials; information consulting services, technology development, technical services, and technology transfer in the field of information technology; economic and trade consultation; technology promotion; road freight forwarding; import and export of goods and technology, merchandising display, and domestic trade.
- (iv) Main business of Hainan Smart Center Construction and Development Co., Ltd. includes: real estate development and operation, property management, architectural decoration and renovation industry, residential building construction, engineering technology and design services, machinery and equipment leasing, marketing planning, Internet advertising design and production services, advertising publishing services, advertising production services, wholesale of construction materials, retail of construction materials, metal product industry, wholesale of textiles, knitwear and raw materials, wholesale of machinery and equipment, electrical appliances, communication equipment, management service



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**APPENDIX II            FURTHER INFORMATION ON THE ASSET VALUATION  
REPORT OF HAINAN INTELLIGENT LOGISTICS**

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for electronic equipment market, wholesale of computers, software and auxiliary equipment, retail of computers, communications and electronic office equipment, corporate image planning and consultation.

The appraised appreciation in the long-term equity investment of Hainan Intelligent Logistics is mainly derived from the appraised appreciation in Hainan Smart Center Construction and Development Co., Ltd.\*, its wholly-owned subsidiary. The appraised appreciation in Hainan Smart Center Construction and Development Co., Ltd.\* is mainly derived from the appraised appreciation from the company's developed lands. Specific reasons are as follows: Hainan Smart Center Construction and Development Co., Ltd.\* owns a land asset belonging to a development project. In accordance with the Practice Standards for Assets Appraisal – Real Estate (Zhong Ping Xie [2017] No. 38) and the Code for Real Estate Appraisal (GB\_T50291-2015), the hypothetical development method is generally adopted for carrying appraisal for development projects. The hypothetical development method is a method estimating the necessary expenditure, due profit and value after the completion of development of the appraised object, then minus the value after the completion of development by the necessary expenditure, due profit to obtain the value of the appraised object. Land value after the appraisal adopting the hypothetical development method should include the historical cost and expenditure of the land, as well as expected income including the profit generated after the development and utilisation of the land and land appreciation. The book value of the land only reflected the historical cost and expenditure, etc., to obtain the land; therefore, the result of using the hypothetical development method is higher than the book value.

**2. FURTHER INFORMATION ON THE APPRAISER SIGNING THIS REPORT**

The appraiser signing the asset valuation report is:

Wang Ruifeng (asset appraiser: 37030059), expertise: corporate value appraisal,

Li Wenming (asset appraiser: 37180127), expertise: corporate value appraisal.

They are equipped with the following experience in appraisal, which the appraised units in those projects have similar business as Hainan Intelligent Logistics:

- (i) A valuation report on the entire value of the total shareholders' equity of COSCO SHIPPING Logistics Warehousing and Distribution Co., Ltd. involved in the proposed transfer of the equity in COSCO SHIPPING Logistics Warehousing and Distribution Co., Ltd. by COSCO SHIPPING Logistics (Hong Kong) Co., Ltd.;
- (ii) An asset valuation item on the entire value of the total shareholders' equity of Shenyang COSCO Shipping Logistics Co., Ltd. involved in the proposed transfer of equity by COSCO SHIPPING Logistics (Hong Kong) Co., Ltd.;

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**APPENDIX II            FURTHER INFORMATION ON THE ASSET VALUATION  
REPORT OF HAINAN INTELLIGENT LOGISTICS**

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- (iii) China Aviation Development Shenyang Liming Aero Engine Co., Ltd. intends to merge AVIC International Logistics Co., Ltd., its wholly-owned subsidiary and conduct an asset valuation on the entire value of the total shareholders' equity of the subsidiary;
- (iv) A valuation report on the apportionment of the business assets and the merger consideration on the date of acquisition involved in the acquisition of Suzhou Wanlong Huayu Logistics Co., Ltd. by Shanghai Automotive Industry (Group) Corporation;
- (v) A valuation report on the entire value of the entire value of the total shareholders' equity of Shanghai Fengpu Modern Logistics Management Co., Ltd. involved in the proposed merger of Shanghai Fengpu Modern Logistics Management Co., Ltd. by Shanghai Fengpu Asset Management Co., Ltd.

## 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 this circular misleading.

## 2. DISCLOSURE OF INTEREST

### Shareholding of Directors, chief executive and Supervisors of the Company

As at the Latest Practicable Date, save as disclosed below, none of the Directors, chief executive or Supervisors of the Company had any interests and short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) (i) which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have under such provisions of the SFO); or (ii) which are required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (iii) which are required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuer to be notified to the Company and the Stock Exchange.

Name	Title	Number of A Shares held as at the Latest Practicable Date (Shares)
Li Xiyong	Director, Chairman of the Board	10,000
Wu Xiangqian	Director	10,000
Gu Shisheng	Supervisor, Chairman of the Supervisory Committee	12,800

All the interests disclosed above represent long position in the A Shares.

## Share Incentive Mechanism to the Directors, Supervisors and Senior Management

Name	Title	Number of options held
Wu Xiangqian	Director	320,000
Liu Jian	Director	260,000
Zhao Qingchun	Director	260,000
He Jing	Director	260,000
Wang Ruolin	Director	150,000
Qin Yanpo	Supervisor	120,000
Su Li	Supervisor	150,000
Xiao Yaomeng	Senior Management	150,000
Gong Zhijie	Senior Management	260,000
Wang Peng	Senior Management	150,000
Li Wei	Senior Management	150,000
Wang Chunyao	Senior Management	150,000
Jin Qingbin	Senior Management	260,000
Total	/	2,640,000

*Note:* As Mr. Qin Yanpo and Mr. Su Li are now the Supervisors of the Company, the Company will forfeit and cancel the share options held by them in due course according to the share option incentive scheme.

As at the Latest Practicable Date, Mr. Li Xiyong, Mr. Wu Xiangqian and Mr. Gu Shisheng are Directors/ employees of Yankuang Group. Yankuang Group fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance.

### 3. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are 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 accounts of the Group were made up.

### 4. CONSENTS AND QUALIFICATIONS OF EXPERTS

The following is the qualification of the experts who have given opinion and advice contained in this circular.

Name	Qualification
Donvex Capital Limited	a corporation licensed to carry on type 6 (advising on corporate finance) regulated activities under the SFO
Shanghai Orient Appraisal Co., Ltd.	Qualified independent valuer in the PRC

The experts referred to above have given and have not withdrawn its written consent to the issue of this circular with the inclusion of its report, letter, certificate, opinion and/or the references to its name in the form and context in which they are respectively included.

As at the Latest Practicable Date, the above experts were not beneficially interested in the Company and its subsidiaries nor do they have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Company and its subsidiaries.

As at the Latest Practicable Date, the above experts did not have any direct or indirect interest in any assets which have been since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to, or are proposed to be acquired or disposed of by or leased to the Company and its subsidiaries.

## **5. SERVICE CONTRACTS**

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any existing or proposed service contract not determinable by the Group within one year without payment of compensation (other than statutory compensation).

## **6. DIRECTORS' INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS**

As at the Latest Practicable Date, none of the Directors or Supervisors of the Company, directly or indirectly, had any interest in any assets which have been, since 31 December 2019 (being the date to which the latest published audited financial statements of the Group were made up), acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

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

## **7. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, none of the Directors or their respective associates (as defined under the Listing Rules) had any interests in the businesses, other than being a Director, which compete or are likely to compete, either directly or indirectly, with the businesses of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder of the Company).

## **8. MISCELLANEOUS**

- (i) As at the Latest Practicable Date, the Directors of the Company are Mr. Li Xiyong, Mr. Wu Xiangqian, Mr. Liu Jian, Mr. Zhao Qingchun, Mr. He Jing and Mr. Wang Ruolin, and the independent non-executive Directors of the Company are Mr. Tian Hui, Mr. Zhu Limin, Mr. Cai Chang and Mr. Poon Chiu Kwok.

- (ii) As at the Latest Practicable Date, the registered office and the principal place of business of the Company is at 298 South Fushan Road, Zoucheng, Shandong Province, PRC.
- (iii) The H Share registrar of the Company in Hong Kong is Hong Kong Registrars Limited is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (iv) As at the Latest Practicable Date, Mr. Jin Qingbin is the company secretary of the Company and Ms. Leung Wing Han Sharon is the joint company secretary of the Company.

Mr. Jin Qingbin, a senior accountant, a senior economist and MBA. He obtained the qualification of board secretary for listed companies in Shanghai Stock Exchange in November 2008. Mr. Jin Qingbin graduated from Missouri State University.

Ms. Leung Wing Han Sharon is a senior member of the Hong Kong Institute of Chartered Secretaries, a senior member of the Chartered Corporate Governance Institute (previously known as the Institute of Chartered Secretaries and Administrators) in the United Kingdom, a senior member of the Association of Chartered Certified Accountants in the United Kingdom and a member of the Hong Kong Institute of Certified Public Accountants. She holds a bachelor's degree majoring in law, a bachelor's degree in business administration majoring in accounting and a master's degree in international corporate and finance law.

- (v) Unless otherwise specified, all references to times in this circular refer to Hong Kong times.
- (vi) In the case of any discrepancy, the English text of this circular shall prevail over the Chinese text.

## 9. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Herbert Smith Freehills at 23rd Floor, Gloucester Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours on any weekday (except public holidays) from the date of this circular up to and including the date of the EGM:

- (i) Articles of Association of the Company;
- (ii) a copy of the Capital Increase Agreement;
- (iii) this circular;
- (iv) letter from the Independent Board Committee, the full text of which is set out in this circular;
- (v) letter from the Independent Financial Adviser, the full text of which is set out in this circular;

- (vi) summary of the asset valuation report on Hainan Intelligent Logistics, full text of which is set out in Appendix I; and
- (vii) the letters of consents set out in the section “CONSENTS AND QUALIFICATIONS OF EXPERTS” of this Appendix.