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CHINA COAL ENERGY COMPANY LIMITED*

中國中煤能源股份有限公司

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

(Stock code: 01898)

CONNECTED TRANSACTION

ACQUISITION OF PRODUCTION CAPACITY OF XISHAHE COAL MINE FROM XISHAHE COAL INDUSTRY

I. ACQUISITION OF PRODUCTION CAPACITY OF XISHAHE COAL MINE FROM XISHAHE COAL INDUSTRY

(a) Introduction

On 27 October 2021, Pingshuo Group and Xishahe Coal Industry entered into the Capacity Replacement Quota Transaction Agreement with Times Asset, pursuant to which Pingshuo Group shall acquire the closure-for-exit capacity of 1,260 thousand tonnes per year legally held by Xishahe Coal Mine of Xishahe Coal Industry at the unit price of RMB115 per tonne, and the total consideration shall be RMB144,900,000 which shall be paid in cash by Pingshuo Group.

(b) The Capacity Replacement Quota Transaction Agreement

Date: 27 October 2021

Parties: (1) Pingshuo Group;
(2) Xishahe Coal Industry; and
(3) Times Asset.

Subject matter and consideration: Pursuant to the Capacity Replacement Quota Transaction Agreement, Pingshuo Group shall acquire the closure-for-exit capacity of 1,260 thousand tonnes per year legally held by Xishahe Coal Mine of Xishahe Coal Industry.

The unit price shall be RMB115 per tonne, and the total transaction price shall be RMB144,900,000 (including the VAT at the tax rate of 6%). The prices of these transactions were determined after arm's length negotiations between Pingshuo Group and Xishahe Coal Industry on normal commercial terms with reference to the Consultation Report on Capacity Replacement Quota Transactions, which, as commissioned jointly by the Company and China Coal Group, was prepared by Times Asset through (a) referring to the national macro policy, (b) researching on the actual transaction status such as the transaction models and pricing methods of coal capacity quotas, and (c) establishing the best optimization model and the income equilibrium model in line with the supply and demand situation, development trend and latest transaction price of the current capacity quota transaction market, and the proposed unit price of the capacity replacement quota transactions was calculated to be RMB115 per tonne.

Payment arrangement: Pingshuo Group shall pay the total transaction price in a lump sum to the bank account designated by Xishahe Coal Industry before 31 December 2021, and Xishahe Coal Industry shall assist Pingshuo Group to complete the payment procedures. Pingshuo Group and Xishahe Coal Industry shall each pay an intermediary service fee of RMB10,000 (including the VAT at the rate of 6%) to Times Asset within 10 working days upon the Capacity Replacement Quota Transaction Agreement becoming effective.

Replacement quota: The capacity replacement quota acquired by Pingshuo Group shall be exclusively used as additional capacity of the East Open Pit Coal Mine of Pingshuo Group under the capacity cut and replacement scheme and shall not be transferred again.

Upon full settlement of the consideration by Pingshuo Group, Xishahe Coal Industry shall be responsible for cooperating with Pingshuo Group to complete the capacity replacement certification document as required by the National Development and Reform Commission within its scope of competence, and provide other relevant required documents by Pingshuo Group in an active manner.

(c) Reasons for and Benefits of Entering into the Capacity Replacement Quota Transaction Agreement

According to the relevant policies issued by the National Development and Reform Commission and other related authorities, coal mines with high quality production capacity are eligible to develop capacity replacement plans to increase production capacity under the capacity cut and replacement scheme.

The Board is of the view that entering into the Capacity Replacement Quota Transaction Agreement is in line with the relevant PRC policy requirements, and the completion of such capacity replacement procedures is conducive to the introduction of additional production capacity to East Open Pit Coal Mine, so as to ensure the early release of advanced production capacity of East Open Pit Coal Mine of Pingshuo Group, which is in the interests of the Company and its shareholders as a whole.

II. HONG KONG LISTING RULES IMPLICATIONS

As at the date of this announcement, Xishahe Coal Industry is an indirect subsidiary of China Coal Group. Since the China Coal Group is the controlling shareholder and a connected person of the Company under the Hong Kong Listing Rules, Xishahe Coal Industry therefore is an associate of a connected person of the Company and a connected person of the Company. Accordingly, the Capacity Acquisition constitutes a connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules. The Capacity Acquisitions also constitute acquisitions under Chapters 14 and 14A of the Hong Kong Listing Rules. The Capacity Acquisitions shall therefore be aggregated with the Previous Acquisition Transactions as required by Rules 14.22 and 14A.81 of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Hong Kong Listing Rules) of the Capacity Acquisition, on a standalone or aggregated basis, exceed 0.1% but are less than 5%, the Capacity Acquisition shall be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

III. DIRECTORS' CONFIRMATION

The Directors, Mr. Wang Shudong, Mr. Peng Yi and Mr. Zhao Rongzhe, who are also directors or senior management of the parent company, are deemed to have material interests in the Capacity Acquisition, and thus have abstained from voting on the relevant resolution at the Board meeting. Save as mentioned above, none of the other Directors has a material interest in the Capacity Acquisition.

The Directors (including the independent non-executive Directors) are of the view that the Capacity Replacement Quota Transaction Agreement was entered into on normal commercial terms, and although the Capacity Acquisition thereunder is not in the ordinary and usual course of business of the Company, the terms and conditions therein are fair and reasonable, in line with the overall development strategy of the Group and in the interests of the Company and its shareholders as a whole.

III. GENERAL INFORMATION OF THE PARTIES

Xishahe Coal Industry

Xishahe Coal Industry is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Coal Resources Development Group Company, which is a wholly-owned subsidiary of China Coal Group. It is principally engaged in the mining of coal.

Times Asset

Times Asset is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Coal Group, the principal businesses of which include asset management, investment management, financial consulting, and economic and trade consulting.

Pingshuo Group

Pingshuo Group is a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the mining and sales of coal, power production and the production and sales of coal chemical products.

China Coal Group

China Coal Group is a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company. As at the date of this announcement, China Coal Group directly and indirectly holds approximately 58.36% of the issued share capital of the Company. The principal business of China Coal Group includes coal production and trading, coal chemical industry, pithead power generation, coal mine construction, coal machinery manufacturing and related engineering services. The ultimate controller of China Coal Group is SASAC, which is an ad hoc body directly under the State Council and mainly responsible for supervising the state-owned assets of the enterprises owned by the Central Government (excluding financial enterprises) and their value preservation and value added.

IV. DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the meanings set out below:

“associate”	has the meaning ascribed to it in the Hong Kong Listing Rules and the Shanghai Listing Rules
“Board”	means the director(s) of the Company
“Capacity Acquisition”	means the capacity acquisition transaction contemplated under the Capacity Replacement Quota Transaction Agreement
“Capacity Replacement Quota Transaction Agreement”	means Pingshuo Group and Xishahe Coal Industry entered into the Capacity Replacement Quota Transaction Agreement with Times Asset on 27 October 2021, pursuant to which Pingshuo Group shall acquire the closure-for-exit capacity of 1,260 thousand tonnes per year legally held by Xishahe Coal Industry at the unit price of RMB115 per tonne, and the total transaction price shall be RMB144,900,000 (including the VAT at the tax rate of 6%)
“China Coal Group”	means China National Coal Group Corporation* (中國中煤能源集團有限公司), a state-owned enterprise incorporated in the PRC and the controlling shareholder of the Company

“Company”	means China Coal Energy Company Limited* (中國中煤能源股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H Shares of which are listed on the Hong Kong Stock Exchange (stock code: 01898) and the A Shares of which are listed on the Shanghai Stock Exchange (stock code: 601898)
“Director(s)”	means the director(s) of the Company
“Group”	means the Company and its subsidiaries
“Hong Kong Listing Rules”	means the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Pingshuo Group”	China Coal Pingshuo Group Company Limited, a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Previous Acquisition Transactions”	A subsidiary of the Company previously acquired 100% equity interest in Beijing Zhongzhuang Changrong Mining Equipment Co., Ltd.* (北京中裝昌榮煤礦機械有限責任公司) from a subsidiary of China Coal Group at the consideration of RMB4,320,000 in October 2021; and a subsidiary of the Company acquired some equipment from Jiangsu Sulv Aluminum Co., Ltd.* (江蘇蘇鋁鋁業有限公司), a subsidiary of China Coal Group at the consideration of RMB5,004,900 in October 2021
“RMB”	Renminbi, the lawful currency of the People’s Republic of China
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council
“Times Asset”	China Coal Times Asset Management Co., Limited (中煤時代資產經營管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of China Coal Group
“Xishahe Coal Industry”	Shanxi China Coal Xishahe Coal Co., Ltd., a company incorporated in the PRC and an indirect subsidiary of China Coal Group, principally engaged in the mining of coal

By Order of the Board
China Coal Energy Company Limited
Wang Shudong
Chairman of the Board, Executive Director

Beijing, the PRC
27 October 2021

As at the date of this announcement, the Company’s executive directors are Wang Shudong and Peng Yi; the non-executive directors are Zhao Rongzhe and Xu Qian; and the independent non-executive directors are Zhang Ke, Zhang Chengjie, and Leung Chong Shun.

* For identification purpose only