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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)

ANNOUNCEMENT IN RELATION TO PROVISION FOR IMPAIRMENT OF ASSETS

On 23 March 2023, China Coal Energy Company Limited (the “**Company**”) held the second meeting of the fourth session of the board of directors in 2023 and the second meeting of the fourth session of the supervisory committee in 2023, which considered and approved the “Resolution on the Company’s Provision for Impairment of Relevant Assets” and agreed that the Company should make provision for impairment of assets.

The provision for asset impairment will correspondingly reduce profit before tax of RMB6.29 billion, profit for the year of RMB4.71 billion and profit attributable to equity holders of the Company of RMB3.72 billion in the consolidated financial statements of the Company for 2022 prepared in accordance with the International Accounting Standards. Profit for the year attributable to equity holders of the Company for 2022 increased by 30% year-on-year. Details are as follows:

I. BASIC INFORMATION OF THE PROVISION FOR IMPAIRMENT OF ASSETS

(I) Basic assets information of and reasons for provision for impairment of assets

In January 2011, the National Energy Administration approved China National Coal Group Corporation (“**China Coal Group**”), the controlling shareholder of the Company, as the development entity of the Hujerte mining area in Inner Mongolia Autonomous Region. At the same time, China Coal Group was required to “make use of the capital, technology and management advantages of large coal enterprise group, continue to reorganize and integrate other development enterprises in the mining area by way of joint venture cooperation, acquisition and merger in accordance with the market-oriented operation method, and promote the intensive development of coal resources in the mining area” (Guo Neng Coal [2011] No. 10). As the listed platform for the core business assets of China Coal Group, in order to implement the above requirements and actively promote the construction of Ordos Energy Base, in 2011, the Company successively invested RMB6.621 billion to acquire 78.84% equity interest in Ordos Yinhe Hongtai Coal Power Company Limited (“**Yinhe Hongtai Company**”) by way of market-oriented acquisition. Yinhe Hongtai Company holds the mining rights

in Shalajida Mine in the Hujierter mining area, which covers an area of 92.83 square kilometers and has a resource reserve of 1.66 billion tonnes, and is a development planning project under the National Coal Industry's "12th Five-Year Plan". In December 2012, it obtained the reply letter from the National Energy Administration on the approval of the preliminary work of the project (Guo Neng Coal [2011] No. 401).

In January 2014, Ordos Government reported to the People's Government of Inner Mongolia Autonomous Region for approving the adjustment and delineation plan of certain urban drinking water source protection zones in Ordos. The Hatoucaidang Water Source Zone was taken as the drinking water source of the central urban area of Ordos, which overlapped with the Shalajida Mine with an area of 63.02 square kilometers, accounting for 68% of the Shalajida Mine. Since then, the project has not been developed and constructed. During the period, the local government engaged a professional consulting company to conduct technical demonstration on the mining of the mining field, and the consulting company issued a consulting opinion of "adopting collaborative mining measures of water resources and coal resources to achieve the effect of not affecting the water supply in the source and making full use of coal resources", for which the mining rights in Shalajida Mine has been retained so far.

Since 2022, the local government has actively implemented the supervision and rectification requirements of the central government's ecological and environmental protection, and at the same time, with the issuance of relevant national policies to further strengthen the red line management of ecological protection, as of the date of this announcement, being 23 March 2023, there are great uncertainties in the short-term development and construction of the Shalajida Mine, and relevant assets have signs of impairment.

In order to ensure an objective, fair and true view of the assets, the Company engaged China United Assets Appraisal Group Co., Ltd.* (中聯資產評估集團有限公司) to assess the recoverable amounts of the assets and liabilities related to the mining rights in the Shalajida Mine as at the benchmark date, and made provision for impairment of assets based on the valuation results. The provision for impairment of assets was included in the consolidated financial statements of the Company for 2022. The consolidated financial statements were audited by Ernst & Young Hua Ming LLP (Special General Partnership) and Ernst & Young, the auditors of the Company under the domestic and international financial reporting standards, and unqualified audit reports were issued.

(II) Particulars of provision for impairment of assets

In accordance with the Accounting Standard for Business Enterprises No. 8 – Asset Impairment and International Accounting Standard No. 36 – Asset Impairment, where there is any indication of existence of asset impairment, the recoverable amount of the assets should be estimated. The Company will recognize provision for impairment for the shortfall between the recoverable amount of assets and the book value.

According to the Asset Valuation Report (China United Appraisal Report Character [2023] No. 337) issued by China United Assets Appraisal Group Co., Ltd, as of the valuation benchmark date, being 31 December 2022, the recoverable amount of the mining right assets of Shalajida was RMB3.54 billion, pursuant to which the Company made provision for asset impairment of RMB6.29 billion in the consolidated financial

statements prepared in accordance with the International Accounting Standards, which affected the Company's profit before tax in consolidated financial statements of RMB6.29 billion, profit for the year of RMB4.71 billion and profit attributable to equity holders of the Company of RMB3.72 billion, respectively. Based on the 78.84% equity interest in Yinhe Hongtai Company held by the Company, provision for impairment of long-term equity investment of RMB3.72 billion was made in the financial statements of the Company as the parent company. The main valuation assumptions and parameters are as follows:

(1) Valuation assumption: the mining right in Shalajida will continue to be retained and will be developed and constructed after the service period of the water source protection zone expires.

(2) Key parameters:

Construction scale: 8 million tonnes.

Resources reserves: 1,505 million tonnes of estimated resources and 959 million tonnes of estimated recoverable reserves.

Service period: 86 years of mine service life.

Discount rate of mining rights: 8.30%.

Selling price and cost: The comprehensive selling price of coal is RMB474/tonne and the cost of coal is RMB191/tonne with reference to the long-term contract price and spot policy of coal.

II. RELEVANT REVIEW AND APPROVAL PROCEDURES

On 23 March 2023, the Company held the second meeting of the fourth session of the board of directors in 2023 and considered and approved the "Resolution on the Company's Provision for Impairment of Relevant Assets". The board of directors of the Company is of the opinion that the provision for impairment of assets made by the Company is based on the principle of prudence, in line with the provisions of accounting standards and the Company's financial management system. The provision reflects the conditions of the Company's assets in a fair manner. The board of directors of the Company agreed to the provision for impairment of assets.

The independent non-executive directors of the Company are of the opinion that the procedures for considering the provision for impairment of assets of the Company are in compliance with the relevant laws and regulations, accounting standards and the financial management system of the Company. After the provision for impairment of assets, the financial statements of the Company can reflect the financial position of the Company in a fairer manner and there are no circumstances that would prejudice the interests of the Company and all shareholders, in particular the minority shareholders. The independent non-executive directors of the Company agreed to the provision for impairment of assets.

On 23 March 2023, the Company held the second meeting of the fourth session of the supervisory committee of the Company in 2023 and considered and approved the “Resolution on the Company’s Provision for Impairment of Relevant Assets”. The supervisory committee of the Company is of the view that the provision for impairment of assets of the Company is in line with the actual situation of the Company and can reflect the financial position of the Company in a fair manner and the relevant decision-making procedures are in compliance with the laws and regulations. The supervisory committee of the Company agreed to the provision for impairment of assets.

III. IMPACT OF PROVISION FOR IMPAIRMENT OF ASSETS ON THE COMPANY’S FINANCIAL POSITION

The provision for impairment of assets will accordingly reduce the Company’s profit before tax of RMB6.29 billion, profit for the year of RMB4.71 billion and profit attributable to equity holders of the Company of RMB3.72 billion in the consolidated financial statements of the Company for 2022 prepared in accordance with the International Accounting Standards.

After years of development, the Company has built a large-scale modern coal and coal chemical dense industrial chain in the Ordos Energy Base, which has played an active role in ensuring national energy security supply and is able to provide better returns to shareholders. Based on the historical background of obtaining the mining right of the Shalajida Mine, the Company will continue to maintain good communication with the local government and safeguard the interests of the Company in accordance with the laws and regulations on the premise of fully implementing the requirements of ecological and environmental protection.

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

Beijing, the PRC
23 March 2023

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

* *For identification purpose only*