

OVERVIEW

In order to minimize any potential competition between our business and the businesses that the Controlling Shareholders will continue to be interested in after the Listing, our Company has entered into the Assets Transfer Agreement with Yitai Group and the Non-competition Agreement with the Controlling Shareholders to regulate the business relationship between the parties. Further details of these agreements are set out in the section headed “Relationship with Controlling Shareholders.”

In addition, we have entered into agreements with other connected persons (as defined under the Listing Rules) and these transactions will constitute continuing connected transactions for our Company under Chapter 14A of the Listing Rules. Further details of connected persons and such continuing connected transactions are set out below.

The definition of connected persons under Chapter 14A of the Listing Rules is different from the definition of related parties under International Accounting Standard 24, “Related Party Disclosures,” and its interpretations by the IASB. Accordingly, the connected transactions set out in this section, which are described and disclosed in accordance with Chapter 14A of the Listing Rules, differ from the related party transactions set out in Note 38 to Appendix IA — “Accountant’s Report of our Company.”

Further, as our B Shares are listed on the SHSE, some of the transactions described below will, in addition to being subject to and regulated by the Listing Rules, continue to be subject to and regulated by the SHSE Listing Rules and other applicable laws and regulations in the PRC as long as our B Shares remain listed on the SHSE. However, the requirements of the Hong Kong Stock Exchange in relation to connected transactions differ from those of the SHSE. In particular, the definition of connected persons pursuant to the Listing Rules is different from the definition of related parties pursuant to the SHSE Listing Rules. Therefore, a connected transaction pursuant to the Listing Rules may not constitute a related party transaction pursuant to the SHSE Listing Rules, and vice versa.

According to the Articles of Association, the continuing connected transaction agreements described in this section and the transactions thereof should be approved by the current Shareholders (including both the shareholders of B Shares and Domestic Shares) by way of ordinary resolution before the Listing. The approvals have been obtained in accordance with the Articles of Association as of the Latest Practicable Date.

CONNECTED PERSONS

We have entered into agreements or transactions with entities which will become connected persons (as defined under the Listing Rules) of our Company upon Listing, and such agreements or transactions will constitute connected transactions or continuing connected transactions of our Company under the Listing Rules. These entities include:

- **Yitai Group:** Immediately following completion of the Global Offering, Yitai Group will own approximately 55.20%, directly and indirectly, of our Company’s then issued share capital if the Over-allotment Option is not exercised. Yitai Group will therefore be the controlling shareholder, and hence a connected person, of our Company under Rule 14A.11 (1) of the Listing Rules.
- **Yitai Investment:** Yitai Investment owns 99.54% of Yitai Group. Therefore, Yitai Investment is a connected person of our Company under Rule 14A.11(4) of the Listing Rules.
- **Synfuels China:** Synfuels China is 40.4% owned by Yitai Group. Therefore, Synfuels China is a connected person of our Company under Rule 14A.11(4) of the Listing Rules.
- **Yitai Coal-to-oil:** Yitai Coal-to-oil is 80% owned by our Company and 20% owned by Yitai Group. Therefore, Yitai Coal-to-oil is a connected person of our Company under Rule 14A.11(5) of the Listing Rules.
- **Jingneng Power:** Jingneng Power is a 24% shareholder of Yitai Suancang which is 52% owned by our Company. Therefore, Jingneng Power is a connected persons of our Company under Rule 14A.11(1) of the Listing Rules.
- **Jingtai Power:** Jingtai Power is 51% owned by Jingneng Power. Therefore, Jingtai Power is a connected persons of our Company under Rule 14A.11(4) of the Listing Rules.

CONNECTED TRANSACTIONS

- Guangdong Power Industry Fuel Co., Ltd. (“Guangdong Power Company”) (廣東省電力工業燃料有限公司): Guangdong Power Company is a subsidiary of Guangdong Yudean Group Co., Ltd. (廣東省粵電集團有限公司), which is the controlling shareholder of Shanxi Yudean. Shanxi Yudean is a substantial shareholder of Yitai Suancigou which is 52% owned by our Company. Therefore, Guangdong Power Company is a connected person of our Company under Rule 14A.11(4) of the Listing Rules.

CONTINUING CONNECTED TRANSACTION

Summary Table of the Continuing Connected Transactions

Transaction	Our Group Member	Connected Persons	Nature of Relationship	Waiver Sought	Historical Amounts (if applicable)	Annual Caps (if applicable)
Exempt continuing connected transaction						
1 Trademarks License Agreement	Our Company	Yitai Group ⁽¹⁾	One of our Controlling Shareholders	Exempted	N/A	N/A
2 Master Lease Agreement	Our Company	Yitai Investment ⁽²⁾ and Yitai Group	Both of our Controlling Shareholders	Exempted	N/A	N/A
3 Transportation Quota License Agreement	Our Company	Yitai Group	One of our Controlling Shareholders	Exempted	N/A	N/A
4 Guarantees provided by us for loan facilities granted to Yitai Coal-to-oil	Our Company	Yitai Coal-to-oil ⁽³⁾	Our non-wholly-owned subsidiary with 20% voting rights held by Yitai Group	Exempted	N/A	N/A
Non-exempt continuing connected transactions						
5 Provision of coal by us to Yitai Coal-to-oil	Our Company	Yitai Coal-to-oil	Our non-wholly-owned subsidiary with 20% voting rights held by Yitai Group	Announcement requirement	For 2009, 2010 and 2011, the total revenue we received amounted to approximately RMB56.6 million, RMB113.7 million and RMB298.5 million, respectively.	For 2012, 2013 and 2014, the annual caps are approximately RMB359.1 million per year.
6 Provision of coal by us to Jingneng Power (Including Jingtai Power)	Yitai Suancigou, our 52% owned subsidiary	Jingneng Power ⁽⁴⁾ and Jingtai Power, subsidiary of Jingneng Power	Jingneng Power is a substantial shareholder of Yitai Suancigou, our 52% owned subsidiary. Jingtai Power is a subsidiary of Jingneng Power	Announcement requirement	For 2009, 2010 and 2011, the total revenue we received amounted to approximately RMB3.7 million, RMB191.3 million and RMB239.8 million, respectively.	For 2012, 2013 and 2014, the annual caps are approximately RMB471.0 million, RMB487.5 million and RMB515.0 million, respectively.

CONNECTED TRANSACTIONS

Transaction	Our Group Member	Connected Persons	Nature of Relationship	Waiver Sought	Historical Amounts (if applicable)	Annual Caps (if applicable)
7 Mutual provision of materials, equipment and services between us and Yitai Group, in respect of the Retained Businesses and other businesses of Yitai Group	Our Company and Yitai Coal-to-oil, our subsidiary	Yitai Group and Synfuels China, a subsidiary of Yitai Group	Yitai Group is one of our Controlling Shareholders, Synfuels China is a subsidiary of Yitai Group.	Announcement requirement	For 2009, 2010 and 2011, the total revenue we received amounted to approximately RMB19.9 million, RMB21.9 million and RMB36.8 million, respectively, and for the same periods, the total cost we paid amounted to approximately RMB3.5 million, RMB9.9 million and RMB18.3 million, respectively.	For 2012, 2013 and 2014, the annual caps for the revenue that we expect to receive are approximately RMB54.8 million, RMB62.7 million and RMB71.9 million, respectively. For the same periods, the annual caps for the fees that we expect to pay are approximately RMB40.0 million per year.
8 Provision of coal by us to Guangdong Power Company	Our Company	Guangdong Power Company ⁽⁵⁾	A subsidiary of Guangdong Yudean Group Co., Ltd., the controlling shareholder of Shanxi Yudean and Shanxi Yudean is a substantial shareholder of Yitai Suancangou, our 52% owned subsidiary	Announcement and independent shareholders' approval requirements	For 2009, 2010 and 2011, the total revenue we received amounted to approximately RMB670.4 million, RMB919.1 million and RMB1,000.9 million, respectively.	For 2012, 2013 and 2014, the annual caps are approximately RMB1,692.5 million, RMB2,046.8 million and RMB2,449.0 million, respectively.
9 Mutual provision of products and service between Yitai Group and us, in respect of the Target Business Group	Our Company	Yitai Group	Yitai Group is one of our Controlling Shareholders	Announcement and independent shareholders' approval requirements	For 2009, 2010 and 2011, the total cost we paid amounted to approximately RMB120.3 million, RMB113.5 million and RMB133.4 million, respectively, and for the same periods, the total revenue we received amounted to approximately RMB212.6 million, RMB115.1 million and RMB150.9 million, respectively.	For 2012 and 2013, the annual caps we expect to pay are approximately RMB4,553.2 million and RMB4,982.2 million. For 2012 and 2013, the annual cap we expect to receive are approximately RMB180.0 million and RMB202.5 million, respectively.

- (1) The primary businesses of Yitai Group include coal production and sales, technology development in relation to coal-based chemical products and real estate development.
- (2) The primary business of Yitai Investment is the holding of equity interests in Yitai Group.
- (3) The primary businesses of Yitai Coal-to-oil include the production and sale of coal chemical products.
- (4) The primary business of Jingneng Power is coal power generation.
- (5) The primary business of Guangdong Power Company is the procurement of coal for Guangdong Yudean Group Co., Ltd.

Exempt continuing connected transaction

We have entered into certain agreements and transactions which will, upon the Listing, constitute exempt continuing connected transactions by virtue of Rule 14A.33. These transactions are exempt from the

reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

1 Trademarks License Agreement

We entered into a trademarks license agreement (the "Trademarks License Agreement") with Yitai Group on May 29, 2012, pursuant to which, Yitai Group agreed to grant to us, our subsidiaries and associates the right to use certain Yitai Group's trademarks at a nominal consideration of RMB1.0 per year. A list of the material trademarks granted by Yitai Group was set out in "Appendix X — Statutory and General Information — Further Information About Our Business — (B) Our intellectual property rights."

The Trademarks License Agreement is for a term commencing on the Listing Date and ending on December 31, 2014 and may be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules.

Pursuant to the Trademarks License Agreement, except for the use of the licensed trademarks by our related parties, we undertake not to sub-license the licensed trademarks to, or allow the use of the licensed trademarks by, any third parties without the written consent of Yitai Group. Yitai Group undertakes not to transfer the licensed trademarks under the Trademarks License Agreement to any third parties without our written consent. However, Yitai Group is entitled to transfer the licensed trademarks to its related parties. We are also granted the right of first refusal when Yitai Group transfers the licensed trademarks to any third parties.

2 Master Lease Agreement

Each of Yitai Investment and Yitai Group has been leasing from us some premises in Yitai Building situated in Dongsheng District, Ordos, Inner Mongolia with a gross floor area of approximately 1,276 sq.m (in aggregate 2,552 sq.m) for offices and general business uses throughout the Track Record Period. These transactions will continue after the Listing. In this connection, we and Yitai Investment, Yitai Group entered into a properties lease agreement (the "Master Lease Agreement") on May 29, 2012, pursuant to which we agreed to continue to lease to each of Yitai Investment and Yitai Group the aforementioned premises for use as offices and general business premises at an annual rent of RMB995,280 (in aggregate RMB1,990,560). Such rental payment is determined by reference to prevailing market rates and our property valuer, CBRE HK, has confirmed that the rent under the Master Lease Agreement is fair and reasonable.

The Master Lease Agreement is for a term commencing on the Listing Date and ending on December 31, 2014 and may be renewed for a period of three years upon mutual agreement subject to compliance with the requirements of relevant laws and the Listing Rules. Should the term be renewed, we shall ensure that the requirements of Chapter 14A of the Listing Rules are complied with. Yitai Investment and Yitai Group may terminate the Master Lease Agreement upon giving us three months' written notice in advance.

Yitai Investment and Yitai Group shall have the right of first refusal to purchase any of the leased properties on equal terms offered by a third party. Yitai Investment and Yitai Group may sub-lease any of the properties subject to our consent.

3 Transportation Quota License Agreement

During the Track Record Period, Yitai Group applied for transportation quotas to the MOR annually for both itself and our Group. The transportation quotas were granted by the MOR based on the total coal production volume of Yitai Group and our Group. Yitai Group then licensed us to use the allocated transportation quotas at nil consideration for transporting Yitai Group's and our coal products. For details of the transportation quotas licensed by Yitai Group to our Group during the Track Record Period, please refer to "Risk Factors — Risks Relating to Our Business — We may experience shortage of transportation capacity for our coal products or a significant increase in transportation costs" and "Business — Coal Operations — Coal Transportation — Our Transportation Network." Yitai Group will remain to be the applicant for transportation quotas for itself and us, and it will continue to license us to use the transportation quotas on a no-charge basis after the Listing. To regulate our relationship in this connection, we and Yitai Group entered into a transportation quota license agreement (the "Quota Licence Agreement") on May 29, 2012.

CONNECTED TRANSACTIONS

Pursuant to the Quota License Agreement, Yitai Group agreed to license the transportation quotas to our Group and associates at nil consideration. Yitai Group has undertaken not to use the transportation quotas by itself for coal trading. We have the right to decide the amount of transportation quotas that are necessary for our operation for the next year and inform Yitai Group of the amount no later than December 15 of each year. Yitai Group is obliged to satisfy our request first before it can provide transportation quotas to any third party. Yitai Group has further undertaken that if our Company is qualified to independently apply for transportation quotas to the MOR, it will terminate its application and make every effort to procure for us to obtain the transportation quotas.

The Quota License Agreement is for a term of one year commencing on January 1, 2012 and ending on December 31, 2012. It may be renewed automatically for one year upon expiration, subject to compliance with the requirements of relevant laws and the Listing Rules. Should the term be renewed, we shall ensure that the requirements of Chapter 14A of the Listing Rules are complied with.

4 Guarantees provided by us for loan facilities granted to Yitai Coal-to-oil

We have entered into two guarantees dated August 17, 2010 as guarantor in favour of China Development Bank, Inner Mongolia Branch with respect to two project loan facilities in an aggregate amount of up to RMB2.0 billion provided by China Development Bank to Yitai Coal-to-oil, our 80% owned subsidiary.

Under the two guarantees, we are liable as the guarantor for 80% of both of the debts of Yitai Coal-to-oil under the project loan facilities. The guarantees continue while both of the debts remain outstanding under the project loan facilities, which have terms expiring on July 22, 2020 and November 12, 2021, respectively.

The guarantees were granted by us in our capacity as a shareholder of, and in the proportion of our beneficial shareholding in Yitai Coal-to-oil. The guarantees were entered into in the ordinary course of business for the purpose of facilitating the grant of the project loan facilities to Yitai Coal-to-oil. The other shareholder of Yitai Coal-to-oil, Yitai Group, has also procured 20% guarantee in proportion to its beneficial shareholding. It is a common practice in the PRC that the lending banks require the provision of corporate guarantees or other forms of security from a borrower's shareholders.

The guarantees will continue after the Listing and will constitute financial assistance. We have not charged any fees in relation to the provision of the guarantees and will continue to provide the guarantees at no charge after the Listing.

After taking into account the common banking practice in the PRC and the guarantees provided by Yitai Group to Yitai Coal-to-oil in proportion to its beneficial ownership, the Directors are of the view that such arrangements are fair and reasonable, on normal commercial terms and in our and our Shareholders' interest, as a whole.

The continuation of the guarantees after the Listing is exempt from compliance with the reporting, announcement and independent shareholders' approval requirements under Rule 14A.65(3) of the Listing Rules.

Non-exempt Continuing Connected Transactions

We have also entered into certain other agreements and transactions which will constitute non-exempt continuing connected transactions under Chapter 14A of the Listing Rules.

Continuing connected transactions exempt from independent shareholders' approval requirements

The following transactions are made on normal commercial terms where each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules will, as the Directors currently expect, exceed 0.1% or exceed 1% at the subsidiary level but not be more than 5% on an annual basis. By virtue of Rule 14A.34 of the Listing Rules, these transactions will constitute continuing connected transactions exempt from the independent shareholders' approval requirement, but subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

CONNECTED TRANSACTIONS

5 Provision of coal by us to Yitai Coal-to-oil

During the Track Record Period, we supplied coal to Yitai Coal-to-oil and the transaction will continue after the Listing. As Yitai Coal-to-oil is our non-wholly-owned subsidiary, and Yitai Group holds 20% of the equity interest in Yitai Coal-to-oil, Yitai Coal-to-oil is a connected person of our Company under Rule 14A.11 and the provision of coal after the Listing constitutes a continuing connected transaction under the Listing Rules.

To regulate the business relationship in this regard, we entered into a coal supply framework agreement (the "Coal-to-oil Coal Supply Agreement") with Yitai Coal-to-oil on May 29, 2012.

The Coal-to-oil Coal Supply Agreement is for a term commencing from the Listing Date and ending on December 31, 2014 and may be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules. Pursuant to the Coal-to-oil Coal Supply Agreement, Yitai Coal-to-oil has undertaken that it shall purchase coal from our Company, unless the terms and conditions of third parties are more favorable.

Our Company and Yitai Coal-to-oil will enter into separate agreements from time to time which set out specific terms and conditions of providing coal according to the principles laid down by the Coal-to-oil Coal Supply Agreement. Yitai Coal-to-oil shall, no later than December 15 of each calendar year, inform us of the estimated amount of coal it will purchase for the next year.

The coal to be provided under the Coal-to-oil Coal Supply Agreement will be priced based on the following pricing policies: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the market price; or (d) where none of the above is applicable or where it is not practical to apply the above pricing policies, the price agreed between the relevant parties.

The total volume of coal provided by us to Yitai Coal-to-oil for 2009, 2010 and 2011 amounted to approximately 232.1 thousand tonnes, 517.0 thousand tonnes and 923.6 thousand tonnes, representing sales of approximately RMB56.6 million, RMB113.7 million and RMB298.5 million, respectively.

For 2012, 2013 and 2014, we estimate the annual amounts payable by Yitai Coal-to-oil to us will not exceed RMB359.1 million for each of the three years and the estimation is based on the following considerations: (1) Yitai Coal-to-oil reached a production capacity of 160.0 thousand tonnes per year in July 2011 and completed an upgrading project by the end of 2011, as a result of which, the production output of Yitai Coal-to-oil in 2012, 2013 and 2014 is expected to be 200.0 thousand tonnes per year; (2) as Yitai Coal-to-oil has undertaken to procure coal from us, unless the terms and conditions of third parties are more favorable, we expect that it will procure coal from us for the production of oil products and the total volume of coal procured from us will not exceed 1.26 million tonnes per year for 2012, 2013 and 2014; and (3) the unit price of coal is expected to be RMB285.0 per tonne, based on the market price of the same type of coal used in the coal-to-oil production.

Based on the above-mentioned considerations, we estimate that the total annual amount payable by Yitai Coal-to-oil to us in respect of 2012, 2013 and 2014 will not exceed RMB359.1 million per year.

A breakdown of the historical figures and the annual caps between us and Yitai Coal-to-oil is set out below:

	<u>Historical amount</u>			<u>Annual cap</u>		
	<u>For the year ended</u>			<u>For the year ending</u>		
	<u>December 31,</u>			<u>December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	RMB millions					
Provision of coal by us to Yitai Coal-to-oil	56.6	113.7	298.5	359.1	359.1	359.1

The provision of coal by us to Yitai Coal-to-oil under the Coal-to-oil Coal Supply Agreement will be subject to the announcement requirement under the Listing Rules.

6 Provision of coal by us to Jingneng Power (including Jingtai Power)

During the Track Record Period, Yitai Suancigou, our 52% owned subsidiary, supplied coal to Jingtai Power, a subsidiary of Jingneng Power. From 2011, our Company began to provide coal to Jingneng Power. All these transactions will continue after the Listing.

To the best knowledge of our Directors, Yitai Group started to provide coal to Jingneng Power from 2010. As all the coal of Yitai Group, except for Sujiahao Mine (whose coal will be sold through our sales channel), will be exclusively purchased by us as the purchaser for re-sale after the Listing, we will replace Yitai group in providing coal to Jingneng Power after the Listing.

Jingtai Power is a subsidiary of Jingneng Power, which is a substantial shareholder of Yitai Suancigou. Therefore, both Jingneng Power and Jingtai Power are connected persons of our Company under Rule 14A.11 of the Listing Rules and the provision of coal after the Listing constitutes connected transactions under the Listing Rules.

To regulate the above business relationships after the Listing, we entered into a coal supply framework agreement ("Jingneng Coal Supply Agreement") with Jingneng Power (for itself and on behalf of its subsidiaries and associates, including Jingtai Power) on May 29, 2012.

The Jingneng Coal Supply Agreement is for a term commencing from the Listing Date and ending on December 31, 2014 and may be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules. Pursuant to the Jingneng Coal Supply Agreement, we will supply coal to Jingneng Power and its subsidiaries, and Jingneng Power and its subsidiaries will purchase coal from us. Each party is entitled to enter into transactions with any third party, provided that each party's obligations under the Jingneng Coal Supply Agreement are duly fulfilled.

Our Company and Jingneng Power will enter into separate agreements from time to time which shall set out the specific terms and conditions of providing coal according to the principles laid down in the Jingneng Coal Supply Agreement. Jingneng Power shall inform us no later than December 15 of each year the estimated amount of coal it will purchase for the next year.

The coal to be provided under this agreement will be priced based on the following pricing policy: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the market price; or (d) where none of the above is applicable or where it is not practical to apply the above pricing policies, the price agreed between the relevant parties.

i. Provision of coal by Yitai Suancigou to Jingtai Power

Yitai Suancigou, our 52% owned subsidiary, commenced to supply coal to Jingtai Power from December 2009. Jingtai Power is an ancillary coal power plant to Yitai Suancigou, which is in proximity to Yitai Suancigou, and, therefore, all the coal consumed by Jingtai Power is sourced from Yitai Suancigou. Jingtai Power underwent a trial run in 2009 and 2010 and procured all coal consumed from Yitai Suancigou from 2009. For 2009, 2010 and 2011, the total volume and value of coal products provided by Yitai Suancigou to Jingtai Power amounted to approximately 21.0 thousand tonnes, 1,244.4 thousand tonnes and 1,645.2 thousand tonnes, respectively, representing sales of RMB3.7 million, RMB191.3 million and RMB232.4 million, respectively.

We estimate the annual amounts payable by Jingtai Power to Yitai Suancigou based on the following considerations: (1) Given that Jingtai Power became fully operational in April 2011 and it procured all coal from Yitai Suancigou, it is expected that the provision of coal will increase from 1,645.2 thousand tonnes in 2011 to no more than 2,000.0 thousand tonnes per year for each of 2012, 2013 and 2014; and (2) for 2012, 2013 and 2014, we estimate the average price of coal supplied to Jingtai Power will remain constant at approximately RMB175 per tonne. As such, it is estimated that the value of coal provided by Yitai Suancigou to Jingtai Power in respect of 2012, 2013 and 2014 will not exceed RMB350.0 million per year.

CONNECTED TRANSACTIONS

ii. Provision of coal by our Company and Yitai Group to Jingneng Power

Our Company began to provide coal to Jingneng Power from 2011. For 2011, we provided 12.9 thousand tonnes of coal to Jingneng Power, representing sales of RMB7.4 million. To the best knowledge of our Directors, Yitai Group also provided coal to Jingneng Power from June 2010. For 2010 and 2011, the total volume of coal provided by Yitai Group to Jingneng Power amounted to approximately 78.5 thousand tonnes and 172.6 thousand tonnes, representing sales of RMB43.2 million and RMB96.9 million. After the Listing, as all the coal of Yitai Group, except for Sujiahao Mine (whose coal will be sold through our sales channel), will be exclusively purchased by us for re-sale, and pursuant to a consent letter issued by Jingneng Power, our Company will replace Yitai Group to provide coal to Jingneng Power. Therefore, it is estimated that the volume of coal provided by us to Jingneng Power for 2012, 2013 and 2014 will be no more than 220.0 thousand tonnes, 250.0 thousand tonnes and 300.0 thousand tonnes, respectively. Taking different coal types and transportation cost into consideration, the current unit price of coal is approximately RMB550.0 per tonne. We estimate that the annual amounts payable by Jingneng Power to us for 2012, 2013 and 2014 will not exceed RMB121.0 million, RMB137.5 million and RMB165.0 million, respectively.

The total amount payable by Jingneng Power (including Jingtai Power) to our Company (including Yitai Suancigou) for 2009, 2010 and 2011 amounted to RMB3.7 million, RMB191.3 million and RMB239.8 million, respectively. For 2012, 2013 and 2014, we estimate the annual caps will not exceed RMB560.0 million per year.

Set out below is a breakdown of the historical figures and annual caps between us and Jingneng Power (including Jingtai Power):

	Historical amount			Annual cap		
	For the year ended December 31,			For the year ending December 31,		
	2009	2010	2011	2012	2013	2014
	RMB millions					
Provision of coal by Yitai Suancigou to Jingtai Power	3.7	191.3	232.4	350.0	350.0	350.0
Provision of coal by our Company to Jingneng Power	0	0	7.4	121.0	137.5	165.0
Provision of coal by Yitai Group to Jingneng Power	0	43.2	96.9	0	0	0
Total amount received by our Group from Jingneng Power (including Jingtai Power)	3.7	191.3	239.8	471.0	487.5	515.0

The Jingneng Coal Supply Agreement will be subject to the announcement requirement under the Listing Rules.

7 Mutual provision of materials, equipment and services between us and Yitai Group in respect of the Retained Businesses and other businesses of Yitai Group

With respect to the Retained Businesses and other businesses of Yitai Group, during the Track Record Period, we provided materials and equipment to Yitai Group. And Synfuels China, a subsidiary of Yitai Group, provided coal chemical materials to Yitai Coal-to-oil, our subsidiary. These transactions will continue after the Listing.

After the Listing, apart from the above-mentioned transactions, Yitai Group will exclusively supply all the coal produced by Hongqinghe Mine (if any) to us as the purchaser for re-sale, and will appoint us as the exclusive sales agent for all the coal produced by Sujiahao Mine. These transactions will no longer constitute connected transactions of our Company once we exercise our option to acquire Hongqinghe Mine and Sujiahao Mine pursuant to the Non-competition Agreement. For details of the Non-competition Agreement, please refer to "Relationship with Controlling Shareholders — Competition — Non-competition Agreement."

To regulate the business relationship, we entered into a provision of products and service framework agreement with respect to the Retained Businesses and other businesses of Yitai Group ("Retained Businesses and Other Businesses Framework Agreement") with Yitai Group on May 29, 2012.

The Retained Businesses and Other Businesses Framework Agreement is for a term commencing from the Listing Date and ending on December 31, 2014 and may be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules.

CONNECTED TRANSACTIONS

Pursuant to the Retained Businesses and Other Businesses Framework Agreement, all the coal produced by Hongqinghe Mine (if any) shall be exclusively supplied to our Company as the purchaser for re-sale. And our Company will be appointed as the exclusive sales agent for all the coal produced by Sujiahao Mine. Without prejudice to the exclusive sales agent arrangement for all the coal produced by Sujiahao Mine and the exclusive supply of coal produced by Hongqinghe Mine (if any), with regard to the provision of products (excluding coal products) and services, if the terms and conditions of similar products and services offered by an independent third party are not more favorable than those offered by the contract party, the other party shall give priority in sourcing the requisite products and services from the contract party instead of the independent third party.

Our Company and Yitai Group will enter into separate agreements from time to time which shall set out the specific terms and conditions of providing products and services according to the principles laid down in the Retained Businesses and Other Businesses Framework Agreement.

The materials and products to be provided under the Retained Businesses and Other Businesses Framework Agreement will be priced based on: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the market price; or (d) where none of the above is applicable or where it is not practical to apply the above pricing policies, the price agreed between the relevant parties.

In relation to the exclusive agency service provided by our Company to Yitai Group, the agency fee will be 1% of the total revenue of the coal sales or such other fee as determined by our Company and Yitai Group based on the market condition at that time. Other services will be priced based on: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the bidding price where the bidding process is required or the market price where there is no bidding process; or (d) if the price offered by Yitai Group equals to or is more favourable than the bidding prices offered by other independent third parties, we shall procure services from Yitai Group instead of the independent third parties.

i. Provision of materials, equipment and exclusive sales agency service by us to Yitai Group

During the Track Record Period, we provided materials and equipment to Yitai Group. The total value of materials and equipment provided by us to Yitai Group for 2009, 2010 and 2011 amounted to approximately RMB19.9 million, RMB21.9 million and RMB36.8 million, respectively. The significant increase from 2010 to 2011 was mainly due to: (1) the increase in production volume of the Retained Mines; and (2) the renewal and renovation of equipment of Sujiahao Mine. Given that (1) we estimate that Hongqinghe Mine may obtain the project approval from the NDRC in the second half of 2012 and then it will start to procure materials and equipment from us for its preliminary constructions. If Hongqinghe Mine obtains the project approval in the second half of 2012, we estimate the value of materials and equipment supplied to Hongqinghe Mine will be no more than RMB10.0 million. If the actual amount of materials and equipment acquired by Hongqinghe Mine is more than RMB10.0 million, we will comply with relevant requirements under the Listing Rules; and (2) the price of materials and equipment will increase by no more than 15% per year based on our estimation on the market price trend, and hence it is estimated that the value of materials and equipment provided by us to Yitai Group for 2012, 2013 and 2014 will not exceed RMB50.0 million, RMB57.5 million and RMB66.1 million, respectively.

In addition, pursuant to the Non-competition Agreement, we will provide exclusive sales agency service to Sujiahao Mine of Yitai Group after the Listing. There are no historical figures as the exclusive sales agency service will commence only after the Listing. However, to the best knowledge of our Directors, the volume and value of coal produced by Sujiahao Mine for 2009, 2010 and 2011 amounted to approximately 818.5 thousand tonnes, 1,207.9 thousand tonnes and 1,079.3 thousand tonnes, respectively, representing sales of approximately RMB293.2 million, RMB414.4 million and RMB381.9 million, respectively. The significant increase from 2009 to 2010 was due to the increase in the production volume of Sujiahao Mine after an upgrading project. We estimate that the production volume of Sujiahao Mine will remain stable and will not exceed 1,200.0 thousand tonnes per year in 2012, 2013 and 2014. Based on the market price of the type of coal produced by Sujiahao Mine, which was approximately RMB360 per tonne in 2011, which is estimated to increase by 10% per year, and considering that our sales agency fee will be 1% of the total sales of Sujiahao

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Mine, we estimate that for 2012, 2013 and 2014, the total value of sales agency service payable to us by Yitai Group will not exceed RMB4.8 million, RMB5.2 million and RMB5.8 million, respectively.

Pursuant to the Retained Businesses and Other Businesses Framework Agreement, all the coal produced by Hongqinghe Mine (if any) shall be exclusively supplied to us as the purchaser for re-sale. To the best knowledge of our Directors, Yitai Group has obtained the NDRC approval on the overall planning of Hongqinghe Mine but it has not obtained the project approval from the NDRC and the development of Hongqinghe Mine is still at a preliminary preparation stage. After Hongqinghe Mine becomes operational, we will review the annual caps and comply with the applicable disclosure, announcement and/or independent shareholders' approval requirements under the Listing Rules.

	<u>Historical amount</u>			<u>Annual cap</u>		
	<u>For the year ended December 31,</u>			<u>For the year ending December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	RMB millions					
Provided by us to Yitai Group						
Materials and equipment	19.9	21.9	36.8	50.0	57.5	66.1
Sales agent service	N/A	N/A	N/A	4.8	5.2	5.8
Total	19.9	21.9	36.8	54.8	62.7	71.9

ii. Provision of materials by Synfuels China to Yitai Coal-to-oil

For 2009, 2010 and 2011, the volume and value of coal chemical materials provided by Synfuels China to Yitai Coal-to-oil amounted to approximately 35.0 tonnes, 99.0 tonnes and 174.0 tonnes, respectively, representing sales of approximately RMB3.5 million, RMB9.9 million and RMB18.3 million, respectively. As Yitai Coal-to-oil underwent a trial run in 2010 and has reached its designed capacity in 2011, there was significant increase in the volume and value of coal chemical materials from 2009 to 2011. Taking into accounts of the production plan of the Yitai Coal-to-oil, it is expected that Synfuels China will supply approximately 200 tonnes of coal chemical materials to Yitai Coal-to-oil for each of 2012, 2013 and 2014. Given the unit price of coal chemical materials which increased from approximately RMB100,000 per tonne in 2011 to RMB200,000 per tonne from 2012 according to agreement between Yitai Coal-to-oil and Synfuels China, the annual fees payable by Yitai Coal-to-oil to Synfuels China for 2012, 2013 and 2014 will be no more than RMB 40.0 million per year.

A breakdown of the approximate historical provision of materials by Synfuels China to Yitai Coal-to-oil is set out below:

	<u>Historical amount</u>			<u>Annual cap</u>		
	<u>For the year ended December 31,</u>			<u>For the year ending December 31,</u>		
	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
	RMB millions					
Provision of coal chemical materials by Synfuels China to Yitai						
Coal-to-oil	3.5	9.9	18.3	40.0	40.0	40.0

The mutual provision of materials, equipment and services under the Retained Businesses and Other Businesses Framework Agreement will be subject to the announcement requirement under the Listing Rules.

Continuing connected transaction subject to independent shareholders' approval requirement

The following transactions are entered into on normal commercial terms where each of the applicable percentage ratios calculated for the purpose of Chapter 14A of the Listing Rules will, as the Directors currently expect, exceed 5% on an annual basis. By virtue of Rule 14A.34 and 14A.35 of the Listing Rules, each of such transactions will constitute a non-exempt continuing connected transaction subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

8 Provision of coal by us to Guangdong Power Company

During the Track Record Period, we supplied coal to Guangdong Power Company. After the Listing, we will continue to supply coal to Guangdong Power Company.

Guangdong Power Company is a subsidiary of Guangdong Yudean Group Co., Ltd. (廣東省粵電集團有限公司), which is the controlling shareholder of Shanxi Yudean. Shanxi Yudean is a substantial shareholder of Yitai Suancigou. Therefore, Guangdong Power Company is a connected person of our Company under Rule 14A.11 of the Listing Rules and the provision of coal after the Listing constitutes a connected transaction under the Listing Rules.

To regulate the business relationship after the Listing, we entered into a coal supply framework agreement (“Guangdong Power Coal Supply Agreement”) with Guangdong Power Company (for itself and on behalf of its subsidiaries and associates) on May 29, 2012, pursuant to which we will supply coal to Guangdong Power Company.

The Guangdong Power Coal Supply Agreement is for a term commencing from the Listing Date and ending on December 31, 2014 and may be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules. Pursuant to the Guangdong Power Coal Supply Agreement, we will supply coal to Guangdong Power Company and Guangdong Power Company will purchase coal from us. Each party is entitled to enter into transactions with any third party, provided that each party’s obligations under the Guangdong Power Coal Supply Agreement are duly fulfilled.

Our Company and Guangdong Power Company will enter into separate agreements from time to time which shall set out the specific terms and conditions of providing coal according to the principles laid down by the Guangdong Power Coal Supply Agreement. Guangdong Power Company shall inform us no later than December 15 of each year the estimated amount of coal it will purchase for the next year.

The coal products to be provided under this agreement will be priced based on the following pricing policy: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the market price; or (d) where none of the above is applicable or where it is not practical to apply the above pricing policies, the price agreed between the relevant parties.

For 2009, 2010 and 2011, the total volume and value of coal products provided by us to Guangdong Power Company amounted to approximately 1,196.5 thousand tonnes, 1,492.1 thousand tonnes and 1,559.4 thousand tonnes, respectively, representing sales of approximately RMB670.4 million, RMB919.1 million and RMB1,000.9 million, respectively. The provision of coal by our Company continuously increased during the Track Record Period due to the continuously strengthened relationship between our Group and Guangdong Power Company and this trend will continue after Listing. During the Track Record Period, Yitai Group also supplied coal to Guangdong Power Company. As all the coal produced by Yitai Group, except for Sujiahao Mine (whose coal will be sold through our sales channel), will be exclusively supplied to us as the purchaser for re-sale after the Listing, and pursuant to a consent letter issued by Guangdong Power Company, the coal that was originally supplied by Yitai Group to Guangdong Power Company will be supplied by us. To the best knowledge of our Directors, for 2009, 2010 and 2011, the volume and value of coal supplied by Yitai Group to Guangdong Power Company amounted to approximately 768.2 thousand tonnes, 645.7 thousand tonnes and 664.0 thousand tonnes, respectively, representing sales of approximately RMB412.6 million, RMB388.0 million and RMB392.1 million, respectively.

Based on the above, for 2009, 2010 and 2011, the total volume and value of coal provided by our Group and Yitai Group to Guangdong Power Company amounted to approximately 1,964.7 thousand tonnes, 2,137.8 thousand tonnes and 2,223.4 thousand tonnes, respectively, representing sales of approximately RMB1,083.0 million, RMB1,307.1 million and RMB1,393.0 million, respectively.

Taking into consideration of the continuous increase in the coal sales to Guangdong Power Company, based on the historical volume of coal supplied by our Group and Yitai Group for 2009, 2010 and 2011 which was 1,964.7 thousand tonnes, 2,137.8 thousand tonnes and 2,223.4 thousand tonnes, respectively, we expect

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to supply no more than 2,500 thousand tonnes, 2,800 thousand tonnes and 3,100 thousand tonnes of coal to Guangdong Power Company for 2012, 2013 and 2014, respectively. The average price of coal in 2011 was approximately RMB627.0 per tonne. On the assumption that the price of coal will increase by no more than 8% per year for the following three years, we estimate that the price of the type of coal supplied to Guangdong Power Company, taking the transportation cost into consideration, will be approximately RMB677.0 per tonne, RMB731.0 per tonne and RMB790.0 per tonne for 2012, 2013 and 2014, respectively. We estimate that the transportation cost, which only accounts for a minor part of the coal price, will increase by no more than 5% per year. Although our Directors estimate that the market price of coal may increase by no more than 10% per year in the following three years, given that Guangdong Power Company is one of the largest customers of our Group, the price of coal supplied to Guangdong Power Company will increase by no more than 8% per year, which was determined after arm's length negotiation on normal commercial terms. Our Directors expect that the favourable treatment to Guangdong Power Company has a positive contribution to the operating revenue of our Group and helps to strengthen the relationship with Guangdong Power Company, which is beneficial to the continuing operations and business of our Group. As such, it is estimated that the value of coal supplied by us to Guangdong Power Company in respect of 2012, 2013 and 2014 will not exceed RMB1,692.5 million, RMB2,046.8 million and RMB2,449.0 million, respectively.

Set out below is a breakdown of the historical figures and annual caps between us and Guangdong Power Company:

	Historical amount			Annual cap		
	For the year ended December 31,			For the year ending December 31,		
	2009	2010	2011	2012	2013	2014
	RMB millions					
Our Group	670.4	919.1	1,000.9	1,692.5	2,046.8	2,449.0
Yitai Group	412.6	388.0	392.1	0	0	0
Total	1,083.0	1,307.1	1,393.0	1,692.5	2,046.8	2,449.0

The Guangdong Power Coal Supply Agreement will be subject to the announcement and independent shareholders' approval requirements under the Listing Rules.

9 Mutual provision of products, equipment and services between Yitai Group and us in respect of the Target Business Group

In respect of the Target Business Group, during the Track Record Period, we supplied materials, equipment and provided preparation and construction of the mining face service to Yitai Group.

After the Listing and until the Closing Date, in order to minimize the potential competition between Yitai Group and us, Yitai Group will supply all the coal produced by the Target Business Group to us as the purchaser for re-sale. Furthermore, as the sales of such coal required for transportation and storage service from Yitai Group's loading stations, which was historically an intra-group transaction of Yitai Group, we will require transportation and storage services from Yitai Group after the Listing until the Closing Date.

Upon completion of the Proposed Acquisition, all the above-mentioned transactions will no longer constitute connected transactions as they will be intra-group transactions.

To regulate the business relationship, we entered into a mutual provision of products and service framework agreement in respect of the Target Business Group (the "Target Business Group Framework Agreement") with Yitai Group on May 29, 2012.

The Target Business Group Framework Agreement is for a term commencing on the Listing Date and ending on the Closing Date of the Assets Transfer Agreement. If the Closing Date is later than December 31, 2014, the Target Business Group Framework Agreement will be renewed for a period of three years upon mutual agreement, subject to compliance with the requirements of relevant laws and the Listing Rules. Pursuant to the Target Business Group Framework Agreement, Yitai Group has undertaken to exclusively supply all coal produced by the Target Business Group to us as the purchaser for re-sale and we agreed to purchase these coal. Without prejudice to the exclusive supply arrangement of the coal produced by the Target Business Group, Yitai Group has undertaken that it will, and procure its subsidiaries and/or associates to, supply

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products and services on terms and conditions that are equal to or more favorable than the terms and conditions it offers to third parties. Yitai Group cannot provide products or services to third parties unless our request for products and services under the Target Business Group Framework Agreement are fully satisfied first.

Pursuant to the Target Business Group Framework Agreement, we agreed to supply materials, equipment and service to Yitai Group.

We and Yitai Group will enter into separate agreements which shall set out the specific terms and conditions of providing products and services according to the principles laid down by the Target Business Group Framework Agreement. Each party shall inform the other party no later than December 15 of each year of the estimated amount of products and services it will purchase from the other party for the next year.

The materials and products to be provided under the Target Business Group Framework Agreement will be priced based on the following pricing policy: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the market price; or (d) where none of the above is applicable or where it is not practical to apply the above pricing policies, the price agreed between the relevant parties.

The services to be provided under this agreement will be priced based on the following pricing policy: (a) the price prescribed by the state (including any price prescribed by any relevant local government), if applicable; (b) where there is no state-prescribed price but there is a state-guidance price, then the state-guidance price; (c) where there is neither a state-prescribed price nor a state-guidance price, the bidding price where the bidding process is required or the market price where there is no bidding process; or (d) if the price offered by Yitai Group equals to or is more favourable than the bidding prices offered by other independent third parties, we shall procure services from Yitai Group instead of the independent third parties.

i. Provision of materials, equipment and services provided by us to Yitai Group

With respect to the Target Business Group, the total value of materials, equipment and services provided by us to Yitai Group for 2009, 2010 and 2011 amounted to approximately RMB212.6 million, RMB115.1 million and RMB150.9 million, respectively. The decrease from 2009 to 2010 was mainly because the upgrading projects of Yitai Group were completed in 2009 and thus the value of materials, equipment and services significantly decreased in 2010.

Upon completion of the Proposed Acquisition, the Target Business Group will become part of our business and the above-mentioned transactions will no longer constitute our connected transactions. We expect that the Proposed Acquisition will be completed in 2013. For details, please refer to "Relationship with Controlling Shareholders — Competition — Proposed Acquisition." Therefore, we expect that for 2012 and 2013, the total value of products and services payable by Yitai Group will not exceed RMB180 million and RMB202.5 million. We estimate the annual amounts payable by Yitai Group to us based on the following considerations: (1) For 2009, 2010 and 2011, the total value of preparation and construction of mining face service amounted to approximately RMB14.5 million, RMB17.3 million and RMB23.4 million respectively. We estimate that we will provide five times such service to the Target Mines in each of 2012 and 2013. Given that the service charge for every time of preparation and construction of mining face service is approximately RMB6.0 million, we estimate that for 2012 and 2013, the total value of preparation and construction of mining face service will be no more than RMB30.0 million per year; and (2) For 2009, 2010 and 2011, the total value of the provision of materials and equipment amounted to approximately RMB198.1 million, RMB97.8 million and RMB127.5 million, respectively. As the upgrading projects of the Target Mines have completed, we estimate the volume of provision of equipment and materials will remain stable in 2012 and 2013, except that the price of materials and equipment will increase by 15% per year based on our estimation on the market price trend. Therefore, we estimate that the total value of provision of equipment and materials will not exceed RMB150.0 million and RMB172.5 million for 2012 and 2013, respectively.

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A breakdown of the approximate historical materials and preparation and construction of mining face service and annual caps provided by us to Yitai Group is set out below:

	Historical amount			Annual cap	
	For the year ended			For the year	
	December 31,			ending	
	2009	2010	2011	2012	2013
	RMB				
	million				
Provision of preparation and construction of mining face service	14.5	17.3	23.4	30.0	30.0
Provision of materials and equipment	198.1	97.8	127.5	150.0	172.5
Total	212.6	115.1	150.9	180.0	202.5

ii. Provision of coal and service by Yitai Group to us

After the Listing and before the Closing Date, Yitai Group will supply coal and provide transportation and storage service to us.

(a) Provision of coal

After the Listing, as the coal produced in the Target Mines will be exclusively supplied to us as the purchaser for resale, such supply of coal will constitute a connected transaction of our Company. Upon completion of the Proposed Acquisition, the Target Mines will become our assets and the provision of coal will no longer constitute a connected transaction of our Company.

There are no historical figures for the Track Record Period as the exclusive supply of coal to us will only commence upon the Listing. However, to the best knowledge of our Directors, the volume and value of coal produced in the Target Mines for 2009, 2010 and 2011 amounted to approximately 9,635.6 thousand tonnes, 11,464.6 thousand tonnes and 12,685.5 thousand tonnes, respectively, representing sales of approximately RMB2,102.5 million, RMB2,904.3 million and RMB3,687.9 million, respectively. The constant increase during the Track Record Period was due to the expansion of production capacity after upgrading projects of Yitai Group.

As the upgrading projects for the Target Mines have completed in 2009, we estimate that the production capacity will remain constant in 2012 and 2013. We expect that the Proposed Acquisition will be completed in 2013. For details, please refer to "Relationship with Controlling Shareholders — Competition — Proposed Acquisition." Therefore, we expect that for 2012 and 2013, the volume of coal supplied from Yitai Group in respect of the Target Mines will not exceed 13.0 million tonnes per year. Based on the current average market price of coal produced by the Target Mines which is approximately RMB330 per tonne, on the assumption that the coal price will increase by no more than 10% annually, we expect that for 2012 and 2013, the value of coal supplied by Yitai group in respect of the Target Mines will not exceed RMB4,290.0 million and RMB4,719.0 million, respectively.

(b) Provision of transportation and storage service

i. Transportation and storage service for the coal produced in the Target Mines

After the Listing, as the coal produced in the Target Mines will be exclusively supplied to us as the purchaser for re-sale, and considering that the storage, which will remain Yitai Group's assets before completion of the Proposed Acquisition, is in proximity to the Target Mines, we will require transportation and storage service from Yitai Group for the coal.

There are no historical figures for the Track Record Period as the sales of coal, and hence the transportation and storage service, will commence upon the Listing. However, to the best knowledge of our Directors, the volume and value of transportation and storage service provided by Yitai Group's loading stations for the coal produced by the Target Mines for 2009, 2010 and 2011 was approximately 4,792.5 thousand tonnes, 2,764.8 thousand tonnes and 208.3 thousand tonnes, respectively, representing value of approximately RMB69.8 million, RMB40.3 million and RMB4.5 million, respectively. The significant decrease from 2009 to 2011

is because the Target Mines started to use the loading stations owned by our Group for the storage and transportation service, which decreased the need for the transportation and storage service from Yitai Group.

We expect that the Proposed Acquisition will be completed by 2013. For details, please refer to "Relationship with Controlling Shareholders." For 2012 and 2013, we expect the total volume of coal produced in the Target Mines that will require the storage and transportation service from Yitai Group will remain the same as that of 2011, which is approximately 200 thousand tonnes for each year. Based on the unit price of storage and transportation service of RMB21.57 per tonne which has increased since January 1, 2011, we estimate that for 2012 and 2013, the total value of storage and transportation service provided by Yitai Group for the coal supplied by the Target Mines will be no more than RMB4.3 million for each year.

ii. Transportation and storage service for the coal procured by us from third parties

As Yitai Group has undertaken not to conduct coal trading business after the Listing pursuant to the Non-competition Agreement, our Company will expand our coal trading business to take up the coal trading business of Yitai Group after the Listing. We will require Yitai Group's transportation and storage services in relation to the coal we procure from third parties that would have been procured by Yitai Group but for the Non-competition Agreement. However, these transactions will terminate once the Target Business Group (which includes Yitai Group's transportation and storage assets) has been transferred to us.

Our Company began to require transportation and storage service from Yitai Group for the coal procured from third parties by us from 2011. The volume of transportation and storage service we required from Yitai Group for the coal procured from third parties by us for 2011 was approximately 1,186.9 thousand tonnes, representing value of approximately RMB25.6 million. To the best knowledge of our Directors, the volume and value of transportation and storage service for the coal procured by Yitai Group for 2009, 2010 and 2011 was approximately 1,422.8 thousand tonnes, 3,361.6 thousand and 3,789.8 thousand tonnes, respectively, representing value of approximately RMB20.7 million, RMB49.0 million and RMB81.7 million, respectively. The aggregate volume of transportation and storage service required from Yitai Group for the coal procured by us and by Yitai Group for 2009, 2010 and 2011 was approximately 1,422.8 thousand tonnes, 3,361.6 thousand tonnes and 4,976.7 thousand tonnes, respectively.

We expect that the Proposed Acquisition will be completed by 2013. For details, please refer to "Relationship with Controlling Shareholders." For 2012 and 2013, the volume of coal procured from third parties which will require the storage and transportation service from Yitai Group will be approximately 7,000 thousand tonnes per year. The increase in such volume from approximately 5,000 thousand tonnes in 2011 to 7,000 thousand tonnes in 2012 and 2013 is mainly caused by the reasons that Xinghe station, part of our Group's trading business, is expected to become operational in 2012. As Xinghe station is in close proximity to Yitai Group's loading stations, all the coal procured through Xinghe station will require storage and transportation service from Yitai Group. Based on the unit price of storage and transportation service which has increased from approximately RMB14 per tonne to RMB21 per tonne since January 1, 2011 and is estimated to remain relatively constant in 2012 and 2013, we estimate that for 2012 and 2013, the total value of storage and transportation service provided by Yitai Group for the coal procured from third parties by us will be no more than RMB151.0 million per year.

iii. Transportation and storage service for the coal produced by us

During the Track Record Period, we required transportation and storage service from Yitai Group for the coal produced by us. This transaction will continue after the Listing. The volume and value of transportation and storage service we required from Yitai Group for the coal produced by us for 2009, 2010 and 2011 was approximately 8,643.2 thousand tonnes, 8,123.0 thousand tonnes and 5,099.7 thousand tonnes, respectively, representing value of storage and transportation service of approximately RMB120.3 million, RMB113.5 million and RMB107.8 million, respectively. The decrease in the volume and value of such transportation

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and storage service was mainly for the reason that we started to use our self-owned loading stations for the coal produced by us from 2011.

This transaction will terminate after the Closing Date when Yitai Group's loading stations are transferred to our Company and we expect that the Proposed Acquisition will be completed in 2013. For details please refer to "Relationship with Controlling Shareholders — Competition — Proposed Acquisition." We expect that for 2012 and 2013, the volume of transportation and storage service from Yitai Group for the coal produced by us will remain the same as that of 2011, which was approximately 5,000 thousand tonnes. Based on the unit price of storage and transportation service which has increased from approximately RMB14 per tonne to RMB21 per tonne since January 1, 2011 and is estimated to remain relatively constant in 2012 and 2013, we estimate that for 2012 and 2013, the total value of storage and transportation service provided by Yitai Group for the coal produced by us will be approximately RMB107.9 million for each year.

Based on the above, it is estimated that the total annual amount payable by us to Yitai Group under the Target Business Group Framework Agreement in respect of 2012 and 2013 will not exceed RMB4,553.2 million and RMB4,982.2 million, respectively.

Set out below is a breakdown of the historical figures and annual caps for the coal and service provided by Yitai Group to us:

	Historical amount			Annual cap	
	For the year ended December 31,			For the year ending	
	2009	2010	2011	December 31,	2013
	RMB million				
Provision of coal	2,102.5*	2,904.3*	3,687.9*	4,290.0	4,719.0
Provision of transportation and storage service					
for the coal produced in the Target Mines	69.8**	40.3**	4.5**	4.3	4.3
for the coal procured from third parties	20.7***	49.0***	107.3***	151.0	151.0
for the coal produced by us	120.3	113.5	107.8	107.9	107.9
Total	120.3	113.5	133.4	4,553.2	4,982.2

* on an estimated basis as if the coal produced in the Target Mines had been supplied to us for 2009, 2010 and 2011.

** on an estimated basis as if we had procured transportation and storage service from Yitai Group for the coal produced in the Target Mines for 2009, 2010 and 2011.

*** on an estimated basis as if we had procured transportation and storage service from Yitai Group for the coal procured from third parties for 2009, 2010 and 2011.

The mutual provision of products, equipment and service between Yitai Group and us under the Target Business Group Framework Agreement will be subject to the announcement and independent shareholders' approval requirements under the Listing Rules.

APPLICATION FOR WAIVERS

Under the Listing Rules, for the continuing connected transactions under:

- paragraph 5 (Provision of coal by us to Yitai Coal-to-oil);
- paragraph 6 (Provision of products by us to Jingneng Power (including Jingtai Power); and
- paragraph 7 (Mutual provision of materials, equipment and services Between us and Yitai Group in respect of the Retained Businesses and other businesses of Yitai Group)

since each of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules is on an annual basis less than 5% under Rule 14A.34 while more than 0.1% of the Listing Rules, such transactions are exempt from the independent shareholders' approval requirement but are subject to the reporting and announcement requirements set out in Rules 14A.35 to 14A.47 of the Listing Rules.

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The continuing connected transactions under:

- paragraph 8 (Provision of coal by us to Guangdong Power Company); and
- paragraph 9 (Mutual provision of products, equipments and service between Yitai Group and us in respect of the Target Business Group)

constitute non-exempt continuing connected transactions under Rule 14A.35 of the Listing Rules and are subject to the reporting and announcements requirements set out in Rules 14A.45 to 14A.47 of the Listing Rules and the independent shareholders' approval requirements set out in Rule 14A.48 of the Listing Rules.

We have applied to the Hong Kong Stock Exchange for, and have been granted, a waiver from compliance with the above announcement and independent shareholders' approval requirements (where applicable) under Rule 14A.42(3) of the Listing Rules for 2012, 2013 and 2014. Apart from the announcement and/or independent shareholders' approval requirements for which a waiver has been obtained, we will comply with the relevant requirements under Chapter 14A of the Listing Rules.

CONFIRMATION FROM THE DIRECTORS

The Directors (including the independent non-executive Directors) are of the view that (i) the non-exempt continuing connected transactions as disclosed from paragraphs 5 to 9 above, have been/will be entered into in our ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the annual caps (where applicable) for such transactions are fair and reasonable and in the interests of our Company and our Shareholders as a whole.

CONFIRMATION FROM THE JOINT SPONSORS

The Joint Sponsors are of the view that (i) the non-exempt continuing connected transactions as disclosed from paragraphs 5 to 9 above, have been/will be entered into in our ordinary and usual course of business, on normal commercial terms, are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the annual caps (where applicable) for such transactions are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.